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Financial Performance and Disclosure of Islamic Social Reporting: The Case of Indonesia Sharia Banking Industry

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ABSTRACT

This research aims to determine the effect of Capital adequacy Ratio, Non Performing Financing and Debt to Equity Ratio on the Disclosure of Islamic Social Reporting (ISR). Disclosure of Islamic Social Reporting (ISR) is measured by the ISR Indeks.

The population in this research is Sharia banking in the form of Sharia Commercial Bank in Indonesia during the period 2013-2018. The total samples tested were 9 Sharia Commercial Bank selected by purposive sampling technique. This research analyzed ISR Index through bank annual report by using content analysis method. Data analysis technique use panel data regression with Eviews 9.0 program.

The results of this research indicate that Debt to Equity Ratio affect the Disclosure of Islamic Social reporting. Capital Adequacy Ratio and Non Performing Financing doesn't affect the Disclosure of Islamic Social reporting.

Keywords: Capital adequacy Ratio, Non Performing Financing, Debt to Equity Ratio, Disclosure of Islamic Social Reporting.

1. INTRODUCTION

Developments in the business world is increasingly rapid, can be seen from the emergence of various large-scale companies and areas of business that are available more and more, this is a positive impact for the community because there are various jobs, clothing, food, and boards from the activities of the company, but there is also a negative impact of the company to its environment.

Indonesia is a country that has high economic potential, the potential to be considered international world because it has a number of characteristics that put the country in a good position to experience the rapid economic development. In addition, in recent years there has been strong support from the central government to curb Indonesia's dependence on commodity exports (raw), while increasing the role of manufacturing industry in the economy. Increased economic activity compared to the US with the development of the capital market.

The capital market is an institution and profession related to the effect in this case is the Sharia capital market is instrumental in increasing the market share of Sharia securities in corporate companies who want to participate in Sharia capital market in Indonesia (Cahya, 2018:12). The principal and operational differences between conventional and Sharia banks can affect critical financial indicators such as efficiency, asset quality and stability (Satibi, Utami & Nugroho, 2018)

Indonesia Stock Exchange is one of the institutions in the capital market that formed through *the merger* between the Jakarta stock Exchange and the Surabaya stock Exchange. Among them is a banking company namely commercial banks and Sharia banks. Commercial banks are banks that carry out conventional business activities that in their activities provide services in the payment traffic. While Sharia Bank is a bank that operates in accordance with the principles of Islamic Sharia.

The *stakeholder* Theory states that the company is not an entity that only operates for its own benefit but must provide benefits for its *stakeholders*. While the *legitimacy of Theor*y company is said to have a contract with the public to perform its activities based on the values of *Justice*. Thus, the company is increasingly aware that the survival of the company also depends on the relationship of the company with the community and the environment (Cahya, 2018:6).

Along with the development of the era, the previous CSR has been done in both manufacturing and mining companies, but now has also been in the banking industry, this is because the banking industry has begun to develop mainly in Sharia banking. The Islamic capital market is not only regulated by law, but also in accordance with the sharia principles stipulated in Quran and Al-Hadith. All activities are carried out in an Islamic way capital markets are referred to as economic activities (Yaya and Nurrokhmah, 2019). According to Islam, which is explained in jurisprudence there is a DSN fatwa No: 40 / DSNMUI / X / 2003 which states "basically, all forms of muamalah can be done unless there is a proposition that forbids it". This concept is used as the basis for establishing the Islamic capital market in Indonesia.

Surah An Nahl verses 89 and 102

وَيَوْمَ نَبْعَثُ فِيْ كُلِّ اُمَّةٍ شَهِيْدًا عَلَيْهِمْ مِّنْ اَنْفُسِهِمْ وَجِئْنَا بِكَ
شَهِيْدًا عَلٰى هٰٓؤُلَاۤءِۗ وَنَزَّلْنَا عَلَيْكَ الْكِتٰبَ تِبْيَانًا لِّكُلِّ شَيْءٍ
وَّهُدًى وَّرَحْمَةً وَّبُشْرٰى لِلْمُسْلِمِيْنَ ﴿٨٩﴾

"... and (remember) on the day (when) we awaken to every people a witness upon them of their own, and we bring thee (Muhammad) to witness them. And we have sent down the Qur'an to explain all things, as instruction, and mercy and glad tidings of the one who is surrender" (Muslims,16:89).

Islamic Social Reporting is a form of social responsibility of a company related to Islamic principles. The Islamic Social Reporting Index contains a compilation of the standard CSR items established by the Aaoifi (Accounting and Auditing Organization for Islam Financial Institutions) which is further developed by researchers regarding the company's social items which should be disclosed by a corporation or an Islamic entity (Cahya, 2018).

Apparently from a statement above many factors affecting Islamic Social Reporting include:

Capital Adequacy ratio is the ratio of the bank's performance to measure the adequacy of capital owned by the bank to support assets containing or producing risks (Rahayu 2015). Capital Adequacy Ratio is high showing the performance of good company so that it is able to assume the risk but otherwise the low Capital Adequacy Ratio is not able to bear the risk of a bank, in this case the top management will focus more on the company's achievement of capital adequacy to cover the risk compared with the disclosure of Islamic Social Reporting.

It is supported by the research results of Sudrajat (2017) saying that the Capital Adequacy Ratio has no effect on the disclosure of Islamic Social Reporting on Sharia banking. A dash of research has not been found to say that the Capital Adequacy Ratio affects the disclosure of Islamic Social Reporting Hence, the author is interested in doing further research on the variables.

Non-performing Financing is a financing for measuring the risk of failure of financing, where problematic financing (which is included in the requestor's criteria is less fluid, congested and dispossessed) with the total financing distributed. Companies with a low level of Non-performing Financing, no need to provide more funds to cover bank losses resulting from bad credit. So it can provide an opportunity for the company to use the available funds to perform activities that can benefit the company (Kurniawansyah and Mutmainah, 2013)

It is supported by the research of Masrurroh and Mulazid (2015) said that Non performing Financing has no effect on the disclosure of Corporate Social Responsibility whereas according to Rohmah (2018) which said that non performing Financing negatively affects the disclosure of Islamic Social Reporting on sharia banking.

There is still a difference in the results of the research on non-performing financing and the authors interested in conducting advanced research on the influence of non-performing financing on Islamic Social Reporting.

Debt to Equity Ratio is the ratio that compares the amount of debt to equity. Companies with a high Debt to Equity Ratio will gain more pressure from the debt holders (debtholders) to conduct a disclosure of their social responsibilities so that the company attempts to reduce such pressures one of them by conducting the disclosure of the Islamic Social Reporting. This disclosure aims to assure that the company is able to pay its debts. In contrast, the company with a low-level Debt to Equity Ratio will prioritize the company in paying their debts so that disclosure of Islamic Social Reporting is neglected.

It is supported by the research of Ramadhani (2016) stating that Debt to Equity Ratio affects Islamic Social Reporting disclosure on sharia banking, while according to the study of Rosiana et al. (2015) stated that Debt to Equity Ratio had no effect on the disclosure of Islamic Social Reporting to Sharia banking companies.

The company size is a big level of identification of a company. Large enterprises must have large production operations, so the impact of the activities is greater on the environment. This requires the company to play an active role in the disclosure of its Islamic Social Reporting so that it can present information that the company has been conducting the disclosure of Islamic Social Reporting in accordance with Islamic Shariah. While small or medium scale companies will focus more on the development of the company so that the top management waives Islamic Social Reporting.

It is supported by the research of Ramadhani (2016) stating that the company size is affecting the disclosure of Islamic Social Reporting on sharia banking while according to Lestari (2015) says that the size of the company has no effect on the disclosure of Islamic Social Reporting on Sharia banking.

Profitability is the ability of the company in generating profits (profit). High profitability shows a good company's performance so that the company can provide more detailed information as well as about its sharia social responsibility while low profitability affects the company's performance so that the company will be more in charge of the achievement of profit compared with the Islamic Social Reporting disclosure Responsibilities. It is supported by the research of Wulandari (2015) stating that profitability has an effect on the disclosure of Islamic Social Reporting on Sharia banking while Ramadhani (2016) states that profitability does not affect the disclosure of Islamic Social Reporting.

Based on the previous explanation the objectives of this study are to examine the influence of Capital Adequacy Ratio, Non-Performing Financing and Debt to Equity Ratio on the disclosure of Islamic Social Reporting?

2. LITERATURE REVIEW

2.1 Islamic Social Reporting

Islamic Social Reporting is a form of social responsibility of a destruction related to Islamic azas. The ISR Index contains a compilation of the standard CSR items established by AAOIFI (Accounting ang Auditing Organization for Islamic Financial Institutions) which are further developed by researchers regarding the corporate social items which should be disclosed by Islamic entity (Cahya, 2018 : 161).

The ISR index is a disclosure item used as an indicator in the social performance reporting of Sharia business institutions. Haniffa created five of the ISR index disclosure themes, i.e. funding and investment themes, product and service themes, employee themes, community themes, and environmental themes. It was later developed by Othman et al , adding a theme of disclosure of corporate Governance Themes (Cahya, 2018 : 146-147).

a. Finance and Investment

The information to be disclosed is whether the source of financing and investment is free of interest (RIBA) and speculative (Gharar) because it is strictly forbidden in Islam as mentioned in the Qur'an. The following words of Allah SWT related banning riba:

تُبْتُمْ وَإِنْ ۖ وَرَسُولِهِ اللَّهِ مِنَ بِحَرْبٍ فَأْذَنُوا تَفْعَلُوا لَمْ فَإِنْ
تُظْلَمُونَ وَلَا تَظْلِمُونَ لَا أَمْوَالِكُمْ رُءُوسُ فَلَكُمْ

"Then if you do not do (leave the rest of usury), then be aware, that God and His messenger will take you. And if ye repent (from the taking of usury), then you are your treasure; You do not persecute and do not be persecuted"

b. Products and services

This concept is the responsibility of the company to disclose all products or services that fall into the category of Haraam (forbidden) such as liquor, pigs, jata transactions, gambling and entertainment. Islam really cares about the halal status of products and services.

c. Employees

Islamic society needs to know if the company is managed fairly related to employees such as information on wages, job brushes, working hours per day, annual leave, health and welfare, policies on religious matters such as prayer times and places, education and training to employees, equal opportunities and work environment. Employers are expected to be generous to their employees, this is the evidence of the hadith of Abdullah bin Umar RA saying that Muhammad Rasulullah SAW said:

عَرَقُهُ يَجِفَّ أَنْ قَبْلَ أَجْرَهُ الأَجِيرَ أَعْطُوا

"Give to an employment his wages before the dry," (Narated by Ibn Maajah).

d. Community Involvement

The needs of people or the wider community can be achieved through saddaqa (charity), Waqf (trust) and Qard Hassan (loans without profit) companies must reveal their role in improving economic development and addressing social issues (e.g.: work, illiteracy, scholarship and so on) find out which communities they operate.

e. Environment

Companies should not engage in any kind of activity that may destroy or damage the environment. Accordingly, information related to the use of the resource programs undertaken to protect the environment must be disclosed. Qur'an condemns the exploitation of the environment, as referred to in the word Allah SWT in the Ar-Rum verse 41-42:

ٱلنَّاسِ أَيۡدِي كَسَبَتۡ بِمَا وَٱلۡبَحۡرِ ٱلۡبَرِّ فِي ٱلۡفَسَادُ ظَهَرَ
سِيرُواْ قُلۡ 41 يَرۡجِعُونَ لَعَلَّهُمۡ عَمِلُواْ ٱلَّذِي بَعۡضَ لِيُذِيقَهُم
كَانَ قَبۡلُۚ مِن ٱلَّذِينَ عَٰقِبَةُ كَانَ كَيۡفَ فَٱنظُرُواْ ٱلۡأَرۡضِ فِي
42 مُّشۡرِكِينَ أَكۡثَرُهُم

"There seemed to be damage on land and at sea because of the deeds of human hands, that God might feel to them some of their deeds, that they might return (to the right way)".

f. Corporate *governance*.

Corporate governance in the ISR is the addition of Othman et al, where these themes not be separated from the company to ensure supervision on the corporate sharia aspect. In principle, the company's *corporate governance* concept must disclose all prohibited activities such as monopoly practices, the necessary of goods, price manipulation, gambling, games and any kind of unlawful Activities (Cahya, 2018 : 152).

The Qur'an always encourages its people to be fair in every respect. As the word of Allah SWT in Surah Al-Maidah verse 8:

وَلا بِالْقِسْطِ شُهَدَاءَ لِلَّهِ قَوَّامِينَ كُونُوا آمَنُوا الَّذِينَ أَيُّهَا يَا
أَقْرَبُ هُوَ اعْدِلُوا تَعْدِلُوا أَلا عَلَى قَوْمٍ شَنَآنُ يَجْرِمَنَّكُمْ
تَعْمَلُونَ بِمَا خَبِيرٌ اللَّهَ إِنَّ اللَّهَ وَاتَّقُوا لِلتَّقْوَى

"And you shall be the people of the people who always will be righteous because of Allah, to witness justly. And never be your hatred against a people, encouraging you to apply unjust. It applies to Allah, because it is just closer to takwa. And fear Allah, indeed, Allah knows what you are doing".

2.2 Conceptual framework

This framework is derived from the concept of science/theory used as the foundation of research obtained in the review of the library, phenomena that occur as well as previous research so that can be said by the authors is a summary associated with the variable lines studied. Based on the frame of thought above, the independent variables of this research are *Capital Adequacy Ratio*, *Non-performing Financing*, and *Debt to Equity Ratio*. While the dependent variable in this study is the disclosure of *Islamic Social Reporting*. Can be depicted in the framework of the relationship between variables are as follows:

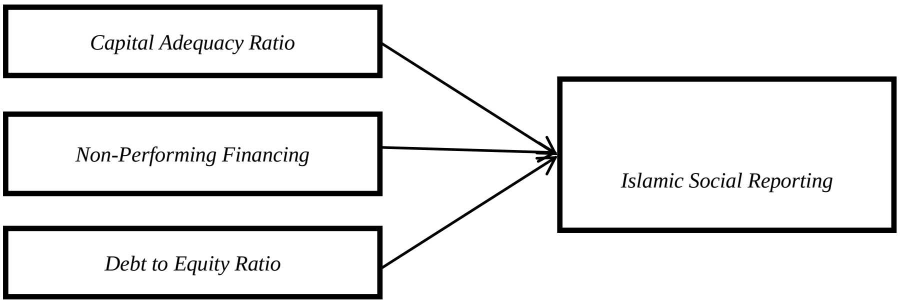

Figure 2.1. Conceptual framework

2.3 Hypothesis formulation

On the basis of previous theories, phenomena and research that analyzed the influence of *Capital Adequacy Ratio*, *Non-performing Financing* and *Debt to Equity Ratio* on the disclosure of *Islamic Social Reporting* can be explained as follows:

a. Influence of *Capital Adequacy Ratio* on the disclosure of *Islamic Social Reporting*

Capital Adequacy Ratio is a financial ratio used to measure the adequacy of the capital of the bandage. In The sharia, the ratio is calculated by dividing the capital against a risk-weighted asset (ATMR). Capital is a very important component for the banking industry, the source of capital is obtained from the capital itself and the capital of the other party. The capital itself includes the capital owned by the founders, reserves, and grants, including Infak/Shadaqah (charity). The greater the amount of capital available, the bank's management has the opportunity to do social responsibility activities are also higher. Because with a large capital of the management party more freely in conducting social responsibility activities and disclosing it in the annual report so that it can be concluded that the higher *Capital Adequacy Ratio* then influence the disclosure of *Islamic Social Reporting*. Based on the above, the hypothesis can be drawn as follows:

H_1: *Capital Adequacy Ratio* affects the expression of *Islamic Social Reporting*.

b. Influence of *Non-performing Financing* on the disclosure of *Islamic Social Reporting*

Non-performing Financing is a risk that describes the number of problematic financing owned by a sharia bank.

Banking companies that have a low level of *Non-performing Financing* do not need to provide and more to cover the bank losses that result from the financing of the company. So that it can provide opportunities for companies to use and available to do activities that can benefit the company, for example *Corporate Social Responsibility*, however, the activities *of corporate Social Responsibility* encapsulate reduced when *Non-performing Loan* companies are high. This is due to the increasing risk of credit being held by the bank, then the company's chances will be more focused on using the funds to reduce losses caused by the height of the company's bad credit. So that funds are available to conduct *Corporate Social Responsibility* activities will be less (Kurniawansyah & Mutmainah, 2013). Based on the explanation above, the hypotheses presented are as follows:

H_2: *Non-performing Financing* affects the disclosure of *Islamic Social Reporting*.

c. Influence of *Debt to Equity Ratio* on the disclosure of *Islamic Social Reporting*

Debt to equity ratio is a ratio that compares the amount of debt to equity. Companies with *high debt to Equity Ratio* will get more pressure from debt holders (*debtholders*) to conduct disclosures of their social responsibilities so that the company attempts TO reduce such pressures one of them by conducting an ISR disclosure. This disclosure aims to assure that the company is able to pay its debts. Conversely, companies with low *debt to Equity Ratio* which will prioritize the company's ability to pay their debts so that disclosure of *Islamic Social Reporting* is neglected.

Islamic Social Reporting is supported by the research of Ramadhani (2016) stating that *debt to Equity Ratio* affects *Islamic social reporting* disclosure on sharia banking while according to the research of Rosiana, et al. (2015) stating that *debt to equity ratio*.

H_3: *Debt to Equity Ratio* affects the disclosure of *Islamic Social Reporting*.

3. RESEARCH METHOD

This research is a quantitative research and consider as hypothesis testing research. The population in this research is Sharia Banking in Indonesia for the year of 2013-2018. Sampling methods in this study used *non-probability sampling* with *purposive sampling* technique. The sample criteria are as follows:

a. Sharia Bank registered in BI. Bank has been status as a sharia bank and registered with Bank Indonesia from 2013-2018.
b. The Bank has published its annual report and annual financial report published on the respective bank's website during the year 2013-2018 consecutively.
c. The currency used in the transaction.
d. Banking is the Indonesian rupiah currency.

The hypothesis testing in this study uses a linear regression analysis of data panels. This analysis is used to determine the relationship between transfer pricing and its independent variables. This research uses linear regression models of data panels with the following equations:

$$ISR_{it} = \beta_0 + \beta_1 CAR_{1it} + \beta_2 NPF_{2it} + \beta_3 DER_{3it} + \varepsilon it$$

Where:

ISR : *Islamic Social Reporting*
β_0 : constant
$\beta_{1,2,3}$: coefficient of variable independent
CAR : *Capital Adequacy Ratio*
NPF : *Non Performing Financing*
DER : *Debt of Equity Ratio*
ε : *Error Term*)

Table 1. Variable Measurement

No	Variable	Measurement
1	Islamic Social Reporting (ISR)	ISR=$\frac{jumlah\ skor\ disclosure\ yang\ dipenuhi}{jumlah\ skor\ maksimum}$
2	Capital Adequacy Ratio (CAR)	CAR = $\frac{modal}{ATMR}$x 100%
3	Non Performing Financing (NPF)	NPF=$\frac{Pembiayaan\ (KL,D,M)}{Total\ Pembiayaan}$x100%
4	Debt to Equity Ratio (DER)	DER = $\frac{Totall\ Hutang}{Total\ Ekuitas}$x 100%

The measurement of *Islamic Social Reporting* (ISR) historically developed after Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issued Islamic Social Reporting Index, or commonly called ISR (Azhar and Trisnawati, 2013). Initially ISR was initiated by Hanifah (2002) in her writing entitled "Social Reporting Disclosure: An Islamic Perspective". After that, the ISR was developed by Othman (2009) in Malaysia.

4. RESULT AND DISCUSSION

4.1 Result

The estimated capital or equation is used to perform empirical analysis which is not possible if only using time series and cross section data then this data panel has several advantages. Based on testing with Chow test, Hausmann test, and Lagrange Multiplier test it is known that the model suitable for this research is the Random Effect model.

Testing of research hypotheses uses a regression analysis of data panels. The Data regression test panel serves to explain the relationship between the free and bonded variables that are Interco ordinated through an equation that has been created.

In table 2 indicates that the value $F_{\text{-statistic}}$ is 3.414439, and Prob (F-Statistic) 0.011017 < α 0.05 can be concluded that the model of fit research. The *Adjusted* R-*squared* value of 0.192144 means that the *Islamic Social Reporting* variation can be explained by the combination of this variable independent of 19.21 percent, the remaining while 80.79 percent explained by other variables not examined in this study.

In table 2 shows that, the probability value of CAR is 0.0834 with α level = 5% *prob* value. 0.0834 > α 0.05 Therefore can be concluded that H 0 is accepted, the CAR variable in this study has partially no influence on the disclosure of Islamic Social Reporting. Until the H_1 filed in this research the *Capital Adequacy Ratio* affects the disclosure of *Islamic Social Reporting* cannot be supported.

Table 2. Random Effect model Test Result

Dependent variables: ISR				
Method: EGLS Panel (Cross-section random effects)				
Date: 11/13/19 Time: 11:42				
Sample: 2013 2018				
Periods included: 6				
Cross-sections included: 7				
Total Panel (balanced) observations: 42				
Swamy and Arora Estimator of component variances				
Variable	Coefficient	Std. Error	T-Statistic	Prob.
C	0.691328	0.045129	15.31911	0.0000
CAR	0.317865	0.178782	1.777951	0.0834
NPF	1.063829	0.766820	1.387326	0.1734
Der	-0.009979	0.004625	-2.157544	0.0374
	Effects Specification			
			Until	Rho
Cross-section Random			0.055107	0.6519
Idiosyncratic random			0.040269	0.3481
	Weighted Statistics			
R-Squared	0.251255	Mean dependent Var		0.215255
Adjusted R-Squared	0.192144	Until dependent var		0.045449
S.E. regression	0.040850	Sum Squared Resid		0.063410
F-Statistic	4.250535	Durbin-Watson Stat		1.102697
Prob (F-Statistic)	0.011017			
R-Squared	-0.104564	Mean dependent Var		0.752974
Sum Squared Resid	0.183721	Durbin-Watson Stat		0.380589

Source: Data processed by Eviews 9.0

The *prob* value of the NPF is 0.1734 with a α level = 5% probability value. 0.1734 > α 0.05 Therefore can be concluded that H_0 is accepted, the NPF variable in this study partially does not affect the *Islamic Social Reporting* expression. So that H_2 filed in this study of *Non-performing Financing* influence on the disclosure of *Islamic Social Reporting* not supported.

The value of probability DER is 0.0374 with a α rate = 5%, the value of the probability 0.0374 < α 0.05 Therefore can be concluded that H_a accepted, the variable *Debt to Equity Ratio* in this study has partially influenced the disclosure of *Islamic Social Reporting*. So, the H_3 filed in this research *Debt to Equity Ratio* has a significant effect on the disclosure of *Islamic Social Reporting* can be supported.

4.2 DISCUSSION

This research aims to determine the influence of *Capital Adequacy Ratio*, *Non-Performing Financing*, and *Debt to Equity Ratio* partially against the disclosure of *Islamic Social Reporting* on sharia banking in Indonesia period 2013-2018. The Summary of the test results is as follows:

a. The influence of *Capital Adequacy Ratio* on the disclosure of *Islamic Social Reporting*.

The first hypothesis test is about the *Capital Adequacy Ratio* effect on *Islamic Social Reporting* disclosure. Based on the research summary results in table 4.24 It is known that variables indicate a significant rate of 0.0834 > 0.05. This indicates that the *Capital Adequacy Ratio* has no effect on the disclosure of *Islamic Social Reporting.* So, the first hypothesis to say that the *Capital Adequacy Ratio* affects *Islamic Social Reporting* denied disclosure.

No influence on the *Capital Adequacy Ratio* to the disclosure of *Islamic Social Reporting* is likely due to the company being sampled in the research is still in safe condition because it is still above (8%) The minimum *Capital Adequacy Ratio*. The results of this study are in accordance with research conducted by Ningrum, et al (2013) which revealed that profitability does not affect the disclosure of Islamic Social Reporting (ISR). However, this is contradict to the research conducted by Maulida, et al (2014) and also the research conducted by Firmansyah and Hariyanto (2014) which states that profitability affects ISR disclosure.

In theory the larger amount of capital available then the management of the Bank has the opportunity to perform social responsibility activities are also increasingly higher. Because with a large capital of management parties more freely in conducting social responsibility activities and disclosing it in the annual report, so that it can be dis-equal to the higher *Capital Adequacy Ratio*, the higher the disclosure of *Islamic Social Reporting*. The results of this research also in accordance with the research conducted by Sudrajat (2017) which has a conclusion that the *Capital Adequacy Ratio has* no effect on the disclosure of *Islamic Social Reporting*.

b. The influence of *Non-performing Financing* on the **disclosure** of ***Islamic Social Reporting***

Based on the Results, the *Non-performing Financing* variable shows the value of the *prob* NPF of 0.1734 with α level = 5%. Nilai ilai *prob*. 0,1734 > α 0.05 so, can be concluded that $H_{0\ is}$ accepted, the *Non-performing Financing* variable in this study has no effect on the *Islamic Social Reporting* expression.

Non-performing Financing of the disclosure of *Islamic Social Reporting* caused by the company to be a sample in this research is still in good condition that is under 5% with an average value of 2.19% of the research results. The results of this research in accordance with the research conducted by Masrurroh and Mulazid (2015) who said that *Non-performing Financing* has no effect on the disclosure of *Islamic Social Reporting*.

The result confirmed the statement that the effort to increase the current Islamic Bank capital depends heavily on the shareholder policy which is also as a conventional bank with the same core business and services as its subsidiary, the Islamic Bank. While competition between conventional banking with Islamic banking in expanding financing is still in the same market, so it is somewhat tricky for Islamic banking with the current condition as a subsidiary of the conventional bank to get the flexibility of capital (Nugroho et al., 2017).

c. The influence of *Debt to Equity Ratio* on the **disclosure** of ***Islamic Social Reporting***

Based on the results, the variable *Debt to Equity Ratio* shows the value of 0.0374 with a rate of α = 5%. The *prob* value. 0.0374 < α 0.05 so, can be concluded that H_a accepted, the variable *Debt to Equity Ratio* In this study has an influence on the disclosure of *Islamic Social Reporting*. Until the H_3 proposed in this study "*Debt to Equity Ratio* has a significant effect on the disclosure of *Islamic Social Reporting*" received or proven.

Debt to Equity Ratio is a ratio for measuring the amount of capital financed by the debt. The relationship between the variable *debt to equity ratio* with the disclosure of *Islamic social reporting* is a significant effect which means that the higher the value of *debt to equity ratio* then the level of disclosure of *Islamic social reporting* will be lower, as well as vice versa. High debt levels will make Sharia banks more focused on returning their debts.

This finding is in line with research conducted by Firmansyah and Hariyanto (2014) say that Leverage variables have an influence on ISR disclosures, however this finding is not supporting the research of Kariza (2015), and Dewi (2012).

5. CONCLUSIONS AND SUGGESTIONS

5.1 Conclusion

Based on the results of the analysis and the discussion yang has been described in the previous chapter, the conclusion of the study is as follows:

1. The Capital Adequacy Ratio variable does not affect the disclosure of The Islamic Social Reporting.
2. Non-Performing Financing variables have no effect on the disclosure of Islamic Social reporting.
3. The variable Debt to Equity Ratio has significant effect on the disclosure of the Islamic Social Reporting.

5.2 Suggestion

Based on the conclusions and limitations above, the suggestions that can be given are as follows:

1. For regulators

This Islamic social reporting index can be used as a benchmark to measure the reporting standards of social performance for Sharia banking.

2. For Sharia banking

Sharia banking is established in order to take the policy to improve its financial performance and disclosure of its social performance through Annual report or other communication media. Financial performance as one of the benchmarks of Sharia banking success in managing its operations, while disclosing social performance as a form of efforts to increase stakeholders ' trust.

3. For further researchers
   a. Added number of samples to be used in this study.
   b. Developing Islamic Social reporting index disclosure points more comprehensively by taking into account the characteristics and conditions in Indonesia so that the Islamic social reporting index is used can further reflect the social responsibility in accordance with Islamic principles and can be applied in Indonesia.
   c. Add to the source of information that is used as the assessment material for Sharia responsibility disclosure, such as Press release, Information disclosed on the company's website and other sources of information.

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