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DETERMINANTS OF ISLAMIC SOCIAL REPORTING (ISR) DISCLOSURE ON FINANCIAL PERFORMANCE IN SHARIA BANKING

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KEYWORDS
Retun on Asset (ROA); Islamic Social Reporting (ISR)

ABSTRACT

This study aims to examine the effect of Islamic Social Reporting (ISR) disclosures on financial performance. The dependent variable used in this study is financial performance as measured by Return on Assets (ROA). The independent variable in this study is Islamic Social Reporting (ISR). The population in this study is the Islamic banking industry registered with the Financial Services Authority (OJK) for the 2011-2020 period. The sample in this study were 8 Islamic banks selected using purposive sampling method. This study uses panel data linear regression analysis as a data analysis tool. The statistical tool used was Eviews 9. The results showed that disclosure of Islamic social reporting had a significant positive effect on return on assets (ROA) with a prob value of 0.0102 or less than 0.05. So that ISR can be used to predict ROA with a positive coefficient direction, meaning that if ISR increases, ROA will increase, which means that financial performance will increase.

INTRODUCTION

The development of Islamic banking in Indonesia has become a benchmark for the success of the existence of the Islamic economy. The growth performance of Islamic banking financing has always increased, even during the pandemic period. This can be proven based on OJK data, Islamic bank financing rose 8.08% to Rp394.6 trillion at the end of 2020, while third party funds reached Rp475.5 trillion, up 11.80% on an annual basis. In addition, the quality of financing is also getting better with the ratio of non-performing financing down 3 basis points on an annual basis to 3.08%. The capital adequacy ratio is at the level of 21.59% with the financing to deposits ratio at 82.4%, which shows the ability to expand this year is getting bigger. In addition, the market share of Islamic banking has consistently increased from year to year. The number of third party fund accounts (DPK) has increased by 3.15 million accounts since December 2019. Positive growth has also occurred on the asset side and disbursed financing (PYD). (Kusjuniati, 2020).

Islamic banking is not only concerned with profit alone in maintaining its performance but also pays attention to social aspects. (Abdel Karim, 1990) states that the establishment of Islamic banks is in order to achieve *falaah* (success in this world and the hereafter). Banks must continue to ensure the continuity of operations in their business in terms of profit. However, that does not mean forgetting the contribution in improving the welfare of the community or it can be referred to as the company's code of ethics. One form of the social role of Islamic banking is the existence of *qard al-hasan* (benevolent funds), the implementation of the receipt and distribution of zakat, infaq, sadaqoh (ZIS) funds and the priority of financing the profit-sharing principle in the form of *mudharabah* and *musyarakah*.

Efforts to achieve prosperity and wealth to generate profits is to improve financial performance. Assessment of financial performance is one way that can be done by Islamic banking in order to fulfill its obligations to funders and also to achieve the goals that have been set. The main measuring tool for evaluating financial performance through the results of calculations from financial statements is the profitability ratio.

The use of company performance measurement indicators using financial ratios alone certainly has weaknesses. Islamic banking is different from conventional banking both in practice and theory, it is necessary to change the paradigm of the form of performance measurement not only limited to financial ratios (stakeholder orientation). For this reason, an analytical tool is needed to determine the performance of Islamic banking in Indonesia, especially to assess performance from the point of view of sharia values applied in daily sharia banking operations (Prasetyowati & Handoko, 2016). In Law no. 21 of 2008 concerning Islamic Banking, Islamic Banks and UUS can carry out social functions, namely receiving funds from zakat, infaq, alms or other social funds and channeling them to waqf managers (nazhir) according to the will of the giver of the role of Islamic banking in the distribution of the economic welfare of the people. .

CSR *disclosure* is the disclosure of information regarding the entity's activities related to the entity's social environment which is carried out through the media of its annual report. Measurement of CSR in Islamic banking still refers to the Global Reporting Initiative Index (GRI Index). However, with the need for disclosure of social performance in Islamic banking, a social disclosure standard that is in line with sharia guidelines is needed, namely the *Islamic Social Reporting Index* (ISR). The *ISR* index is a benchmark for the implementation of Islamic banking social responsibility which contains a compilation of standard *CSR items* set by the AAOIFI (*accounting and auditing organizations of Islamic financial institution*).

This ISR index is an extension of the social responsibility report that includes people's expectations, where these expectations are not only about the company's role in the economy, but also the company's role in a spiritual perspective. Disclosure for Islamic banks is not only to attract the hearts of the public or improve the image of Islamic banks, but as a form of accountability that Islamic bank activities are in accordance with Islamic law. With the disclosure of CSR carried out by Islamic banks, it is expected to provide an understanding of the operational activities and products offered by Islamic banks.

Behind its strength, Islamic banks certainly have a negative record in dealing with this pandemic crisis. Some of them are the decrease in margin with net operating margin down to the level of 1.55% and operating expenses to operating income of 83.63%. The market share is also still relatively low, in line with the low Islamic financial literacy and inclusion, where it is still 0.93% for the literacy index and 9.1% for sharia inclusion. Meanwhile, nationally, the literacy index is 38.03% and financial inclusion is 76.19%. In addition, the differentiation of sharia business models or products is still limited, the technology adopted is not adequate, and the fulfillment of human resources is not optimal (Iqbal, 2021).

So it can be said that measuring company performance using financial ratios alone certainly has weaknesses. Therefore, the need for ISR to measure the values of the sharia aspect in Islamic banking. However, there are still many Islamic companies that use conventional CSR reporting standards. Research related to the social performance of Islamic banks in Indonesia is still relatively small. So that research on the ISR index is also still very little done. Previous studies on the ISR index were mostly carried out by Malaysian researchers. Therefore, this is a challenge for the author to conduct research on the ISR index in this study.

Several previous studies related to this research include (Millenia & Hasan, 2022) in his research entitled "The Influence of Islamic Social Reporting on Bank Performance (Study on Islamic Banking in Indonesia)" with the results of research that ISR has a positive and significant influence on bank performance by using MSI in Islamic banking in Indonesia. This is in accordance with the research by Retnaningsih et.al (2019), namely the disclosure of *Islamic Social Reporting* (ISR) has a significant positive effect on Return on Assets (ROA). However, this statement contradicts research conducted by Sofyan (Hadinata, Sembiring, Kusumasari, & Herawan, 2016)

where Islamic *Social Reporting* (ISR) of Islamic banking in Indonesia has a negative effect on return on assets and profit sharing ratio. Based on the description above, the researcher will conduct a study with the title Determinants of Disclosure of *Islamic Social Reporting* (ISR) in Islamic Banking on Financial Performance.

Islamic Social Reporting (ISR)

Corporate social responsibility (*Corporate Social Responsibility*) based on the World Business Council for Sustainable Development (WBCSD) is a form of action taken from the company's ethical considerations directed at improving the economy, which is accompanied by improving the quality of life for employees and their families, as well as improving the quality of life. the life of the surrounding community and the wider community (Wibisono et al., 2007).

In line with the increasing implementation of CSR in the context of Islam, the desire to make social reporting that is sharia (*Islamic Social Reporting* or ISR) also increases. There are two things that must be disclosed in an Islamic perspective, namely full disclosure and social accountability (Fitria and Hartanti, 2010). Islam has explained quite clearly about the rights and obligations for individuals as well as for organizations based on the Qur'an and Hadith. This is because Islam is a religion that completely regulates all aspects of human life on earth.

ISR was first initiated by Ross Haniffa in 2002 in his article entitled “Social Reporting Disclosure: ISR was further developed more extensively by Rohana Othman, Azlan Md Thani, and Erlane K Ghani in 2009 in Malaysia and currently ISR is still being developed. by subsequent researchers. According to (Haniffa, 2002) there are many limitations in conventional social reporting, so he put forward a conceptual framework for ISR based on sharia provisions. The ISR index is an extension of social reporting that includes people's expectations not only about the role of companies in the economy, but also the role of companies in a spiritual perspective.

The ISR index is an index that contains CSR standard items set by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) which is then further developed by researchers regarding CSR items that should be disclosed by an Islamic entity (Putra, 2013) in (Khoirudin, 2013). In line with (Raditya, 2012), the ISR index used in this study was taken from previous studies, namely, (Haniffa, 2002) made five themes for the disclosure of the ISR Index, namely Funding and Investment Themes, Products and Services Themes, Employees Themes, Community Themes, and Environmental Theme. Then developed by (Othman & Rebolj, 2009) by adding one theme of disclosure, namely the theme of Corporate Governance.

Islamic Bank Financial Performance

Performance is an achievement achieved by the company in a certain period that reflects the level of health of the company (Suhardjono, 2002). So that financial performance is a description of the company's financial condition in a certain period regarding aspects of fund raising and distribution of funds which are usually measured by indicators of capital adequacy, liquidity, and profitability (Jumingan, 2006).

Financial performance is used to assess the financial condition and performance of the company, the analysis requires several benchmarks used are ratios and indexes that connect more than one financial data. In banking performance, the financial condition of a bank is analyzed with financial analysis tools, so that it can be known about the good and bad financial condition of a bank that reflects work performance in a certain period.

Furthermore, the financial performance that will be used in this study are Return on Assets (ROA), and Return on Equity (ROE). This financial ratio was chosen on the grounds that it is the final result of a number of policies and decisions taken by the company. This ratio is important to know to what extent the company's ability to generate profits.

Return on Assets (ROA) is a supporting ratio in calculating profitability for Islamic banks. This ratio is used to measure the success of management in generating profits. ROA is calculated by dividing profit before tax by total assets. The smaller this ratio indicates the lack of ability of bank management in terms of managing assets to increase revenue and reduce costs. ROA is used to measure the ability of bank management in obtaining overall profits from the total assets owned (Lukman, 2009).

Legitimacy Theory

Legitimacy theory is a condition or status that exists when a company's value system is in line with a larger social value system of which the company is a part (Ulum, Ghozali, & Chariri, 2007). Legitimacy can be used as a discourse to construct a company strategy, especially related to efforts to position itself in favor of the company in the community. Good acceptance from the community can help the company in achieving its goals, so as to ensure the survival of the company. (Hadi, 2011) also stated that community legitimacy is a strategic factor for companies in order to develop the company in the future.

Firms usually seek to legitimize and maintain relationships within the broader social and political environment in which they operate, without such legitimacy, they will not survive, regardless of how well they perform financially (Gray, Kouhy, & Lavers, 1995) in (Lanis & Richardson, 2012). Companies use their annual reports to illustrate the impression of environmental responsibility, so that they are accepted by the community. With the acceptance of the community is expected to increase the value of the company so as to increase company profits. This can encourage or assist investors in making investment decisions (Harsanti, 2011).

The use of legitimacy theory in this study has the implication that the ISR program is carried out by the company in the hope of getting positive values and legitimacy from the community. This means that if the company gains legitimacy from the community, then the company can continue to survive and develop in the midst of the community and gain benefits in the future.

Effect of corporate ISR disclosure on ROA

The variable being tested is the disclosure of *Islamic Social Reporting* (ISR) on the financial performance of Islamic banking. Based on the stakeholder theory that when companies meet various expectations of their stakeholders, they will be better able to create extraordinary company performance (Freeman & Reed, 1983). According to Anwar and Alfattani (2014) financial performance describes the role in increasing the activities offered by Islamic banks to investors. The transformation from several conventional banks to Islamic banks has created a good reputation for investors through good ISR.

Disclosure of Islamic Social Reporting is a variable that shows how much corporate social responsibility is to the public. Where every activity agenda in ISR is able to help the company in maintaining its image to the public. So that in the future it will attract the attention of investors to invest their capital in the company. Therefore, the more companies disclose their social responsibility, it is expected that it will affect their financial performance (ROA).

Previous research on the effect of Islamic social responsibility disclosure on financial performance as measured by ROA has been conducted by (Harahap, Harmain, Siregar, & Maharani, 2017) and (Dawam et al., 2016). From the results of this study obtained empirical evidence that the disclosure of corporate social responsibility has a positive effect on ROA. Based on the description above, the hypotheses in this study are:
H_1: ISR disclosure has a positive effect on ROA

RESEARCH METHOD

This study uses quantitative methods. This type of research aims to explain the relationship between two or more variables. This study aims to analyze the effect of the independent variable, namely the disclosure of *Islamic Social Responsibility* (ISR) on the Financial Performance of Islamic Banks. Financial performance in this study is projected by Return on Assets (RoA).

The population in this study is Islamic Commercial Banks in Indonesia. The sample selection technique in this study was carried out using purposive sampling method. The criteria used to select the sample are:

1) Sharia commercial bank registered with OJK
2) Islamic commercial banks that publish complete annual reports for the period 2011-2020
3) Islamic commercial banks that disclose ISR in the annual report for the period 2011-2020
4) Islamic commercial banks that did not suffer losses during the period 2011-2020

So based on these criteria with a total population of 13 Islamic commercial banks, the research sample obtained is 8 Islamic commercial banks. The amount of data per variable (8 BUS x 10 years) is 80 data. The research samples are as follows:

Table 1
Research Sample

No	CODE	SHARIA COMMERCIAL BANKS
1	BSM	PT Bank Syariah Mandiri
2	BRI	PT Bank Bri Syariah
3	BNI	PT Bank BNI Syariah
4	MEGA	PT Bank Mega Syariah
5	BCA	PT Bank BCA Syariah
6	BTPN	PT Bank Btpn Syariah
7	ACEH	PT Bank Aceh Syariah
8	NTB	PT Bank NTB Syariah

Variable Operational Definition

The operational variables that will be used in the study to test the formulated hypotheses are as follows.

1. Dependent Variable

   The dependent variable is the variable that is influenced by the independent variable. The variable used in this study is financial performance which is calculated using RoA. RoA is the company's ability to generate profits in the form of a percentage obtained by the company in managing its assets during a period. The RoA can be calculated by the formula:

$$\mathrm{ROA} = \frac{\text{Net Income}}{\text{Total Asset}}$$

2. Independent Variable

   The independent variable in this study is Islamic Social Reporting which is measured by six indicators using the same measurement and comparison. The comparison uses the scoring method. Of the six indicators, namely investment and finance, products and services, labor, social, environment and organizational governance, 53 items will be developed. Each item disclosed in the annual report will be assigned a number 1 and if it is not disclosed it will be assigned a value of 0. The formula for measuring the extent of disclosure is:

$$\text{Islamic Social Reporting} = \frac{\text{Number of items disclosed}}{\text{Maximum Total Score}}$$

Panel Data Linear Regression Analysis

Panel Data Regression is a combination of cross section data and time series data, where the same cross section unit is measured at different times. So in other words, panel data is data from the same individuals who are observed over a certain period of time. Estimation of parameters in regression analysis with cross section data is carried out using the least squares estimation method or called Ordinary Least Square (OLS).

Testing the hypothesis about the significance of the effect of ISR on Financial Performance (RoA) with the equation:

$$\mathrm{Y_{it}} = \alpha_0 + \alpha_{\mathrm{i}}\mathrm{X} + \varepsilon_{\mathrm{it}}$$

Information:

Y : ISR
α_0 : Constant
α_{i} : Regression coefficient
X_1 : RoA
i : 1st Entity
t : Period 1
e : Error

There are several approaches to determine the best panel data regression model , namely:

1. Estimating Common Effect models, Fixed Effect models and Random Effect models
2. Determining the best model through Chow test, Langrange Multiplier (LM) test and Hausman test
3. Perform classical assumption test, namely normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test

Test the significance of the panel data regression parameters, namely the Coefficient of Determination, t-Statistical Test and F .Statistical Test

RESULTS AND DISCUSSION

Data analysis

There are eight banks sampled in this study, namely: Mandiri Syariah Bank, BRI Syariah Bank, BNI Syariah Bank, Mega Syariah Bank, BCA Syariah Bank, BTPN Syariah Bank, Aceh Syariah Bank, and NTB Syariah Bank. With eight banks being sampled, 40 observations during 2011-2020 were used in this study.

1. Financial performance

   Financial performance is projected with ROA calculated from net income divided by total assets. The following is a table of ROA calculation results from company samples during the 2011-2020 period:

Table 2
ROA (%) Islamic Bank

No	Code	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	BSM	1.95	2.25	1.53	0.17	0.56	0.59	0.59	0.88	1.69	1.65
2	BRI	0.20	0.88	1.15	0.08	0.77	0.95	0.51	0.43	0.31	0.81
3	BNI	1.29	1.48	1.37	1.27	1.43	1.44	1.31	1.42	1.82	1.33
4	MEGA	2.29	2.74	1.14	1.16	1.97	2.36	2.24	2.47	2.90	3.64
5	BCA	0.90	0.80	1.00	0.80	1.00	1.10	1.20	1.20	1.20	1.10
6	BTPN	4.40	4.70	4.50	4.23	5.24	9.0	11.2	12.4	13.58	7.16
7	ACEH	2.91	3.66	3.44	3.13	2.83	2.48	2.51	2.38	2.33	1.73
8	NTB	5.71	5.62	5,10	4.65	4.27	3.95	2.45	1.92	2.56	1.74

Data source: IDX 2011-2020, secondary data (processed data)

From the table above, it can be seen that the ROA of the company samples fluctuates every year. The lowest ROA in 2014, was at BRI Syariah at 0.08% and the highest was at BTPN Syariah at 13.58% in 2019. The highest average ROA from 2011 to 2020 was also at BTPN Syariah at 7.64 % and the lowest average ROA also lies with BRI Syariah at 0.61%.

2. Islamic Social Reporting (ISR)

   In the table below, it can be seen that disclosure based on ISR has increased from year to year, but for banks that make disclosures based on the average ISR index the highest is done by Islamic NTB banks at 87%. Meanwhile, the lowest ISR disclosure of 60.59% was carried out by Aceh Syariah banks.

Table 3
Islamic Social Reporting (ISR) Islamic Banks

No	Code	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	BSM	0.850	0.910	0.829	0.512	0.705	0.887	0.925	0.925	0.943	0.943
2	BRI	0.421	0.930	0.950	0.503	0.882	0.830	0.566	0.906	0.887	0.925
3	BNI	0.823	0.860	0.829	0.825	0.853	0.868	0.830	0.868	0.849	0.887
4	MEGA	0.736	0.755	0.636	0.638	0.726	0.755	0.736	0.811	0.811	0.811
5	BCA	0.698	0.774	0.775	0.774	0.775	0.698	0.774	0.755	0.755	0.755
6	BTPN	0.509	0.566	0.572	0.442	0.660	0.509	0.566	0.642	0.642	0.660
7	ACEH	0.655	0.786	0.761	0.711	0.683	0.755	0.736	0.811	0.811	0.830
8	NTB	0.998	0.974	0.916	0.877	0.871	0.698	0.774	0.755	0.755	0.755

Data source: idx 2011-2020, secondary data (processed data)

Descriptive Statistical Analysis

Statistical descriptive analysis was used to describe the data for each research variable including Financial Performance (ROA) and ISR. The table shows the minimum, maximum, mean, and standard deviation values for each research variable.

Table 4
Descriptive Statistical Analysis

	Y	X
mean	2.323000	0.752625
median	1.670000	0.780500
Maximum	13.58000	0.998000
Minimum	0.080000	0.210000
Std. Dev.	2.103615	0.157823
Skewness	2.604479	-1.274542
Kurtosis	12.63534	4.961852
Jarque-Bera	399.9104	34,48899
Probability	0.000000	0.000000
Sum	185.8400	60.21000
Sum Sq. Dev.	349.5905	1.967735
Observations	80	80

Source: Secondary Data, Output Eviews 9

From the descriptive statistical tests presented in the table, the results are as follows:

1. Financial performance (ROA) has the lowest value of 0.080000 and the highest value of 13.58000 with an average value of 2.323000 and a standard deviation of 2.103615
2. ISR has the lowest value of 0.210000 and the highest value of 0.998000 with an average value of 0.752625 and a standard deviation of 0.157823

Classic assumption test

Classical assumption testing in this study includes data normality test, multicollinearity test , heteroscedasticity test, and autocorrelation test.

1. Data Normality Test

   The normality test was conducted to determine the normality of the data distribution for each research variable. The normality test was conducted to determine whether the variables in this study were normally distributed or not.

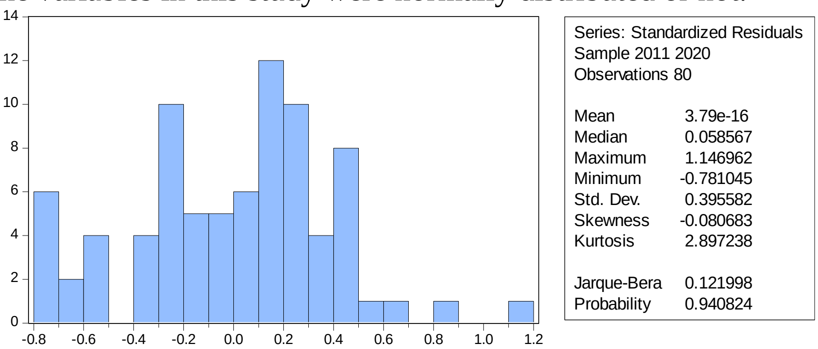

Figure 1. Normality test

Source: Secondary Data, Output Eviews 9

It can be seen in the table that the value of *Sig.* for Standardized residual is 0.940824. Then the value of Sig> 0.05so it can be concluded that the variable data comes from a normally distributed population.

2. Multicollinearity Test

Multicollinearity is a situation where there is a strong correlation between one independent variable and the other independent variables in regression analysis. If multicollinearity is detected in the analysis, the estimated regression coefficient number obtained has a value that is not in accordance with the substance, so that it can mislead interpretation. In addition, the *standard error value of* each regression coefficient can be infinite.

Table 5
Multicollinearity Test

Variable	Uncentered	Centered
	VIF	VIF
X	1.0000000	1.0000000

Source: Secondary Data, Output Eviews 9

The model is said to be free from multicollinearity if the VIF value is <10. From table 10 it can be seen that the calculation of the *Variance Inflation Fact* or (VIF) value shows that none of the independent variables has a VIF value of more than 10 so it can be concluded that there is no multicollinearity between the *independent variables*. (independent variable).

3. Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is an inequality of *variance* from the residuals of one observation to another observation.

Table 6
Heteroscedasticity Test

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	0.536970	0.774066	0.693701	0.4899
X	1.292858	0.878301	1.471999	0.1450

Source: Secondary Data, Output Eviews 9

The results of the glejser test show that the probability value of the independent variable is 0.1350 which is greater than Alpha (0.05), so it can be concluded that there is no heteroscedasticity problem in this data.

4. Autocorrelation Test

This assumption test is conducted to determine whether in a linear regression model there is a correlation between the confounding error in period t and the error in the previous t-1. Autocorrelation arises because related observations over time are related to each other.

Table 7
Autocorrelation Test

R-squ ared	0.081962	Mean dependent var	0.586630
Adjusted R-squared	0.070192	SD dependent var	1.463734
SE of regression	1.411428	Sum squared resid	155.3860
F-statistics	6.963795	Durbin-Watson stat	1.982428
Prob(F-statistic)	0.010039		

Source: Secondary Data, Output Eviews 9

The assumption of autocorrelation is violated if the Durbin-Watson number is <1.6 and >8.3. Meanwhile, from the results of data processing shown in the table, the Durbin-Watson number is 1.982428 which is between 1 and 8, it can be interpreted that there is no positive or negative autocorrelation in the regression model. So that the assumption of autocorrelation is met.

Model Testing on Panel Data

Panel data model testing basically has three forms, namely pooled, fixed effects and random effects. To select the method to be used, it is necessary to carry out 3 (third) tests, namely the Chow test with the rendundant test, the Hausman test, and the Lagrange multiplier test. After performing the three tests, the best model that was selected and used in this study was the random effect model which had also been tested for classical assumptions.

Table 8
Panel Data Linear Regression

Dependent Variable: Y				
Method: Panel EGLS (Cross-section random effects)				
Date: 04/24/22 Time: 14:43				
Samples: 2011 2020				
Periods included: 10				
Cross-sections included: 8				
Total panel (balanced) observations: 80				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.028581	1.073631	0.026621	0.9788
X	3.048555	1.158379	2.631742	0.0102
Effects Specification				
			SD	Rho
Cross-section random			1.714801	0.5948
Idiosyncratic random			1.415267	0.4052
Weighted Statistics				
R-squared	0.081962	Mean dependent var		0.586630
Adjusted R-squared	0.070192	SD dependent var		1.463734
SE of regression	1.411428	Sum squared resid		155.3860
F-statistics	6.963795	Durbin-Watson stat		1.982428
Prob(F-statistic)	0.010039			

Source: Secondary Data, Output Eviews 9

Based on table Coefficients above could seen score Constant _ is 0.028581 and the value of X is 3.048555. The value could substituted with equality regression double as following:

ROA = 0.028581 + 3.048555 (ISR)

From the equation the above regression, can is known that :

a) Constant as big as 0.028581 states that if value of variable free ignored or is 0, then value (Y) is 0.028581.
b) The coefficient of regression equation (X) is 3.048555 state that every increase in X, 1 unit then (Y) will be increase as big as 3.048555 times.

T . Statistical Test

This test was conducted to test the significance of the coefficients of each independent variable partially or simultaneously on the dependent variable. That is the effect of the independent variable ISR X on dependent variable ROA (Y). The table above shows that the ISR variable has a positive and significant effect on ROA because the prob value is 0.0102 or less than 0.05.

F . Statistical Test

In the table above there is Column Prob (F-statistic) which is significance value a double effect between variables or a simultaneous effect or together regression model, obtained the value of Sig. = 0.000000. Based on results calculation, get results that research sig 0.010039 < 0.05, this case show that the ISR variable has an effect significant to the ROA variable.

Coefficient of Determination Analysis

Is known that number R - Square of 0.081962. The figure states that variance var i ab el ROA can explained or influenced by variable ISR is 8.19%, while the other 91.81 % is determined by other variables that are not explained in this study.

The Effect of Islamic Social Reporting Index on Return on Assets (ROA)

The first test in this study is to examine the effect of *Islamic Social Reporting* (ISR) in Islamic banking on financial performance as proxied by ROA. The results of the t hypothesis test can be seen in the table that the Islamic Social Reporting Index variable in Islamic banks has a significance level of 0.0000 with a coefficient of 1.658070.

Table 9
Hypothesis Test t

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.028581	1.073631	0.026621	0.9788
X	3.048555	1.158379	2.631742	0.0102

Source: Output Eviews 9

From these numbers, it can be interpreted that the Islamic Social Reporting Index has a positive influence on ROA. These results are consistent with the initial hypothesis which states that the ISR variable has a significant positive effect on ROA. So that the ISR can be used to predict ROA with a positive coefficient direction, meaning that if the ISR increases, the ROA will increase, which means that financial performance will increase.

The results of this study are in accordance with the hypothesis and research conducted by (Harahap et al., 2017) and (Arshad, Othman, & Othman, 2012)which state that *Islamic Social Reporting* (ISR) has an effect on financial performance as proxied by Return On Assets (ROA), which finds that the company's good Banking through the disclosure of social responsibility received a positive response by the public as reflected in the existence of a significant and positive relationship between social performance and financial performance.

This proves that investors are long-term oriented and consider the disclosure of social responsibility in investing in banking companies in 2011-2020. And with the issuance of Law No. 21 of 2008 article 7 which states that the legal form of Islamic banks is a Limited Liability Company so that in terms of social and environmental responsibility, Islamic banks must refer to Law No. 40 of 2007 which in this study turned out to affect the activity of disclosure of responsibility. social responsibility in banking companies. In addition, the disclosure of social responsibility (ISR) is a variable that shows how much corporate social responsibility is to the public. Where every activity agenda in ISR is able to help the company in maintaining its image to the public. So that in the future it will attract the attention of investors to invest in the company. Therefore, the more companies disclose their social responsibility, it is expected that it will affect their profitability (ROA).

CONCLUSION

Study this conclude that ISR disclosure is influential positive significant to performance proxied finance with ROA. The more large disclosure of Islamic Social Reporting, then could increase profitability company as measured by ROA. The result in accordance with theory legitimacy that explains that when company To do activity social will impact on the company's image (value creation) in the form of positive social value that can support operational processes companies that have an impact on increasing profit company. As includes in component The basis of CSR is cover welfare or prosperity economy, increase quality environment and justice social.

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