

Influence of Islamic Social Reporting (ISR) Disclosure on the Quality of Profits in Registered Companies in Jakarta Islamic Index (JII)

Nurhermifitrah Sadli*

Institut Agama Islam Negeri Parepare, nurhermifitrahsadli@iainpare.ac.id

Syahriyah Semaun

Institut Agama Islam Negeri Parepare, syahriyahsemaun@iainpare.ac.id

Ira Sahara

Institut Agama Islam Negeri Parepare, irasahara@iainpare.ac.id

*Corresponding author

ARTICLE INFO

Received, 1 May 2024

Revised, 10 May 2024

Accepted, 30 May 2024

Published, 31 May 2024

ABSTRACT

Islamic Social Reporting (ISR) is one way to demonstrate full disclosure in an Islamic context. Earnings quality refers to the extent to which a company's reported earnings reflect its true economic performance. This research aims to determine the influence of the independent variable, namely Islamic Social Reporting, on the dependent variable, namely Profit Quality, and to find out how big it is. The influence of Islamic Social Reporting disclosure on Profit Quality in companies listed on the Jakarta Islamic Index. This research uses a quantitative, associative approach, with field research. The data used in this research is in the form of company annual reports on the Indonesia Stock Exchange for 2019-2021. In collecting data, this research uses two methods, namely count analysis and dummy variables. The analysis technique used is simple linear regression. The results of this research show that the Islamic Social Reporting disclosure score is more than 59%, which means that the disclosures made have reached more than 48 disclosure score items. Meanwhile, the average value of earnings quality reached 2.8388. The results of the Spearman rank correlation test show that there is a fairly strong relationship between the Islamic Social Reporting variable and earnings quality. The results of testing the coefficient of determination show that the ability of the independent variable in this study to influence the dependent variable is only 9.9%. Furthermore, the partial test results show that Islamic social reporting disclosure has a positive and significant effect on earnings quality with a significance value of $0.008 < 0.05$. By implementing Islamic Social Reporting, companies not only focus on achieving maximum profits, but also pay attention to the social and environmental impacts of their business activities. This can attract the interest of investors, especially Muslim investors, to invest in the company.

Keywords: Islamic Social Reporting Disclosure, Profit Quality

INTRODUCTION

Corporate Social Responsibility (CSR) has been widely implemented in developing and developed countries.¹ CSR activities were initially voluntary activities and not forced, however, now CSR activities are an obligation that must be carried out by companies as a form of responsibility and the company's caring attitude towards the environment and society. The government issued regulations regarding the obligation to practice CSR, namely in Law Number 25 of 2007 concerning Capital Investment which states that every investment has an obligation to carry out corporate social responsibility, if it does not carry out this obligation it will be subject to sanctions.² Then Law Number 40 of 2007 concerning Limited Liability Companies (PT) in article 66 states that the annual report must contain several pieces of information, one of which is report on the implementation of social and environmental responsibility.³

By implementing CSR, at least preventing the emergence of various kinds of acts of rejection from various groups of society who are affected by the company's operational activities. Although basically, this CSR will have a greater influence on the company, both on its profitability and on its sustainability.⁴

Corporate social responsibility reporting in conventional systems only focuses on material and moral aspects. Thus, there needs to be a special framework for social responsibility reporting that is in accordance with sharia principles. Islamic Social Reporting (ISR) is one way to demonstrate full disclosure in an Islamic context.⁵ The ISR concept was first initiated by Ros Haniffa in 2002 and then developed by Othman et al in Malaysia. This concept emerged from the background of Ros Haniffa's view which stated that there were limitations in conventional social responsibility reporting, so the concept of Islamic Social Reporting (ISR) was formed.⁶ It is hoped that the emergence of the ISR concept will give birth to accounting concepts and practices that are in accordance with Islamic law. This instrument can contribute to more honest and fair business progress because ISR itself has two main objectives, namely as a form of accountability to Allah SWT and society and can be used to increase the transparency of business activities by paying attention to the spiritual needs of Muslim investors or sharia compliance in decision making.⁷

ISR disclosures for companies included in the Jakarta Islamic Index (JII) still have figures that are not high enough and there is no increase from year to year, namely only 69% from 2016-2018. This indicates that the company's awareness of providing information to its stakeholders is still lacking.

Companies listed in the sharia stock index, especially companies listed in the Jakarta Islamic Index (JII), should pay attention to ISR disclosures in order to meet the expectations of the Muslim community. ISR is deemed appropriate because it expresses various things related to Islamic principles such as transactions that are free from elements of usury, speculation and gharar, it already discloses zakat, it discloses social aspects such as sodaqoh, waqaf, darul hasan, not to mention the disclosure

¹ Santi Lestari. "The Influence of Profitability, Liquidity, Leverage, Company Size and Company Age on Islamic Social Reporting Disclosures in Indonesian Sharia Banking 2010-2014". Unesa Accounting Journal 4, no. 2 (2016): 1-24.

² UU no. 27 of 2007.

³ UU no. 40 of 2007.

⁴ Dewi Setiyawati, Syahriyah Semaun, Muzdalifah Muhammadun. "Implementation of Corporate Social Responsibility PT. Angkasa Pura I Makassar Based on Community Economic Empowerment". Parepare State Islamic Institute, 2023.

⁵ Khaerun Nissa Rizfani and Deni Lubis. "Disclosure of Islamic Social Reporting in Companies on the Jakarta Islamic Index". Al-Muzara'ah 6, no. 2 (2018): 103-16.

⁶ Mahardhika Kurniawati and Rizal Yaya. "The Influence of Corporate Governance Mechanisms, Financial Performance and Environmental Performance on Islamic Social Reporting Disclosures". Journal of Accounting and Investment 18, no. 2 (2017): 163-71.

⁷ Muhammad Taufiq Abadi, Muhammad Sultan Mubarok, and Ria Anisatus Sholihah. "Implementation of the Islamic Social Reporting Index as an Indicator of Social Accountability for Sharia Banks". Al-Insyiroh: Journal of Islamic Studies 6, no. 1 (2020): 1-25.

of worship. in the company environment. Accounting and Auditing of Islamic Financial Institutions (AAOIFI) stated that the ISR was appropriate and in line with AAOIFI's social responsibility disclosure standards. AAOIFI itself is a non-profit Islamic international institution that operates in the financial sector such as accounting, auditing, governance, ethics and sharia standards for Islamic financial institutions and industry. ISR has been adapted to AAOIFI standards which were further developed by several researchers.⁸

This phenomenon is interesting to research, because through the ISR index, potential Muslim investors can consider whether companies entering the sharia capital market are truly implementing Islamic principles in their operations, which can be seen from corporate social responsibility reports.

The importance of the meaning of the word "Profit", almost every company tries to present financial reports that reflect their financial condition as best as possible, and the financial condition itself can be reflected through profit. Therefore, many efforts are made by companies to make financial reports look good, so many also develop proxies to analyze the quality of a financial report, in this case analyzing in terms of the quality of profits generated.⁹

Conditions that can affect earnings quality are if there is information asymmetry between company managers and investors. Earnings quality shows the company's actual economic performance, not just the accounting performance stated in the financial reports. Therefore, investors, potential investors, financial analysts and other users of financial report information must know very well what the actual quality of earnings is.¹⁰ Several income smoothing practices in financial reports cause the disclosure of information regarding profit income to be misleading. Therefore, it will result in errors in decision making by parties with an interest in the company, especially external parties. The practice of income smoothing will not occur if the expected profit is not too different from the actual profit. This shows that profit is something that is most considered by investors when making a decision whether to invest or not. Therefore, managers try to provide information that will increase the value of the company and the quality of management in the eyes of investors.¹¹

Profit growth is the percentage of rise and fall in profits from year to year. Companies that are constantly growing, easily attract capital, and this is a source of growth. Profit information on these companies will be responded positively by investors. If a company has high profit growth, investors will give a big response to the company because the company can provide benefits in the future. Profit growth can affect the quality of a company's profits.

In general, none of the companies listed on JII have achieved the full figure, namely 100% implementation and disclosure of the ISR Index.because there are sub-items of the ISR index that are impossible for these companies to fulfill, such as green products, environmental audits, and assistance for political activities.¹² This is in line with the results of research conducted by Meutia Handayani et al which revealed that there are companies that carry out sharia social responsibility well and highly, but there are also companies that carry out very little social responsibility even though the company has been categorized as a sharia company by capital market authorities and financial institutions.¹³

⁸ Yeney Widya Prihatiningtias et al., "Determinants of Islamic Social Reporting (ISR) Disclosure in Companies on the Jakarta Islamic Index (JII)". EKUITAS (Journal of Economics and Finance) 6, no. 1 (2022): 115–33.

⁹ Elan Kurniawan and Siti Nur Aisah. "The Influence of Investment Opportunity Sets, Conservatism and Profit Growth on the Quality of Profits in Manufacturing Companies in Indonesia". Accrual 2, no. 1 (2020): 55–72.

¹⁰ Chusnul Khotimah. "The Influence of Profit Growth, Accounting Conservatism, Investment Opportunity Set, and Leverage on the Quality of Profits in Manufacturing Companies Listed on the Indonesian Stock Exchange". (STIE PERBANAS SURABAYA, 2016).

¹¹ Wiria Pujiarti. "The Influence of Profitability, Financial Risk, Company Value, and Managerial Ownership and Institutional Ownership on Profit Smoothing Practices. Empirical Study of Consumer Goods Manufacturing Companies Listed on the Indonesia Pe Stock Exchange". (Unpas Faculty of Economics, 2015).

¹² Andi Ayu Frihatni et al., "Islamic Social Reporting Index as an Indicator of Accountability and Transparency". Fair Value: Scientific Journal of Accounting and Finance 4, no. Special Issue 2 (2021): 721–31.

¹³ Meutia Handayani et al., "Analysis of the Assessment of Islamic Social Reporting (ISR) Disclosure

There are several previous studies that link the influence of ISR disclosure with ERC, such as research conducted by Anita Rahayu entitled The Effect of Islamic Social Reporting (ISR) Disclosure, Profitability, Leverage and Liquidity on Earnings Response Coefficient (ERC). Furthermore, research was conducted by Abdul Latif with the title The effect of ISR disclosure on ERC in manufacturing companies registered with DES. Then research conducted by Evi Ekawati et al. with the title the influence of ISR, Leverage and Liquidity on ERC in companies registered with ISSI.

Based on the description above, this research is important to carry out because no research has been found that tests Islamic Social Reporting disclosure and Earnings Quality, so it is necessary to carry out research related to this title to find out whether Islamic Social Reporting disclosure has an effect on earnings quality.

The reason the author chose the Jakarta Islamic Index (JII) as the research object is because the Jakarta Islamic Index (JII) is a stock index created based on the Islamic sharia index which is intended as a benchmark for measuring the performance of an investment in shares based on sharia which selects the order of companies based on the level of liquidity, regular trading value. Based on the problem formulation above, the objectives of this research are:

1. To determine the effect of Islamic Social Reporting (ISR) disclosure on Profit Quality in companies listed on the Jakarta Islamic Index (JII).
2. To find out how much influence Islamic Social Reporting (ISR) disclosure has on Profit Quality in companies listed on the Jakarta Islamic Index (JII).

METHOD

The research method used in this research is a quantitative research method. The approach taken is using an associative approach. Associative research is research that aims to connect existing variables, either as correlational or regression research.¹⁴ In this research, field research is used. The independent (free) variable in this research is Islamic Social Reporting (X) and the dependent (bound) variable is the variable that is influenced or is the result, because of the existence of the independent variable. The dependent variable in this research is Earnings Quality (Y).

The research was carried out by accessing the official website of the Indonesia Stock Exchange, Makassar branch, Jl. AP Pettarani No. 9, Sinri Jala Village, Panakkukang District, Makassar City, South Sulawesi. The population in this research are companies registered in the Jakarta Islamic Index (JII) during the 2019-2021 research period, where there are 30 companies registered in the Jakarta Islamic Index (JII) constituents each year. The sampling technique uses a purposive sampling technique where the data to be used has gone through several certain considerations. Samples obtained from shares of companies listed on the Jakarta Islamic Index (JII) have certain criteria as follows:

RESULTS

Islamic Social Reporting

Islamic accounting analysis of social reporting was carried out with the aim of seeing the level of disclosure made by the company. The following are the results of the analysis of Islamic social reporting accounting:

Formula:

Scores in Companies Registered on the Jakarta Islamic Index (JII)". Journal of Accounting Economic Research (JENSI) 4, no. 2 (2020): 146–60.

¹⁴ HA Zaki Mubarak. Quantitative Research and Educational Statistics: Practical Ways of Research Based on Applicable Examples with SPSS (zakimu.com, 2022).

Adaro Energy Tbk Company. (ADRO)
Year 2019 (decimal units)

$$\text{ISR} = \frac{29}{48} \\ = 0.604$$

2020 (decimal units)

$$\text{ISR} = \frac{29}{48} \\ = 0.604$$

Year 2021 (decimal units)

$$\text{ISR} = \frac{32}{48} \\ = 0.667$$

More complete results of calculating the value or percentage of Islamic Social Reporting can be seen in the following table:

Code	Total ISR Disclosures		
	2019	2020	2021
ADRO	0.604	0.604	0.667
MNCN	0.646	0.688	0.729
ANTM	0.646	0.646	0.625
BRPT	0.563	0.354	0.458
CPIN	0.667	0.708	0.708
ERAA	0.583	0.604	0.583
EXCL	0.625	0.625	0.625
ICBP	0.604	0.626	0.708
INCO	0.646	0.627	0.604
INDF	0.604	0.628	0.667
INTP	0.583	0.563	0.583
JPFA	0.583	0.583	0.563
KLBF	0.375	0.375	0.563
PTBA	0.563	0.563	0.667
TPIA	0.500	0.500	0.646
TLKM	0.583	0.563	0.646
UNTR	0.604	0.604	0.667
UNVR	0.479	0.521	0.646
WIKA	0.500	0.500	0.604
PGAS	0.625	0.625	0.667

Source: Results of Accounting Analysis Data Processing

Based on the data above, in 2019-2020 the highest ISR disclosure score was occupied by PT.Charoen Pokphand Indonesia Tbk. and in 2021 the highest score is occupied by PT. Media Nusantara Citra Tbk. Then the lowest disclosure score is owned by PT. Kalbe Farma Tbk. in 2019-2020 and in 2021 the lowest disclosure score was owned by PT. Barito Pacific Tbk.

Quality of Earnings

Variable Y in this research is the Profit Quality of companies that are constituents of the Jakarta Islamic Index (JII) 2019-2021. Companies that have good earnings quality can estimate the characteristics of the earnings process that are relevant for decision making. The following is the quality of profits of companies listed on the Jakarta Islamic Index (JII) 2019-2021:

Formula:

Adaro Energy Tbk Company. (ADRO)
 2019 (in trillion units)
 Earnings Quality =
$$\frac{\text{Rp.12.935.524.866.000}}{\text{Rp.6.134.398.204.000}} = 2.108687$$

 2020 (in trillion units)
 Earnings Quality =
$$\frac{\text{Rp.10,387.359.255.000}}{\text{Rp.2.235.713.025.000}} = 4.646106$$

 Year 2021 (unit trillion)
 Earnings Quality =
$$\frac{\text{Rp.20.556.783.584.000}}{\text{Rp.14.721.223.016.000}} = 1.396405$$

More complete results of calculating the value or percentage of profit quality can be seen in the following table:

Code	Quality of Earnings		
	2019	2020	2021
ADRO	2.108687	4.646106	1.396405
MNCN	8.42827	1.930367	2.708576
ANTM	3.343201	3.048917	1.241109
BRPT	0.933543	1.259955	0.586322
CPIN	7.465959	4.250333	0.019446
ERAA	17.34127	37.53918	9.289635
EXCL	1.380247	1.258568	1.011235
ICBP	2.404077	3.530313	2.018348
INCO	2.260733	1.583112	1.311423
INDF	1.923807	1.958666	1.457486
INTP	1.003907	4.089723	0.329085
JPFA	0.986352	1.5079	0.874363
KLBF	0.732771	0.737172	1.03257
PTBA	7.239187	-1.93205	1.598493
TPIA	1.063381	1.459192	1.343191
TLKM	1.991483	2.209417	2.013462
UNTR	10.07033	7.535835	1.459527
UNVR	0.847444	3.294689	2.194973
WIKA	1.172631	1.167579	1.372332
PGAS	0.101391	0.438288	-17.4422

Source: Results of Accounting Analysis Data Processing

From the table above it can be seen that there are several companies that have low earnings quality, namely more than 1.0. This can be caused if a company does not achieve its previously planned profit target and the quality of profits is also low if the company presents profits that do not match actual profits so that the information obtained from the profit report becomes biased and the impact can mislead users of financial reports in making decisions.¹⁵

Hypothesis Testing

Test Coefficient Determination (Adjusted R2)

¹⁵ Tiwi Hernita and Reska Sintya BR Ginting. "Factors Affecting Profit Quality". 2020.

The coefficient of determination test aims to measure how far the model's ability to explain variations in the dependent variable. The coefficient of determination values are 0 and 1. A small R2 value indicates that the ability of the independent variable to explain the dependent variable is very limited. If the coefficient of determination value is close to 1, then the regression model is considered to be better because the independent variables used in this research are able to explain the dependent variable.¹⁶

Coefficient of Determination Test Results (Adjusted R2)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.338a	.114	,099	1.09689
a. Predictors: (Constant),				

Source: SPSS 25 output results

Based on the R2 test results in table Coefficient of Determination Test Result (Adjusted R2), it shows that the Adjusted R-squared value is 0.099 or 9.9%. This means that the ability of the independent variable in this research to influence the dependent variable is 9.9%.

Partial Test (T)

The t statistical test basically shows how much influence an independent explanatory variable individually has in explaining variations in the dependent variable.¹⁷ The t test can be seen by looking at the significance compared to the value $\alpha = 0.05$.

Partial Test Results (t test)

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2,582	1,097		-2,354	,022
	X	4,998	1,827	,338	2,735	,008
a. Dependent Variable: Y						

Source: SPSS 25 output results

Based on the t test above, it states that the significance value (X) of ISR is $0.008 < 0.05$ and the calculated t value is $2,735 >$ from the t table value of 1,671, so H_a is accepted, this means that *Islamic Social Reporting* has a positive and significant effect on the quality of profits in companies listed on the Jakarta Islamic Index. With a significance value of $0.008 < 0.05$, it can be said that H_0 is rejected and H_a is accepted.

DISCUSSION

Does Islamic Social Reporting (ISR) disclosure affect the Quality of Profit in companies listed on the Jakarta Islamic Index (JII)?

The results of the tests that have been carried out show that there is an influence of Islamic Social Reporting (ISR) disclosure on the quality of earnings in companies listed on the Jakarta Islamic Index (JII). The Spearman rank correlation test shows that there is a correlation or relationship between Islamic Social Reporting and earnings quality with a correlation coefficient value of 0.33,

¹⁶ Imam Gozali. Application of Multivariate Analysis with the SPSS Program. (Semarang: Diponegoro University Publishing Agency, 2006), p. 97.

¹⁷ Iqbal Hasan. Analysis of Research Data with Statistics. (Jakarta: Bumi Aksara, 2012), p. 98.

which indicates that the relationship between these two variables is quite strong.

The results of the accounting analysis show in 2019-2020 the highest ISR disclosure score was occupied by PT. Charoen Pokphand Indonesia Tbk. and in 2021 the highest score is occupied by PT. Media Nusantara Citra Tbk. Then the lowest disclosure score is owned by PT. Kalbe Farma Tbk. in 2019-2020 and in 2021 the lowest disclosure score was owned by PT. Barito Pacific Tbk.

The results of data processing show that of the 20 samples of Islamic Social Reporting disclosure research, CPIN, INTP, JPFA, TPIA companies have a very strong relationship with earnings quality with a correlation coefficient of 1.0. Then the companies MNCN, BRPT, ICBP, INDF, TLKM, UNVR, have a moderate or quite strong relationship with a correlation coefficient value of 0.67 and the companies ADRO, ANTM, ERAA, EXCL, KLBF, PTBA, UNTR, WIKA, PGAS have a correlation coefficient value of 0.33 is still included in the quite strong category but with a percentage that is close to the weak category.

The average Islamic Social Reporting (ISR) disclosure score for companies listed on the Jakarta Islamic Index (JII) during the 2019-2021 period shows a figure of more than 59%, which means that the disclosures made have reached more than 48 disclosure score items. This figure shows that ISR disclosure has decreased, based on research conducted by Yeney Widya Prihatiningtias et al, revealed that ISR disclosure in 2017-2019 had reached 68%, which means ISR disclosure had decreased by 9%. Meanwhile, the average value of earnings quality reached 2.8388. The higher the quality of profits obtained by a company, the greater the company's profitability. This can reflect the actual financial performance of a company.

Islamic Social Reporting encourage companies to apply the principles of transparency, honesty and social responsibility in their financial reporting. By implementing ISR, companies not only focus on achieving maximum profits, but also pay attention to the social and environmental impacts of their business activities. This can attract investors, especially Muslim investors, to invest in the company. This is in line with Islamic values which emphasize the importance of justice and balance. By implementing ISR which is based on Islamic values, this can help ensure that financial reports are prepared accurately and reflect actual conditions, reducing the possibility of manipulation and deviation. Thus, ISR increases stakeholder confidence in the company's financial reports, which ultimately strengthens the quality of reported profits. Quality profits are profits that are transparent and trustworthy, reflect true economic performance and are in accordance with Islamic ethical principles.

The theory that supports this research is Shariah Enterprise Theory (SET). This theory recognizes that there is accountability not only to the entity owner but also to a broader group of stakeholders. Shariah enterprise theory explains that accounting must serve not only company owners but also society.¹⁸ Sharia Enterprise Theory is considered to accommodate aspects of accountability and submission to spiritual values in Islam which represent the goals of Islamic business, not only focusing on profits but also on stakeholders.¹⁹

The results of this research are in line with research conducted by Ema Nur Afifa entitled The Effect of Islamic Social Reporting (ISR) Disclosure on Company Value (Study of Companies Registered with JII for the 2015-2019 Period). Using data from 2015-2019. The data used is secondary data, namely by analyzing financial report data of companies registered with JII. The results of the research are that Islamic Social Reporting (ISR) disclosure has a significant effect on the value of companies registered with JII in the 2015-2019 period. Meanwhile, the results of this research are in contrast to research conducted by Evi Ekawati and Indri Yanti in 2022 with the results of the Islamic Social Reporting research having no effect on the Earnings Response Coefficient of companies operating in the manufacturing sector listed on the Indonesian Sharia Stock Index in the 2015- 2020. This is because financial accounting standards do not yet require

¹⁸ Sri Wahyuni. "Performance of Maqashid Syariah and Determining Factors". Surabaya: Scopindo Media Pustaka, 2020.

¹⁹ Rodi Syafrizal. "Management of BUMDes Based on Sharia Enterprise Theory". Padang Sidempuan: PT Innovation Pratama Internasional, 2022.

companies to disclose Islamic Social Reporting, as a result, what happens in field practice is that companies only voluntarily disclose Islamic Social Reporting. Another thing that supports the absence of influence is that investors are generally oriented towards short-term performance, while ISR is considered to show medium- and long-term performance.

Social responsibility in Islam is not something foreign, because this has existed and been practiced since 14 centuries ago. The principles of social responsibility outlined in the Al-Qur'an and Sunnah must be used as guidelines for the lives of Muslims in various activities, including economic activities. All economic activities, both business and Sharia Financial Institutions (LKS), cannot be separated from the concepts of the Qur'an and Sunnah.²⁰ There are three values that are the basic principles in sharia accounting operations, one of which emphasizes accountability that needs to be carried out in accordance with what has been mandated. These principles are:

- a) Principle of Accountability. The implication in business and accounting is that individuals involved in business practices must always be accountable for what has been mandated and done to the parties involved.
- b) Principles of Justice. In the accounting context, the word fair can simply mean that every transaction carried out by the company must be recorded correctly. In other words, there is no window dressing in company accounting practices.
- c) Principle of Truth. In accounting we are always faced with the problem of recognition & measurement reports. This activity will be carried out well if it is based on truth values. This truth will be able to create justice values in recognizing, measuring and reporting transactions in the economy.²¹

The sharia accounting principles above are also very relevant to the concept of earnings quality, which requires financial reports to be presented correctly and reliably in accordance with the company's reality. Earnings quality is something that can influence investor decisions. Investors who have knowledge will want to assess the earnings quality of each company. The higher the quality of the current period's earnings compared to the last period, the more likely the company is to execute sound business strategies to generate healthy profits in the future, which is a key component of its share price.²²

How big is the influence of Islamic Social Reporting (ISR) disclosure on Profit Quality in companies listed on the Jakarta Islamic Index (JII)?

R square is a value that shows how much the independent (exogenous) variable influences the dependent (endogenous) variable. R squared is a number that ranges from 0 to 1 which indicates the magnitude of the combination of independent variables that together influence the value of the dependent variable. The R-squared value (R²) is used to assess how much influence a particular independent latent variable has on the dependent latent variable. There are three grouping categories in the R square value, namely the strong category, moderate category and weak category. Hair et al stated that an R square value of 0.75 is in the strong category, an R square value of 0.50 is in the moderate category and an R square value of 0.25 is in the weak category.²³

Coefficient of determination test results (R²) shows that the ability of the independent variable in this study to influence the dependent variable is only 9.9%. Meanwhile, the rest is explained by other variables outside this research.

The test results indicate that the ability of Islamic Social Reporting to influence Profit Quality is classified as weak. This is because some companies are only profit-oriented and do not really care

²⁰ Muhammad Yasir Yusuf. "Islamic Corporate Social Responsibility (I-Csr) in Sharia Financial Institutions (LKS), Theory and Practice". Jakarta: Prenada Media Group, 2017.

²¹ Leny Novianti and Andi Irfan. "Sharia Accounting". Depok: PT Raja Grafindo Persada, 2019.

²² Walter T. Harrison Jr. et al., "Financial Accounting: International Financial Reporting Standards-IFRS". Jakarta: Erlangga Publishers, 2011.

²³ Jr Hair., Joseph F., et. al. (2011). Multivariate Data Analysis. Fifth Edition. New Jersey: Prentice Hall, Inc.

about social activities. Apart from that, financial accounting standards also do not require companies to disclose Islamic Social Reporting, as a result, what happens in field practice is that companies only voluntarily disclose Islamic Social Reporting.

It is hoped that this disclosure of social responsibility (ISR) can help investors in making decisions apart from profit quality. This is because the usefulness of profit information for investors is very limited because profits have limitations which may be influenced by calculation assumptions and also possible manipulation carried out by company management so that information other than profits is needed to predict company stock returns.

Another theory that supports this research is Sharia Accounting Theory which prioritizes the principle of transparency in presenting financial reports correctly so that accurate information is obtained as a basis for calculations. Apart from that, what is no less important is accounting as written evidence that can be accounted for in the future.²⁴

The results of this research are in line with research conducted by Abdul Latif with the title *The Effect of Islamic Social Reporting (ISR) Disclosure on Earning Response Coefficient (ERC) in Manufacturing Companies Registered on the Sharia Securities List (DES) during the 2016-2018 period in 2020*. As for The results of this research are that ISR disclosure has a significant influence on ERC. ISR has an influence on ERC of 72.8%.

This verse also emphasizes that in every financial transaction, there must be clarity, honesty and transparency. These principles are relevant to the concept of earnings quality, which requires financial reports that are trustworthy and in accordance with the company's reality. By adhering to the teachings of this verse, companies are encouraged to present profit reports that are honest, not manipulated, and provide a correct picture of their financial condition, thereby reflecting accountability and integrity in business practices in accordance with Islamic values.

CONCLUSION

This research aims to determine the effect of Islamic social reporting (ISR) disclosure on earnings quality and how much Islamic social reporting is capable of influencing earnings quality in companies listed on the Jakarta Islamic Index (JII) with a total research sample of 20 companies. Based on the results of data analysis and hypothesis testing carried out, the following conclusions can be drawn: it shows that Islamic Social Reporting has a positive and significant influence on the quality of profits in companies listed on the Jakarta Islamic Index. Islamic Social Reporting encourages companies to apply the principles of transparency, honesty and social responsibility in their financial reporting. By implementing ISR, companies not only focus on achieving maximum profits, but also pay attention to the social and environmental impacts of their business activities. This can attract investors, especially Muslim investors, to invest in the company; Islamic Social Reporting disclosure has the ability of 9.9% to influence Profit Quality and is included in the weak category. This is because some companies are only profit-oriented and do not really care about social activities. Apart from that, financial accounting standards also do not require companies to disclose Islamic Social Reporting, as a result, what happens in field practice is that companies only voluntarily disclose Islamic Social Reporting.

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²⁴ Leny Novianti and Andi Irfan. "Sharia Accounting". Depok: PT Raja Grafindo Persada, 2019.

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