Company Size, Solvency, Liquidity Toward Social Responsibility Using Islamic Social Reporting (ISR) Index

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ARTIKEL INFO

Submitted:
May 09, 2025

Revision:
June 03, 2025

Accepted:
June 04, 2025

Keywords:

ISR; Company size; solvency; liquidity

ABSTRACT

Analysis of company size, solvency, and liquidity on Islamic Social Reporting (ISR) disclosure is the focus of this study. This study is based on stakeholder theory with a quantitative approach. Secondary data were obtained through the annual publication of Islamic Commercial Banks during 2019–2023 using purposive sampling techniques, while hypothesis testing was carried out through classical assumption tests and multiple linear regression analysis. The study population included nine Islamic banking institutions registered with the Financial Services Authority (OJK), with a total of 45 observation data. The research findings show that only the liquidity variable has a significant positive effect on ISR disclosure, while company size and solvency do not show a significant relationship. The implications of these results indicate that good liquidity management can encourage broader sharia-based social disclosure, so that Islamic banks need to strengthen the efficiency of fund management. This study also contributes to encouraging regulators such as OJK to formulate more targeted ISR standards, as well as providing a reference for investors in assessing banks' social and sharia commitments through liquidity indicators.

1. INTRODUCTION

Islamic banking in Indonesia began to show progress since the establishment of Bank Muamalat as a pioneer of Islamic banking in Indonesian. Since then, this industry has grown rapidly, marked by the presence of various Islamic financial products and services and the improvement of infrastructure that supports the operation of Islamic-based financial systems in various regions (Nastiti & Firdaus, 2019). The majority of Indonesian people are Muslim, contributing to the enrichment of the world of sharia banking, by providing a positive response to sharia banking, as evidenced by the government's role through Law no. 21 of 2008, concerning Sharia Banking.

The progress of the sharia-based banking industry has also created pressure for this industry to fulfill its social obligations. In general, companies still rely on the Global Reporting Initiative (GRI) Index as a reference in disclosing and reporting corporate social responsibility (CSR). However, the index has not accommodated Islamic values, such as product halalness, involvement in usury, gambling elements, ambiguity (gharar), and bribery practices (Halim & Hanafi, 2009). In contrast, the Islamic Social Reporting (ISR) Index is designed to reflect sharia principles, including transactions free from usury and gharar, disclosure of zakat, level of compliance with sharia, and social aspects such as waqf, alms, qardhul hasan, and worship activities in the company environment (Yusuf & Shayida, 2020). Therefore, the GRI Index is considered less appropriate if used as a reference in preparing sharia-based corporate social responsibility reports (Aziz et al., 2019).

The ISR index is used as an indicator of the implementation of social responsibility in accordance with sharia principles as stipulated by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Research on ISR was first carried out by (Halim & Hanafi, 2009). (Halim & Hanafi, 2009) expressed the ISR concept through 5 disclosure themes, covering financing and investment, provision of products and services, employment aspects, and social and environmental responsibility. This research was further developed by (Othman & Thani, 2010) by adding one ISR disclosure theme, namely corporate governance.

In 2020 it was 63.99%, in 2021 the level of ISR disclosure decreased by 3.03% compared to the previous year to 60.96%, then increased in 2022 to 64.35%. The average level of ISR disclosure is still below 66%, In other words, the implementation of social responsibility in Islamic Commercial Banks (BUS) using the ISR Index is considered to still not provide adequate information. This assessment refers to the level of ISR disclosure studied by (Sawitri et al., 2017).

Company size, solvency, and leverage are utilized as key variables in research on Islamic Social Reporting (ISR) disclosure because, theoretically, all three reflect a company's pressures and capabilities in performing and reporting its social responsibilities. Larger companies are often more visible and possess greater resources for ISR, while solvency indicates the financial health to support long-term social commitments. On the other hand, the level of leverage can influence a company's decisions regarding discretionary spending and the perception of risk in the eyes of creditors, both of which can impact the extent to which a company is willing or feels compelled to make ISR disclosures This study aims to determine the effect of the Company Size, solvency, and leverage variable on the disclosure of Islamic Social Reporting in Islamic commercial banks in Indonesia in 2019-2023.

2. LITERATURE REVIEW AND HYPOTHESIS

Stakeholder theory emerged from the understanding that companies have stakeholders who support and maintain the company's image. This idea then became a topic of discussion in management literature, both academic and professional. The study of stakeholders was first developed by (Freeman et al., 2010), and since then various studies have begun to discuss this concept. The basis for thinking about the disclosure and reporting of an entity's social responsibility has emerged since 1970 and is widely known as stakeholder theory. This theory explains that companies in carrying out their operations are not only oriented towards the entity's profits, but also need to consider the priorities of various stakeholders such as the community, employees, government, and other related parties (Putri et al., 2017). Therefore, companies need to implement strategies that can satisfy stakeholders, for example through CSR disclosure in annual reports, which contribute to business continuity. The more transparent the CSR disclosure, the greater the level of satisfaction and ttakeholder support improves company performance and profits (Cindy et al., 2024). (Freeman et al., 2010) also stated that good relations with stakeholders will make the company's operations smoother and reduce disruptions in business activities (Kusumawati & Nurharjanti, 2019). In addition, the entity's responsibility, which previously only focused on economic aspects, now also considers social factors as part of the relationship with stakeholders (Chariri & Ghozali, 2007).

As a theoretical basis in reporting social responsibility, stakeholder theory in the context of sharia is implemented through Islamic Social Reporting (ISR). This theory encourages management to include ethical norms in planning and decision-making related to entity management activities. By disclosing ISR, companies can meet stakeholder expectations, covering the economic dimension as well as spiritual and social considerations so that a harmonious relationship is created between stakeholders and the company (Sawitri et al., 2017). This theory includes three main concepts, namely business planning frameworks, corporate policies, and corporate social reporting. Disclosure of the company's social and environmental aspects is a crucial element in interactions with interested parties. Because stakeholders play a central role in managing the company's economic resources, the company must adjust its actions to their needs (Chariri & Ghozali, 2007). A positive image between the company and stakeholders is formed through the concept of sustainability that emphasizes cooperative relationships for the sake of the company's sustainability, while relations with external stakeholders are based on functional relationships that refer to business relations. In addition to seeking profit, companies also need to establish good relations with stakeholders outside their business entities. A positive image between the company and stakeholders is formed through the concept of sustainability that emphasizes cooperative relationships for the sake of the company's sustainability, while relations with external stakeholders are based on functional relationships that refer to business relations. In addition to seeking profit, companies also need to establish good relations with stakeholders outside their business entities. Islamic Social Reporting (ISR) serves as a crucial mechanism in this regard, as it is a form of reporting that communicates a company's, particularly an Islamic financial institution's, adherence to Islamic principles and values across its social, environmental, and economic activities. This disclosure aims to demonstrate accountability not only to shareholders but also to a broader range of stakeholders, including the community and God, by showcasing how the company fulfills its obligations according to Sharia.

Disclosure of Entity Size towards Islamic Social Reporting

According to (Putri et al., 2017), large-scale companies face significant pressure on their operational activities and at the same time have a broad influence on society. In addition, shareholders also pay more attention to social programs run by the company, so that the scope of disclosure of its social responsibility becomes more comprehensive. Ashraf (2015) identified that company scale significantly affects the level of disclosure of Islamic Social Reporting (ISR). Based on stakeholder theory, entities must prioritize stakeholder interests in their business operations. The extensive information provided allows stakeholders to view this as a guarantee of the company's survival, thus providing confidence to these parties in the rights obtained by stakeholders. (Ramadhani et al., 2016) stated that companies with a larger scale tend to disclose ISR in higher volumes. This is due to the efforts of large entities in order to create constructive relationships with stakeholders and the surrounding community. Similarly, (Prasetyoningrum, 2019a) emphasized that company size significantly affects the level of ISR disclosure in Islamic commercial banks in Indonesia. Based on these findings, the hypothesis of this study is:

H1: the size of the business entity contributes positive and significant effect on islamic social reporting disclosure.

Solvency Disclosure on Islamic Social Reporting

Solvency reflects a company's ability to meet all of its financial obligations through a comparison between assets and debts. An entity can provide an understanding to investors, creditors or other interested parties regarding the entity's ability to pay debts and explain the impact of the loan on the entity's operational activities. The higher the solvency, the higher the entity's desire to carry out broader ISR disclosures compared to entities with a lower level of solvency (Irmayanti & Mimba, 2018). Based on stakeholder theory which emphasizes that business entities must consider the interests of various stakeholders. In this case, entities with a high level of solvency strive to disclose broader information, one of which is ISR disclosure which aims to convince stakeholders that the entity's credibility is good and eliminate doubts in stakeholders regarding their rights as creditors.(Permatasari et al., 2021) stated that entities with a high level of solvency, stakeholders, especially creditors and investors, can assess the company's performance on social responsibility disclosures, one of which is by carrying out ISR disclosure activities. This opinion is in line with research conducted by (Nusron & Diansari, 2021), (Ersyafdi et al., 2021), (Zoraya et al., 2022) found that solvency has a significant influence on ISR disclosure, so that the second hypothesis proposed is as follows:

H2: solvency has a positive and significant effect on islamic social reporting disclosure.

Liquidity Disclosure on Islamic Social Reporting

Within the framework of *stakeholder theory*, companies are expected to fulfill the expectations of their stakeholders, including through the disclosure of social and sustainability information such as *Islamic Social Reporting* (ISR). One of the financial factors that may influence the extent of ISR disclosure is the company's liquidity condition. Furthermore, (Fahmi, 2014) explains that liquidity measures an entity's ability to meet its short-term liabilities in a timely manner. This ability serves as a crucial signal to stakeholders, particularly creditors and investors, as companies that can meet their obligations on time are perceived as more trustworthy. In an effort to build stakeholder trust, companies tend to disclose additional social responsibility information, including ISR, as a form of accountability. (Astuti, 2013) and (Widiyanti & Hasanah, 2018) state that liquidity has a positive effect on ISR disclosure. Entities with higher liquidity are more capable of fulfilling their short-term obligations and, consequently, are more likely to disclose broader social and environmental responsibilities. Strong liquidity reflects financial health and operational stability, giving these entities a competitive edge over others. Based on these theoretical and empirical insights, it can be concluded that higher liquidity enables and encourages companies to disclose ISR more extensively. Thus, the hypothesis formulated in this study is as follows:

H3: liquidity significantly influences the extent of effect on islamic social reporting disclosure

3. RESEARCH METHOD

This study adopts a quantitative approach using secondary data from the annual reports of Islamic Commercial Banks (BUS) listed with the OJK for 2019–2023. The sample selection technique uses a purposive sampling technique, namely a sample selection technique by considering certain criteria that are in accordance with the objectives of the study. To fully describe the sample selection, you would typically include criteria such as:

1. Sharia Commercial Banks that have gone public and are registered with the Financial Services Authority (OJK) during the 2019-2023 period.
2. Sharia Commercial Banks that publish complete annual data reports on the official website of Sharia Commercial Banks 2019-2023.
3. Sharia Commercial Banks that have changed their business entity identity.

Islamic Social Reporting Index

Social accountability in Islamic entities is referred to as *Islamic Social Responsibility* (ISR). This study adopts the ISR index developed by (Othman & Thani, 2010), which comprises six themes: investment and finance, products and services, employees, social, environment, and corporate governance, encompassing a total of 39 disclosure items. ISR, as the dependent variable, is measured using a scoring method as follows:

1. A score of 0 is assigned if the company does not disclose the ISR item
2. A score of 1 is assigned if the company discloses the ISR item

The formula used to calculate the ISR score is:

$$ISR = \frac{Number\ of\ items\ revealed}{Total\ number\ of\ item}$$

Firm Size

Firm size in this study is proxied by total assets. The larger the total assets, the larger the firm size (Sari, 2016), To minimize scale differences among firms and to normalize the data, total assets are transformed using the natural logarithm (LN assets). The use of LN assets aims to achieve a normal distribution and to simplify asset values for analysis. The formula for measuring firm size refers to (Prasetyoningrum, 2019b) as follows:

$$Firm\ Size = LN\ (total\ assets)$$

Solvency

Solvency is a measure of a company's ability to meet its long-term obligations. In this study, solvency is measured using the Debt to Equity Ratio (DER), which also serves to assess the influence of solvency on ISR disclosure. The DER calculation follows the formula by (Husnita, 2021) as follows:

$$DER = \frac{Total\ Liabilities}{Total\ Assets}$$

Liquidity

Liquidity measures a company's ability to meet its current obligations. To assess the effect of liquidity on Islamic social responsibility disclosure, liquidity is measured using the Current Ratio. In this study, liquidity is proxied by the Financing to Deposit Ratio (FDR), calculated according to the formula by (Santi, 2021) as follows:

$$FDR = \frac{Total\ Financing}{Total\ third\ party\ funds}$$

Multiple Linear Regression Test

Multiple linear regression is applied to assess the impact of several independent variables on a single dependent variable (Ghozali, 2018). In this research, the multiple linear regression test aims to analyze the influence of the independent variables Company Size, Solvency, Liquidity on the dependent variable Islamic Social Reporting in Sharia Commercial Banks for the period 2019 - 2023. Based on data processing with SPSS 25, the results of multiple linear regression are obtained as follows: The calculation model is as follows: The calculation model is as follows:

$$ISR = \alpha + \beta 1SIZE + \beta 2DER + \beta 3FDR + \ \varepsilon$$

Information:

α = Constant
γ = Disclosure of Islamic Social Reporting
β1 = Multiple regression coefficient X1
β2 = Multiple regression coefficient X2
β3 = Multiple regression coefficient X3
X1 = Company size
X2 = Solvency
X3 = Liquidity
ε = Nuisance variable.

4. RESULTS AND DISCUSSIONS

Table 1. Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Firm Size	45	14.56	18.77	16.6954	1.04587
Solvency	45	0.12	3.27	1.0869	0.79319
Liquidity	45	38.51	108.64	80.0818	16.12367
Islamic Social Reporting	45	0.69	0.85	0.7772	0.03132
Valid N (Listwise)	45				

Source: Secondary data processed by the author in 2024

The purpose of this study is to determine the effect of company size, solvency, liquidity on Islamic social reporting. There are 4 (four) variables used in this study, consisting of 3 (three) independent variables and 1 (one) dependent variable. The independent variables are company size, solvency, liquidity, while the independent variable is Islamic Social Reporting (ISR).

The data distribution shows that the minimum value of the Islamic Social Reporting (ISR) variable is 0.69, obtained from Bank Muamalat in 2022, while the maximum value is 0.85, achieved by Bank NTB Syariah (2021–2023) and Bank BCA Syariah (2020), with an average of 0.7772 and a standard deviation of 0.3132. For the company size variable, the minimum value of 14.56 comes from Bank Panin Dubai Syariah (2023), the maximum value of 18.77 from Bank Mega Syariah (2022), an average of 16.6949, and a standard deviation of 1.04606. The solvency variable (DER) has a minimum value of 0.12 (Bank BCA Syariah, 2023) and a maximum of 3.27 (Bank Mega Syariah, 2020), with an average of 1.0869 which is higher than the standard deviation of 0.79319. Meanwhile, the liquidity variable (FDR) shows a minimum value of 38.51 (Bank Muamalat, 2021), a maximum of 108.64 (Bank Panin Dubai Syariah, 2020), an average of 80.0818, and a standard deviation of 16.12367.

Classical Assumption Test

Table 2. Classical Assumption Test

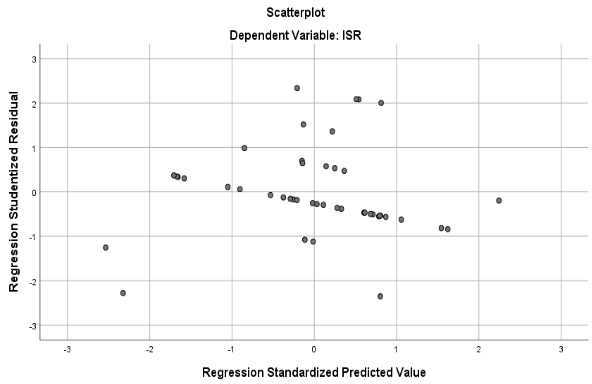
Variable	Normality Test	Multicollinearity Test		Autocorrelation Test
	Asymp. Sig. (2-tailed)	Tolerance	VIF	Durbin-Watson
Firm Size	0.057[c]	0.763	1.311	1.889
Solvency		0.757	1.322	
Liquidity		0.659	1.517	

Source: Secondary data processed by the author in 2024

The results of the classical assumption test indicate that the research data is normally distributed, as evidenced by the Asymp. Sig. (2-tailed) value of the Kolmogorov-Smirnov (KS) test of 0.057, this figure is greater than the significance level (α) of 0.05. Furthermore, no multicollinearity problems were found in the regression model, because all independent variables showed a Tolerance value greater than 0.10 and a VIF (Variance Inflation Factor) value less than 10. Regarding the autocorrelation test, with the number of independent variables (k) of 3 and the number of samples (n) of 45, the values of dL = 1.3663 and dU = 1.6632 were obtained from the Durbin-Watson table (and the value of 4-dU = 2.3368);

based on this information, it is concluded that there is no autocorrelation, either positive or negative, in the research model. It is important to note that this conclusion regarding the absence of autocorrelation is based on the assumption that the actual Durbin-Watson (D-W) statistic values resulting from the regression model (which should be reported explicitly) fall within the range between dU (1.6632) and 4-dU (2.3368).

Heteroscedasticity Test



Source: Secondary data processed by the author in 2024

Based on the results of the heteroscedasticity test, the pattern obtained does not form a clear pattern and the points are spread above and below the number 0 on the Y axis so it can be concluded that there are no symptoms of heteroscedasticity in the research model.

Multiple Linear Regression Test

Table 3. Multiple Linear Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.711	0.111		6.411	0.000		
	Firm Size	0.026	0.023	0.187	1.107	0.275	0.763	1.311
	Solvency	0.001	0.008	0.015	0.086	0.932	0.757	1.322
	Liquidity	0.007	0.003	0.381	2.102	0.042	0.659	1.517

a. Dependen Variabel: ISR

Source: Secondary data processed by the author in 2024

Based on the multiple linear regression test table, the obtained regression model equation is as follows.

ISR = 0.711+ 0.026 SIZE + 0.001 DER + 0.007 FDR + ε

The interpretation results in the regression model equation above are as follows:

1. The regression model above gives a constant value for the dependent variable ISR of 0.711. This shows that by not testing the variables of company size, solvency, liquidity, the possibility that the company can carry out ISR in the BUS annual report is 0.711.
2. The regression coefficient value on company size is 0.026. It can be interpreted that for every increase in the company size variable in these results, the possibility of BUS in the ISR test will increase by 0.026 assuming the other independent variables remain constant.
3. The regression coefficient value on Solvency is 0.001. This means that for every increase in one Solvency variable in the results, it is likely that BUS in the Islamic Social Reporting test will experience an increase of 0.001 assuming the other independent variables remain constant.
4. The regression coefficient value on Liquidity is 0.007. It can be interpreted that for every increase in one Liquidity variable in these results, it is likely that BUS in the Islamic Social Reporting test will experience an increase of 0.007 assuming the other independent variables remain constant.

Model Feasibility Test (f Test)

Table 4. Model feasibility test (f test)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.002	3	0.001	3.987	0.014[b]
	Residual	0.005	41	0.000		
	Total	0.007	44			

a. Predictors: (Constant), firm size, solvency, liquidity
b. Dependent Variable: ISR
Source: Secondary data processed by the author in 2024

Based on the test results above, the ftable value is obtained with the formula df 1 = k (number of variables) – 1 and df 2 = n (number of samples) – k (number of variables). The number of samples in this study was 45 (n = 45) and the number of variables used was 4 (k = 4), so df 1 = 4 – 1 = 3 and df 2 = 45 – 4 = 41, so the results of the table are in attachments namely 2,833. The significance value of the f test is 0.014 < 0.05 and fcount > ftable which is 3.987, so it shows that the regression model used is in accordance with the probability value criteria, so the model can be used to predict research data and further hypothesis testing can be carried out.

Partial Test (t test)

Table 5. Partial Test (t test)

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	Explanation
		B	**Std. Error**	**Beta**			
1	(Constant)	0.711	0.111		6.411	0.000	
	Firm Size	0.026	0.023	0.187	1.107	0.275	Hypothesis rejected
	Solvency	0.001	0.008	0.015	0.086	0.932	Hypothesis rejected
	Liquidity	0.007	0.003	0.381	2.102	0.042	Hypothesis accepted

a. Dependen Variabel: ISR

Source: Secondary data processed by the author in 2024

The results of partial hypothesis testing in this study use a significance level of 5% ($\alpha = 0.05$). The *t*-table value is determined using the formula $df = n$ (number of samples) – k (number of variables). In this study, the number of samples was 45 ($n = 45$), and the number of variables used was 4 ($k = 4$), resulting in $df = 45 - 4 = 41$. Based on this degree of freedom, the corresponding *t*-table value is 2.019. Each independent variable is then tested individually by comparing the calculated *t*-value to the *t*-table value. If the calculated *t*-value exceeds 2.019, the variable is considered to have a statistically significant effect on the dependent variable. The interpretation of the results of the partial hypothesis testing is as follows:

1. The results of the partial test (t-test) in the table show that the company size variable has a significance value of 0.275 > 0.05 and a value of tcount < ttable,

namely 1.107 < 2.019. It can be concluded that company size does not have a partially significant effect on Islamic social reporting so that the first hypothesis or H1 is not supported.

2. The results of the partial test (t-test) in the table show that the solvency variable has a significance value of 0.932 > 0.05 and a tcount < ttable value of 0.086 < 2.019. It can be concluded that Solvency does not have a partially significant effect on Islamic social reporting so that the second hypothesis or H2 is not supported.
3. The partial test results (t-test) in the table show that the Liquidity variable has a significance value of 0.042 < 0.05 and a tcount < ttable value of 2.102 < 2.019. It can be concluded that liquidity has a partially significant effect on Islamic social reporting so that the third hypothesis or H3 is supported.

Table 6. Coefficient of Determination

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**
1	0.481[a]	0.231	0.213	0.01500964	1.889

a. Predictors: (Constant), firm size, solvency, liquidity
b. Dependent Variable: ISR
Source: Secondary data processed by the author in 2024

Based on the results of testing the coefficient of determination using SPSS 26 above, an Adjusted R Square Coefficient value of 0.213 was obtained. This means that the three independent variables consisting of company size, solvency and liquidity are very limited in explaining the dependent variable, namely Islamic Social Reporting, because they can only contribute 21.3% while the remaining 78.7% is explained by other factors outside the independent variable. in this research.

The Impact of Company Size on Islamic Social Responsibility Disclosure

As indicated by the statistical test results, firm size in Islamic commercial banks does not influence the disclosure of social responsibility. Accordingly, the hypothesis stating that firm size affects Islamic social responsibility (ISR) disclosure is rejected. This means that ISR disclosure is not a disadvantageous activity, but rather an initial step toward long-term objectives that can generate positive responses for both large and small entities. Firm size does not affect ISR reporting, and Islamic commercial banks continue to disclose social responsibility with the aim of gaining positive responses from the public and stakeholders.

(Cahya, 2017) believes that one of the incentives for entities to carry out ISR disclosure is as an obligation. So regulations emerged that were regulated by the government in regulation no. 40 of 2007 in accordance with article 74 paragraph (1) concerning Limited Liability Companies and strengthened by government regulation (PP) number 47 of 2007 concerning social and environmental responsibility of Limited Liability Companies 2012. Therefore, entities registered in the sharia commercial bank category try to disclose and report ISR without paying attention to the size of the total assets acquired with the aim of complying with established regulations.

The findings of this research are consistent with the views expressed by (Santi, 2021) who found that ISR disclosure activities in Islamic banking are not only based on company size, because total company assets are not the only source of ISR disclosure. This is because the good and bad value of a company is not only measured by total assets but can be measured from the company's profit and loss statement. (Prasetyoningrum & Sukmawati, 2018) and (Wulandari, 2017) indicated that the size of the company does not influence ISR disclosure. This proves that company size cannot be a benchmark for Islamic commercial banks to carry out greater social responsibility disclosures compared to smaller companies. Large entities focus more funding on entity development and better use of natural and human resources (Harsono & Pamungkas, 2020).

The results do not match the study by (Ersyafdi et al., 2021) and (Pertiwi et al., 2022) which states that large companies disclose wider information and sharia entities with large company sizes have the encouragement and desire to carry out sharia social responsibility disclosure and reporting more widely than sharia companies that small. Apart from that, the research also contradicts stakeholder theory which states that entities with a high level of company size can carry out broader social responsibilities and provide motivation for management to carry out ISR disclosure activities more widely to meet stakeholder needs. Large company size increases the entity's responsibility for the welfare of stakeholders and the environment so that the entity makes more comprehensive disclosures. In addition, larger companies have more financial resources, facilities and human resources to disclose more

Islamic Social Reporting, and disclose more information even in the absence of standards or guidelines that can be used as guidelines for ISR reporting.

The Influence of Solvency on Islamic Social Reporting

The results of statistical tests conclude that the low level of solvency does not affect Islamic Commercial Banks (BUS) in disclosing Islamic Social Responsibility (ISR). Thus, the hypothesis stating that solvency has an effect on ISR disclosure is rejected. Whether the entity's solvency is high or low, it still carries out social responsibility disclosures because disclosing ISR does not affect how much of the company's assets are financed by debt. ISR disclosure does not depend on increases or decreases in solvency, as it is carried out based on the company's obligations toward social and environmental concerns. Based on Stakeholder Theory, companies must provide benefits to stakeholders, so BUS continues to disclose ISR as a form of accountability to Allah SWT and stakeholders

(Tuffahati, 2020) revealed that high debt levels cause entities to focus more on returning debts rather than having to incur costs to carry out social responsibility disclosures. However, the research results support the stakeholder theory that entities can build good relationships with stakeholders and the public by implementing extensive ISR disclosures. This is because the size of the debt to the entity does not have an influence on the disclosure of social responsibility of Islamic commercial banks. Therefore, whether in conditions of high or low sharia commercial bank debt, it is an obligation to carry out ISR disclosures.

(Lestari & Mochlasin, 2021) believes that ISR disclosure information is not only obtained from annual reports. This is because social responsibility disclosure can be obtained directly from the company or other reports such as data provided by the company regarding financial information regarding that financial information. This allows creditors to obtain information other than the annual report, so that creditors do not really demand complete ISR disclosure of the company so that high or low solvency does not affect ISR disclosure.

This research is consistent with the findings of (Rozi, 2020) research that solvency has no effect on ISR disclosure. The higher the solvency, the greater the debt in the company's operations and this indicates the company's dependence on external parties. If the company is unable to use its debt to meet the company's operational costs properly, investors will experience losses because the debt borne by the company is greater than the profits generated by the company. (Dzakiyah, 2023) revealed that the level of solvency disclosure of social responsibility is not influenced by these factors. This means that creditors do not look at ISR disclosures based on the company's circumstances and conditions. High or low levels of solvency cannot reduce ISR disclosure, because companies assume that ISR disclosure is still carried out in situations of high or low solvency. Therefore, by disclosing and reporting ISR, the company does not experience losses, and also does not affect the company's debt payments.

The findings of this research contradict the study by (Nusron & Diansari, 2021) (Ersyafdi et al., 2021) and (Zoraya et al., 2022) who argue that solvency influences ISR disclosure. This is because the level of solvency in banking tends to be higher compared to industries outside banking because the main source of banking comes from third party funds. If linked to stakeholder theory, apart from shareholders, creditors can also assess operational performance, so that the company focuses more on repaying loans in accordance with the agreement agreed at the beginning to avoid risks if there is a delay in debt repayment. Therefore, high or low levels of solvency do not show any influence on disclosure of ISR. (Afandi, 2023) concluded that the higher the level of solvency, the greater the debt a company has. This means that the public does not care about the size of the debt borne by the entity. However, stakeholders assess the contribution made by sharia commercial banks to stakeholders, society and the environment.

The Influence of Liquidity on Islamic Social Reporting

Liquidity is one of the financial ratios managed by company managers as stakeholders. A high level of liquidity is indicated by a company that is able to pay its obligations. Companies with good liquidity are definitely financially strong and tend to report more information, including social responsibility, to show stakeholders that the entity has good operational activities. Companies with high liquidity ratios express ISR as a form of good image for stakeholders. The hypothesis stating that liquidity has an effect on ISR disclosure is accepted. The results of this research are in line with Stakeholder Theory, which states that companies must provide benefits to stakeholders by reporting the results of social responsibility in accordance with sharia principles.

Based on stakeholder theory, large entities have the potential to have broader and more complex activities, and have a major impact on the interests of stakeholders and society. Based on the FDR standard, a company is said to be small if the company does not have sufficient funds to pay off its debts, so that this condition affects the entity's social responsibility financing. However, when the ratio level is high the company is also in a safe condition and this occurs due to poor cash management. Companies with high liquidity give a signal to other companies that this entity is better than other entities by carrying out activities related to the social environment (Santi, 2021).

These findings align with the research by (Widiyanti & Hasanah, 2018) (Fahmi, 2014) who argue that companies that have a big push to expand social responsibility disclosures, these companies must increase their level of liquidity. In accordance with stakeholder theory, in order to get attention from the wider community, a company tries to improve their financial performance. Companies that have a high level of liquidity give indications to other companies to show that the company is better than other companies (Lestari & Mochlasin, 2021). If the ratio is higher, it means that the bank's debt to creditors can be guaranteed. The health of the liquidity ratio will be higher if the entity's social information disclosure activities are wider or show the entity's ability to increase comprehensive disclosure of social responsibility within the scope of sharia (Afandi, 2023).

(Afandi, 2023) believes that companies with high corporate liquidity values tend to have better debt management capabilities. Because this high value means that the entity has the ability to meet its short-term debt. Stakeholders only assess the contribution that can be made to them, apart from that they do not ignore the internal conditions of the bank. However, this research contradicts research by (Prasetyoningrum, 2019b), (Mais & Alawiyah, 2020) which argues that banks with high levels of liquidity tend to carry out social responsibility disclosures by considering the profits earned by the entity. This is because if the level of liquidity is high then the profit generated by the entity is low. Vice versa, if the entity has a low level of liquidity, the greater the profit the entity will earn.

5. CONCLUSIONS

Supported by stakeholder theory, this study analyzes the effect of company size, solvency, and liquidity on Islamic Social Reporting (ISR) disclosure in Islamic Commercial

Banks registered with the Financial Services Authority (OJK) from 2019 to2023. Data were analyzed using multiple linear regression with the help of SPSS version 26 software, based on a sample of 9 Islamic commercial banks. The findings of the study show that company size (calculated using the natural logarithm of total assets) and solvency (measured by the Debt to Equity Ratio) do not significantly impact ISR disclosure. On the other hand, liquidity (as measured by the Financing to Deposit Ratio/FDR) has been shown to significantly impact ISR disclosure. This finding indicates that the bank's ability to manage and distribute funds efficiently has a stronger relationship to the commitment to sharia-based social disclosure compared to the company's size or capital structure.

IMPLICATIONS, LIMITATIONS AND SUGGESTIONS

Based on the research findings, one key practical implication is the importance of liquidity management in influencing Islamic Social Reporting (ISR) disclosure. Since the Financing to Deposit Ratio (FDR) significantly affects ISR, Islamic commercial banks should focus on improving the efficiency of fund distribution and third-party fund management. Better liquidity reflects stronger operational performance and can motivate more extensive disclosure of social information aligned with Islamic values. Thus, liquidity improvement strategies are not only beneficial for financial stability but also support greater transparency in sharia-based reporting.

Furthermore, the lack of significant influence from company size and solvency suggests that ISR disclosure should not depend solely on scale or capital structure. Instead, banks must reformulate their social reporting strategies to align with their core mission and Islamic principles. Regulators like OJK can play a role in encouraging comprehensive ISR guidelines rooted in sustainable operations. Additionally, investors and stakeholders can view liquidity as a useful early indicator of a bank’s social and sharia commitment, which can guide responsible investment decisions in line with ESG and Islamic values.

Despite the implications, this study also has limitations that need to be improved in further research efforts such as the limited number of samples of 45 annual reports of Islamic commercial banks in Indonesia. It is necessary to develop sample data and a longer observation period for generalizing the application of the ISR Index at the level of Asian countries or for comparative purposes. Determination of the ISR disclosure score uses content analysis so that it is subjective, because there is no standard that regulates the measurement of the ISR index. Although it has been based on [mention the basis for its development, for example: Sharia principles, AAOIFI, Maqasid Sharia, or relevant previous research], it should be noted that until now there has not been a single ISR index standard that is universal, standard, and globally recognized by all stakeholders. This causes the items used to have differences in scope or emphasis when compared to other ISR frameworks developed by different researchers or institutions, which can affect the comparability of results between studies using different indices. The adjusted $R2$ value from the tested model shows a result of 21.3%, which means that there are still other variables that have the potential to have a large influence on ISR disclosure.

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