Determinants of Islamic social reporting disclosure and its effect on firm's value

Arik Susbiyani and Moh Halim
Department of Accounting, Universitas Muhammadiyah Jember, Jember, Indonesia, and
Animah
Department of Accounting, Universitas Mataram, Mataram, Indonesia

Received 5 October 2021
Revised 7 March 2022
29 July 2022
Accepted 28 August 2022

Abstract

Purpose – This paper aims to examine the effect of the independent board of commissioners and profitability on Islamic social reporting (ISR) disclosure implemented in companies that belong to the group category of Indeks Saham Syariah Indonesia (ISSI). This study also examined the advanced effect of ISR disclosure as a company strategy to obtain a firm's value.

Design/methodology/approach – The data of the independent board of commissioners, profitability, ISR disclosure and firm's value were obtained from the annual reports of companies whose shares belong to the calculation of ISSI, totaling 24 companies. The ISR disclosure was measured using the content analysis method. While the research model used path analysis.

Findings – This study found that the independent board of commissioners directly affects the ISR disclosure while indirectly affects the firm's value as mediated by the ISR disclosure. This finding indicates that the independent board of commissioners is regarded as capable of protecting investors' interests from problems that may be incurred from asymmetry information. However, this study failed to prove that profitability directly affects the ISR disclosure.

Research limitations/implications – A list of ISR disclosure items in this research adopted the list developed by Haniffa and Othman, without any additional items. While the measurement of ISR disclosure used the content analysis, therefore there may be subjectivity issues accidentally done while scoring.

Practical implications – This study recommends management of companies which belong to ISSI to optimize their independent board of commissioners because it has been proven in this study that their presence can significantly encourage a more independent, objective and fair climate while one of its main principles is to pay attention to the interests of minority shareholders and other stakeholders. Besides, the findings can be used to increase awareness of the company management about the importance of transparency in managing a company because the ISR disclosure has received positive responses from investors.

Social implications – The findings of this study encourage companies to be more transparent in presenting information. An appropriate disclosure will provide a sense of security so that the investors can account for such earthly issues before Allah SWT, thus their spiritual satisfaction can be achieved.

Originality/value – This paper investigated further the effect of ISR disclosure on firm's value which has never been performed by previous scholars. The ISR disclosure is a strategy to obtain legitimacy from investors, which was analyzed using the legitimacy theory.

Keywords Profitability, Firm's value, Independent board of commissioners, ISR disclosure

Paper type Research paper

1. Introduction

Financial reporting is a means for communication from an enterprise to stakeholders (Othman *et al.*, 2009). Such communication is considered important because it reflects the

Journal of Islamic Accounting and Business Research

1759-0817
DOI 10.1108/JIABR-10-2021-0277

business accountability toward the stakeholders (Gray *et al.*, 1995). Disclosure of Islamic social reporting (ISR) is an attempt to disclose social information from company operations presented voluntarily by the company. The measurement and disclosure of the information still refer to principles constructed by a global organization: *Global Reporting Initiative Index*. However, the measurement as referred to the Global Reporting Initiative Index has not indicated any Islamic principles, like the disclosure of *green product*, the halal status of a product, product safety, product quality and consumer's complaints or situations that happen due to a company's disobedience toward the applicable rules.

The public has the right to get information related to the roles of the company in economy as well as in spiritual perspectives (Haniffa, 2002). Investors and report users need social disclosure in sharia manner, containing information of company's efforts in improving the life of the surrounding society and of whether the company operation has complied to Islamic rules. If the company they invested has corresponded with sharia, they can present the accountability before Allah SWT for their earthly affairs, thus spiritual satisfaction can be achieved. Therefore, it is necessary to research the aspects of Islamic economy with an aim to come to a solution (Adebayo and Hassan, 2013), such as that related to disclosure of the company operations Islamically.

During 2018, the food and beverage industry was able to grow by 7.91% or could exceed the national economic growth of only 5.17% (Siaran Pers, 2018). Thus, the need for food industry stakeholders for company information is also increasing. The existence of the board of commissioners has an important role in encouraging information disclosure. Likewise, profitability encourages companies to be more transparent in conveying information. Nevertheless, an observed phenomenon indicates a low disclosure level of ISR, especially of activities which are considered sensitive. Maali (2005) in his research found that companies tend to conceal company's activities which may bring in critiques. Besides, the development index of ISR disclosure in Indonesia is relatively slower than that of ISR disclosure in other Islam countries. This issue is supported by a number of studies in Indonesia revealing that the average of ISR disclosure is low, that is, about 50% (Retnaningsih *et al.*, 2019; Widiyanti and Hasanah, 2018). It may be caused by the absence of standard or regulations which can be adopted by companies in implementing ISR disclosure.

There are several contributing factors to the ISR disclosure, among others independent board of commissioners and profitability. Nonetheless, studies under the same topics have shown inconsistent results. For example, studies conducted by Othman *et al.* (2009) and Baidok and Septiarini (2016) have uniformly found that independent board of commissioners and profitability significantly influence the ISR disclosure, while Nugraheni and Wijayanti (2017) and Rizfani and Lubis (2019) have differently revealed that both variables do not contribute to the ISR disclosure.

A considerable number of studies on ISR have been previously reported, but they have focused more on factors which may influence the ISR disclosure. For example, research that has been carried out by Nugraheni and Wijayanti (2017) and Mukhibad and Fitri (2020). The present study, therefore, aims to present a novelty by examining further impacts of ISR disclosure toward firm's value that has not been investigated before by previous studies, and by examining the indirect influence of independent board of commissioners and profitability to firm's value through the ISR disclosure. The independent board of commissioners has a strategic role in enhancing transparency and accountability in Islamic management of a company. Brigham and Daves (2016) define profitability as the final product of policies and decisions issued by the company.

Based on the aforementioned research background, the following research problems were then formulated: how are the roles of the independent board of commissioners and the company management effectivity as measured by the profitability in encouraging transparent information disclosure. Moreover, the present study aims to investigate how is the influence of the disclosure of ISR toward the company performance indicated by the company value. In this regard, the purpose of this paper is to examine whether the independent board of commissioners and profitability have a direct and indirect effect on firm value through ISR disclosure.

We found that the board of commissioners as an independent and neutral party in the company can improve the disclosure of ISR. When effective monitoring is carried out, all available information will be provided by management. Other results show that companies that have provided sufficient information about the company's operations in an Islamic manner will have a positive impact on the firm's value. The results of our study also show that the existence of a board of commissioners has an impact on firm value. The findings of this study indicate that the existence of an independent board of commissioners in companies listed on Indeks Saham Syariah Indonesia (ISSI) is considered to have a supervisory function in accordance with the interests of investors so that management is more transparent in disclosing information. Our study contributes to the corporate ISR disclosure literature. These results provide support for agency and legitimacy theory that explain the relationship between companies and stakeholders. Practical implications result of this study are to increase corporate awareness of the importance of transparency in company management, because transparency in the form of ISR disclosure increases the investor's positive response. The results of this study become important information for the government to bring forth a regulation in the form of standard methods and formats that regulate the presentation of financial reports of a business activity in sharia.

2. Literature review and hypotheses development

2.1 Islamic social reporting

Disclosure is defined as the reveal of information from a company to concerned parties. Evans (2003) states that disclosure means to deliver information in financial reporting, which consists of the financial reporting, notes on the financial report and additional disclosure related to the financial report. The information to be disclosed is to be clear, useful and disambiguous to the report users because it will be used as a main consideration for decision-making in economy affairs (Chariri and Ghozali, 2007).

One form of manifestation of accountability in Islamic economy perspective is reporting the company's social responsibility by complying with sharia principles. Haniffa (2002) argues that in the conventional system the reporting of company's social responsibility merely focuses on material and moral aspects. To this extent, they think it is necessary to construct a specific framework for social responsibility reporting which complies with Islamic principles so as to gain more trust from decision makers on the company's report. The well-educated members of society will affect their behavior, such as when evaluating attributes of a product (Adiba and Wulandari, 2018). Such framework, therefore, will be useful not only for Muslim decision-makers but also for the company in fulfilling their obligation to Allah SWT, the environment and the society.

The rules of social reporting are acceptable for some groups but not for the others because the code of ethics in social reporting is relative (Lewis and Unerman, 1999). The disclosure framework of ISR has been previously designed by scholars, such as Haniffa (2002) and Othman *et al.* (2009). Referring to the two studies, there are five themes of disclosure in the frameworks of ISR have been identified as follows: finance and investment; products and services, employees; community; and environment.

2.2 Legitimacy theory

Legitimacy theory is a theory derived from the political economy theory. This theory is translated as the framework of economy, social and politic of human life. *Political economy theory* can extend the analysis level of a researcher because it considers sociopolitical issues that may imply to how an organization operates and which information is selected to be disclosed (Deegan, 2009). The legitimacy theory explains the relationship between an organization and the society. Lindblom (1994) adds that legitimacy is a condition when a value system of an entity is equal to the greater social value. Dowling and Pfeffer (1975) give a logic reason related to the organization legitimacy. They state that an organization make efforts to harmonize social values attributed to the activities with applicable norms accepted within the social system because it belongs to the system. While the two value systems harmonize, it is called the organization legitimacy.

2.3 The independent board of commissioners enhances the ISR disclosure

Rustam (2013) states that the board of commissioners are corporate organs who are in charge of carrying out general and specific supervision duties as accordance with the statutes and of providing advices to board of directors. Therefore, the existence of independent commissioners is very important in monitoring events related to impacts and conflicts of interest between principle and agent. That said, the major shareholders' rights, particularly the minority, are secured. Like in Eisenhardt (1989) that the agency relationship causes two problems, such as *asymmetry information* and *conflict of interest* due to different objectives. Agency theory is a theory which explains the relationship between principal and agent by separating ownership and control over the company (Jensen and Meckling, 1976).

The board of commissioners constitute a party granted with monitoring function to the management performance, while the board of directors perform the function as the organization operations (Wardhani, 2007). The board of commissioners as an independent and neutral party in the company are expected to bridge the asymmetry information between owners and managers, which is by encouraging other members of the board to perform better supervision. When effective supervision has been performed, the company will be managed well where all available information will be disseminated by the management board (White *et al.*, 2007). The independent board of commissioners is also considered as a tool to monitor behaviors of the board of directors (management), thus causing more voluntary disclosure of the company information (Huafang and Jianguo, 2007; Jasra *et al.*, 2010; Rosenstein and Wyatt, 1990). This statement is supported by studies (Anggraini and Wulan, 2019; Khoirudin, 2013) which found results that independent board of commissioners has impact on ISR disclosure. Therefore, independent board of commissioners is predicted to have a positive impact on ISR disclosure by proposing *H1* as follows:

H1. Independent board of commissioners positively affects the ISR disclosure.

2.4 Profitability enhances the disclosure of Islamic social reporting

Profitability is defined as the amount of profit returned (Eric *et al.*, 2013). The managers have the desire to ensure owners or investors about their profitability that can be attained as they improve the compensation for managers, enabling them to conduct a more expanded disclosure (Hikmah *et al.*, 2011). According to Abdul and Hanafi (2009) profitability ratio is used to measure the company's ability to make profits at the level of sales, assets and certain capital stock. It is in line with the signaling theory which states that fine quality organization can distinguish itself from an unsatisfactory organization by signaling users about the quality of the organization. *Signaling theory* was firstly used to study the job and product market by Akerlof and Arrow (Zhao *et al.*, 2004). *Signaling theory* emphazises the use of symbolic communication theory in social interaction. It is described by BliegeBird and Smith (2005) as a theory opening chances to integrate the interaction of symbolic communication theory as a strategic measure to attain social benefits.

Lang and Lundholm (1993) explain a general perception that a well-performed management of an organization is more open in conveying information than that with unsatisfactory performance. In the context of enterprise, *signaling theory* in capital market has been explained by Stiglitz *et al.* (1975), in which he states that an organization with satisfactory performance differentiates itself from its counterparts by sending signals informing their organization quality to potential users. Based on the signaling theory, a company discloses a more comprehensive information to the market when their performance is satisfying than when they are not where they tend to keep unfavorable news, this is to avoid themselves, or their performance, from being underestimated (Al-Sartawi, 2018).

A study by Omar and Simon (2011) proves that there is a positive relationship between profitability and the level of ISR disclosure. While Naser and Hassan (2013) found that profitability affects the ISR disclosure. Research by Eksandy and Hakim (2017) and Sutapa and Laksito (2018) found that profitability results have an effect on ISR disclosure. Therefore, profitability is predicted to have a positive impact on ISR disclosure by proposing *H2* as follows:

H2. Profitability positively affects the ISR disclosure.

2.5 The ISR disclosure increases firm's value

The ISR disclosure aims to reflect if an organization has operated accordingly with Islamic principles. Lindblom (1994) adds that legitimacy is a condition when a value system of an entity is equal to the greater social value. They state that an organization makes efforts to harmonize social values attributed to the activities with applicable norms accepted within the social system because it belongs to the system. While the two value systems harmonize, it is called the organization legitimacy. A company which discloses adequate information regarding its Islamic management will bring positive effects, such as gaining trust from market players because it shows that the company is capable of sharing comprehensive information, both from economy aspect and religious aspect. This confirms the legitimacy theory stating that a company will continuously ensure that its operation has satisfied the environmental norms and that all organizational activities are legitimized by outside parties (Deegan, 2009).

Various policies are taken by management in an effort to increase the value of the company, namely, through increasing shareholders which is reflected in the company's share price (Brigham and Daves, 2016). Theory of the firm explains that the ultimate goal of a company is to maximize its wealth or its company value (Salvatore, 2005). The efforts to maximize the company value are vitally important for a company because achieving this is equal to maximizing the prosperity of every shareholders (Brigham and Gapenski, 1996). Meanwhile, according to Keown (2004) the company value is the market value of debt securities and circulating company equity. Therefore, the more the ISR disclosure, the higher the firm's Value. Ratri and Dewi (2017) found evidence that ISR affects firm value. Therefore, ISR disclosure is predicted to have a positive impact on firm's value by proposing *H3* as follows:

H3. ISR disclosure positively affects the firm's value

2.6 Independent board of commissioners increases firm's value

The board of commissioners are corporate organs who are in charge of carrying out general and specific supervision duties. The presence of independent commissioners can encourage and create a more independent, objective climate, as well as enhance fairness. Moreover, they can bridge the agency relationship between management and investors. According to Eisenhardt (1989), such agency relationship may cause two problems, namely, *asymmetry information* and *conflict of interest*. Managers commonly know more about the situation and prospect of the company than the outside parties, resulting in not conveyed facts to the principals. Besides, activities performed by a manager that may not be entirely known by the principals, therefore the manager may perform something beyond the principal's knowledge. Given the potentials, the presence of the independent board of commissioners is considered representative of investors' interest that can increase the firm's value in business activities performed by the company. Dewi and Nugrahanti (2017) found that the independent board of commissioners affected firm value. Therefore, independent board of commissioners is predicted to have a positive impact on firm's value by proposing *H4* as follows:

H4. Independent board of commissioners positively affects the firm's value.

2.7 Profitability increases firm's value

Profitability depicts the company's performance in managing the company. High profitability, therefore, is a positive signal for investors, in which it becomes an indicator of the company's profitable state. It can also become an appeal for investors to invest in the company. The high demand for shares indirectly makes investors value the shares greater than what is written in the company balance sheet, resulting in a high company value. It supports the *signaling theory* as described by Spence (1973) that a fine quality organization can distinguish itself from an unsatisfactory organization by signaling users about the quality of the organization. Moreover, the signaling theory explains that a company with high profitability is foreseen as one with a good future. This statement supports the previous findings by Agustina (2020) and Sutapa and Laksito (2018). Therefore, profitability is predicted to have a positive impact on firm's value by proposing *H5* as follows:

H5. Profitability positively affects the firm's value.

2.8 Independent board of commissioners increases firm's value through Islamic social reporting disclosure

The independent board of commissioners has important duties, like supervising, advising, analyzing and approving annual reports. Besides, the independent board of commissioners is neutral, therefore they can mediate conflicts of interest between owners and management. The neutrality and presence of the independent board of commissioners can increase the firm's value because their role as the supervisors can represent the inventors' interest.

Moreover, the independent board of commissioners will encourage other members to perform better supervision, particularly due to the asymmetry information between principals and agents. When an effective supervision has been performed, the company will be managed well where all available information will be disseminated by the management board (White *et al.*, 2007). Such disclosure is an important part of the society's expectation of the company's roles in economy as well as spiritual aspects. Therefore, independent board of commissioners is predicted to have a positive impact on firm's value through ISR disclosure by proposing *H6* as follows:

H6. Independent board of commissioners positively affects the firm's value through ISR disclosure.

2.9 Profitability increases firm's value through ISR disclosure

Profitability reflects the company's ability to make profits using all available resources and competence (Harahap, 2018), while the company profits is one of the factors which reflect welfare of shareholders. A company with good financial performance will gain more trust from investors who take it as positive signals. Besides, a company with better performance tends to be more transparent in disclosing information. It confirms the *signaling theory* as explained by Spence (1973) that a fine quality organization can distinguish itself from an unsatisfactory organization by signaling users about the quality of the organization. The managers have the desire to ensure owners or investors about their profitability that can be attained as they improve the compensation for managers, enabling them to conduct a more expanded disclosure (Hikmah *et al.*, 2011). Omar and Simon (2011) found a positive relationship between profitability and the level of ISR disclosure. While Naser and Yousef (2013) argue that profits will affect the ISR disclosure. Therefore, profitability is predicted to have a positive impact on firm's value through ISR disclosure by proposing *H7* as follows:

H7. Profitability positively affects the firm's value through ISR disclosure.

3. Data and methodology

3.1 Operational variable definition

In this research, the independent board of commissioners was quantified through the proportion of independent commissioner with its total member (Badriyah *et al.*, 2015; Puspitaningrum and Atmini, 2012). While, the profitability was measured by using return on equity (Căpraru and Ihnatov, 2014; Ozili and Uadiale, 2017) the proportion between net profit after tax and total equity. Data analysis techniques used in this study is a content analysis method (Arifin and Wardani, 2016; Mais and Lufian, 2018), namely, ISR disclosure was calculated by using six theme that consists of 43 disclosure items, presented in Appendix (Hanifa, 2002; Othman *et al.*, 2009). If the item was disclosed in the annual report, the value is 1, and if it was not disclosed, the value is 0 (Khoiriyah, 2020; Luqyana and Zunaidi, 2021). This disclosure can be described in the form of words, sentences, pictures or charts and coded based on the disclosure theme. Meanwhile, firm's value was proxied by the company's value as measured by the Tobin-Q formula (Dushnitsky and Lenox, 2006; Mak and Kusnadi, 2005; Rjiba *et al.*, 2020).

3.2 Sample of the study

ISSI (or Indonesia Sharia Stock Index) reflects the movement of incoming shares into List of Sharia Securities (or *Daftar Efek Syariah* DES) issued by BAPEPAM-LK (Badan Pengawas

Pasar Modal dan Lembaga Keuangan). The key component in ISSI calculation is all shares that belong to the List of Sharia Securities which will be evaluated twice a year; in May and November, or after BAPEPAM and Lembaga Keuangan announce a new list of Sharia Effect.

ISSI constituents will be reselected twice a year; in May and November. Upon this review, OJK (Otoritas Jasa Keuangan) will have ensured the emittent in DES not having not-halal portfolios as follows:

- gambling and money game categorized as gambling;
- forbidden trading by sharia;
- financial services with riba, for instance, conventional banks and funding cooperations;
- risk transaction which constitutes uncertainty (*gharar*) and or gambling (*maisir*), for instance, conventional insurance;
- producing, distributing, trading and/or supplying products or services containing haram substances and products or services that may be destructive for morale, for instance, alcohol and cigarettes; and
- transactions which may be corruptive (*risywah*).

The population of this research were companies that are included in the Indonesian Sharia Stock Index in 2018 and 2019. This research was using purposive sampling with some criteria, such as: companies that used Rupiah currency, and companies that published consecutive annual reports from 2018 to 2019.

Companies within the category of industrial sector for consumption products which have been registered at ISSI from 2018 to 2019 are 43 in total. Of all the 43 companies, two are known to not use Rupiah as currency, nine have not issued the company annual report in two consecutive years, 2018–2019, and eight of them have not issued the annual report in certain years. Based on this information, 24 samples which satisfied the research objectives were gathered. The total number of data is 48, obtained from 24 sampled companies multiplied by 2 years.

3.3 Path analysis

This research used path analysis. Olobatuyi (2006) mentioned that path analysis includes normality and heteroscedasticity, and there is only a few multicollinearity (Sarwono, 2007) and the relation between the variables are linear (Solimun, 2003). Baron and Kenny (1986) explained that mediational hypothesis is generally tested by causal step strategy. The indirect effect can be determined by multiplying the path coefficient value of the exogenous variable influence on the intervening variable by the value of the path coefficient of the intervening variable effect on the endogenous variable (Sarwono, 2007). The data analysis used in this research is SPSS software.

4. Empirical results and discussion

4.1 Descriptive statistics

Descriptive statistics of lowest, highest, average and standard deviation values for the independent board of commissioners, profitability, ISR disclosures and firm's value variables are presented in Table 1.

Table 2 shows a normality test result. The significance value of independent board of commissioners was 0.694, profitability was 0.333, ISR disclosure was 0.681 and firm's value was 0.413. These sig. values are higher than 0.05, which means all variables meet the hypothesis (Sarwono, 2007).

Table 3 shows the result of heteroscedasticity test. The significance value of independent board of commissioners was 0.833, profitability was 0.051 and ISR disclosure was 0.767. These sig. values are higher than alpha 0.05, which means heteroscedasticity does not occur in the equation path analysis (Sarwono, 2007).

Table 4 shows multicollinearity test result. All tested variables have a tolerance value >0.10 and a VIF value <10.0 (Ghozali and Latan, 2015), it indicates that the research variable fulfills the multicollinearity hypothesis or is free from multicollinearity problems.

Variables	Min	Max	Average	Standard deviation
Independent board of commissioners (X1)	21.00	64.00	41.2863	13.94250
Profitability (X2)	2.55	73.16	41.0513	18.63150
ISR disclosure (Y1)	37.11	79.14	56.9713	11.12048
Firm's value (Y2)	0.55	5.12	2.6494	1.33780

Source: Data analysis using SPSS

Table 1. Descriptive statistic of the research variables

Variables	Sig	Conclusion
Independent board of commissioners (X1)	0.694	Normal
Profitability (X2)	0.333	Normal
ISR disclosure (Y1)	0.681	Normal
Firm's value (Y2)	0.413	Normal

Source: Data analysis using SPSS

Table 2. Normality test result

Variables	Sig	Conclusion
Independent board of commissioners (X1)	0.833	Heteroscedasticity does not occur
Profitability (X2)	0.051	Heteroscedasticity does not occur
ISR disclosure (Y1)	0.767	Heteroscedasticity does not occur

Source: Data analysis using SPSS

Table 3. Heteroscedasticity test

	Collinearity statistics		
Variables	Tolerance	VIF	Conclusion
Independent board of commissioners (X1)	0.734	1.362	Multicollinearity does not occur
Profitability (X2)	0.802	1.247	Multicollinearity does not occur
ISR disclosure (Y1)	0.884	1.132	Multicollinearity does not occur

Source: Data analysis using SPSS

Table 4. Multicollinearity test

The hypotheses underlying the path analysis have been fulfilled so that it can be continued to predict the path analysis and the results are shown in Table 5.

Table 5 shows that the coefficient path between the independent board of commissioners (X1) on the ISR disclosure (Y1) is 0.322 and the *t*-statistic value is $2.059 > t_{critical}$ 1.684, so it can be concluded that there is a positive effect on the disclosure of the independent board of commissioners (X1) on ISR disclosure (Y1) (Sarwono, 2007). These results indicate that there is sufficient empirical evidence to accept the hypothesis (*H1*). The coefficient path is positive, meaning that the higher the composition of the independent board of commissioners is, the higher the ISR disclosure (Y1).

The coefficient path of the profitability effect (*X*2) on the ISR disclosure (Y1) is about 0.039 with *t*-statistic value of 0.247 > *t*-critical 1.684. So, it can be concluded that there is no positive profitability effect (*X*2) on ISR disclosure (Y1). These results indicate that there is no sufficient empirical evidence to accept the hypothesis (*H2*). Thus, the profitability value does not affect the ISR disclosure (Y1).

The coefficient path of ISR disclosure effect (Y1) on the firm's value (Y2) is about 0.572 with *t*-statistic value of 6.786 > *t*-critical 1.684. These results indicate that there is sufficient empirical evidence to accept the hypothesis (*H3*). Thus, profitability value gives a significant effect on the firm's value (Y2).

The coefficient path of independent board of commissioners effect (X1) on the firm's value (Y2) is about 0.207 with *t*-statistic value of 2.242 > *t*-critical 1.684. These results indicate that there is sufficient empirical evidence to accept the hypothesis (*H4*). Thus, independent board commissioners' proportion gives a significant effect on the firm's value (Y2).

The coefficient path of profitability effect (X1) on the firm's value (Y2) is about 0.362 with *t*-statistic value of 4.090 > *t*-critical 1.684. These results indicate that there is sufficient empirical evidence to accept the hypothesis (*H5*). Thus, profitability value gives a significant effect on the firm's value (Y2).

Path analysis is also known as the indirect effect. It is the result of multiplying the result of the path coefficient (beta) of each independent variable (X1 and X2) on the intervening variable (Y1) with the result of the path coefficient (beta) of the intervening variable (Y1) on the dependent variable (Y2). The indirect effect is declared significant if the two influences that make it up are significant (Sarwono, 2007). The results of the indirect effect are shown in Table 6 below:

It can be concluded from Table 6 that the indirect effect between independent board of commissioners (X1) and firm's value (Y2) through ISR disclosure (Y1) obtained an indirect effect coefficient of 0.1212. The first path test result, the effect of independent board of

Table 5.
First equation path coefficient results

Variables	Coefficient path (beta)	*t*-statistic ($t_{critical}$ = 1,684)	Result	Coefficient of determination R square	Error analysis (P_e1)
X1 to Y1	0.322	2.059	Significant	0.116	0.340
X2 to Y1	0.039	0.247	Not Significant	or	or
				11.6%	34.0%
X1 to Y2	0.207	2.242	Significant	0,705	0.839
X2 to Y2	0.362	4.090	Significant	or	or
Y1 to Y2	0.572	6.786	Significant	70.5%	83.9%

Source: Data analysis using SPSS

commissioners (X1) on ISR disclosure (Y1), and the second path test result, the effect of ISR disclosure (Y1) on the firm's value, are significant. These results indicate that there is sufficient empirical evidence to accept the hypothesis (*H6*). Thus, there is a significant effect on independent board of commissioners (X1) and firm's value (Y2) through ISR disclosure (Y1).

The indirect effect of profitability (*X*2) on firm's value (Y2) through ISR disclosure (Y1) obtained an indirect effect coefficient of 0.0619. Based on the results of the first path test, profitability (*X*2) on ISR disclosure (Y1) is not significant and the results of the second path test, the effect of ISR disclosure (Y1) on firm's value is significant. One of the path results is not significant, meaning that there is no enough empirical evidence to accept the hypothesis (*H7*). Figure 1 shows overall result of path analysis.

From the causal relationship between variables in the path diagram, the total coefficient of determination is 0.2853 or the information contained in the data 28.53% can be explained by the path model, while the remaining 71.5% is explained by other factors outside the model.

4.2 Results and discussion

The results of the path analysis indicate that the proportion of independent board of commissioners gives a significant effect on ISR disclosure. The findings of this study indicate that the existence of independent board of commissioners in companies listed on the ISSI has carried out a supervisory function, provided advice and encouraged directors to apply the principles of good corporate governance, such as encouraging companies to provide adequate information in ISR disclosures. In addition, the existence of the commissioner board as an independent and neutral party in the company is able to bridge asymmetry information that occurs between investors and the company. Supervision carried out by independent commissioners can encourage company management to be more transparent in conveying information, which also gives a significant impact to the ISR disclosure.

The results of this study support agency theory which explains that agency causes asymmetry information problems because, in general, managers have more information

Table 6. Indirect effect and total effect

Path effects	Indirect effect	Total effect
(X1) → (Y1) → (Y2)	0.322 × 0.572 = 0.1212	0.1842
(X2) → (Y1) → (Y2)	0.039 × 0.572 = 0.0619	0.0223
(X1) → (Y2)	–	0.2070
(X2) → (Y2)	–	0.3620

Source: Data analysis using SPSS

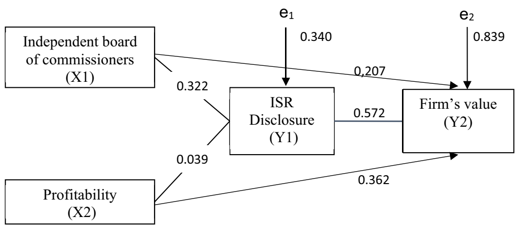

Figure 1. Overall result of path analysis

about the company's financial and operational than the owner (Eisenhardt, 1989). The existence of an independent board of commissioners can reduce asymmetry information. The results of this study are in line with the research result by Baidok and Septiarini (2016) which found that the independent board of commissioners has a significant effect on the ISR disclosure in banking companies listed on the Malaysia Islamic stock exchange.

Based on the results of the path analysis, it shows that the profitability that measured by the return on asset ratio has a positive and not significant effect on ISR disclosure. The results of this study indicate that the ability of companies listed on the ISSI to gain profits will increase ISR disclosure in the annual report, but the effect is not significant. Profitability is a description of the company's ability to earn profits through all existing capabilities and resources. Managers want to convince owners or investors about the profitability that can be achieved so that owners increase their compensation for managers. As a result, companies' management whose shares are included in the category of Islamic stocks will disclose a wider ISR. This result is in line with Kalbuana *et al.* (2019) and Prasetyoningrum (2019) research which found that profitability has a not significant effect on ISR disclosure in companies listed on the Malaysian Islamic stock index.

The results of the path analysis show that the ISR disclosure has a significant effect on firm's value. Therefore, the hypothesis of there is a significant effect of ISR disclosure on firm's value is accepted. This means that the higher the ISR disclosure is, the higher the firm's value. It is a revelation that aims to show users of financial reports that companies operation listed on the ISSI are already based on Islamic principles. Thus, companies that have provided sufficient information about corporate management in an Islamic manner will get a positive impact on firm's value. This means that the company is considered capable of providing adequate information not only from an economic aspect but also from a religious aspect. Therefore, the higher the ISR disclosure presented in the annual report is, the higher the firm's value.

The results of this study are in line with the legitimacy theory which emphasizes that the company will continue to strive to ensure that the company operates in accordance with environmental norms and continuously tries to ensure that organizational activities are accepted by outsiders as valid/legal (Deegan, 2009). The company is not an entity that only operates for its own interests but must provide benefits for its stakeholders. Thus, the existence of a company is strongly influenced by the stakeholder's support. ISR disclosure is considered as part of the dialogue between the company and its stakeholders. The results of the study are in line with the research results by Setiawan *et al.* (2019) which found that the ISR disclosure increases firm's value.

The results of the path analysis indicate that the independent board of commissioners affects firm's value, which means that the hypothesis of the effect of the independent board of commissioners on firm's value is accepted. The results of this study indicate that the presence of the commissioner board in companies listed on the ISSI has a supervises, provides advice and reviews the annual report. In addition, the existence of an independent board of commissioners as an independent and neutral party in the company is able to bridge the asymmetry information that occurs between companies and investors. The existence of an independent board of commissioners can encourage other members of the commissioner board to do a better supervision. Supervision that has been carried out effectively by the independent commissioner has a good impact on firm's value. The results of the study are in line with the results of research by Setiawan *et al.* (2019) who found that the ISR disclosure increased firm's value.

The results of the path analysis show that profitability gives a significant effect on firm's value. That is, the hypothesis of there is an effect of profitability on firm's value is accepted.

Profitability is a company's ability to generate profits (Hanafi and Halim, 2016). Therefore, profitability analysis by investors and creditors is very important as a consideration in determining various kinds of decision-making. Maulida *et al.* (2014) stated that profitability is used to assess a company's ability to seek profit and to see the effectiveness of a company's management in disclosing its social responsibility. The higher the profitability is, the higher the company's ability to generate profits. So that company's disclosure will be more extensive. The results of the study are in line with the results of research by Setiawan *et al.* (2019) who found that the ISR disclosure increased firm's value.

The results of the path analysis indicate that the proportion of independent commissioners has a positive and significant effect on firm's value through the ISR disclosure. The findings of this study indicate that the existence of an independent board of commissioners in companies listed on the ISSI is considered to have a supervisory function in accordance with the investor's interests. In addition, the independent board of commissioners is a neutral party so that it is able to mediate between the interests of the owner and company's management. Neutrality and the existence of an independent board of commissioners increase firm's value because the supervisory function performed by the independent board of commissioners is considered to represent the investor's interests. In addition, the existence of an independent board of commissioners is considered to be able to bridge the asymmetry information that occurs between investors and company managers, which can encourage other members of the commissioner boards to perform better supervisory. Supervision has been carried out effectively so that the management is more transparent in disclosing information. This disclosure represents the expectations of the community, not only regarding the role of the company in the economy but also the role of the company from a spiritual perspective.

Based on the results of the path analysis, it shows that the profitability as measured by the return on asset ratio has a positive and not significant effect on investors through the ISR disclosure. The results of this study indicate that the ability of companies listed on the ISSI to gain profits will increase the level of ISR disclosure in the annual report, but the effect is not significant. Profitability is a description of the company's ability to earn profits through all existing capabilities and resources. Managers want to convince owners or investors about the profitability that can be achieved so that owners could increase their compensation for managers. As a result, the management of companies whose shares are included in the category of Islamic stocks will conduct a wider ISR disclosure.

5. Conclusion

We find that the independent board of commissioners has a direct effect on ISR disclosure and has an indirect effect on firm's value through the ISR disclosure as an intervening variable. These findings indicate that the existence of an independent board of commissioners is perceived by investors to have a deliberate role, especially as considered by investors to protect their interests by the presence of asymmetry information. This is supported by empirical evidence which states that the existence of an independent board of commissioners who has the task of supervising, providing advice, reviewing and approving annual reports content has proven to encourage companies to be more transparent in conveying information.

The managerial implication for category of industrial sector for consumption products is to increase ISR disclosure. The reason is because people have a right to obtain information according to their needs, which is not only about the role of companies in the economy but also the role of companies in a spiritual perspective. Adequate disclosure provides a sense of security, investors can be accountable to Allah SWT for business activities in the world so that spiritual satisfaction can be achieved.

We also find that profitability affects ISR disclosure. A company with good financial performance will be more transparent in conveying information because they want to show that its company performance is different from other companies. With high profitability, the company can convince investors that its operations are managed with sharia principles well. However, the research results cannot prove that profitability affects firm's value through the ISR disclosure.

The theoretical implication of this research is that this research has succeeded in proving empirically that the independent board of commissioners directly affects the ISR disclosure analyzed by agency theory. In addition, independent board of commissioners also has an indirect effect on firm's value through the ISR disclosure analyzed by legitimacy theory. These results provide support for agency and legitimacy theory that explain the relationship between companies and stakeholders.

Practical implications result of this study is to increase corporate awareness of the importance of transparency in company management, because transparency in the form of ISR disclosure increases the investor's positive response. The policy implication results of this study are as evidence that the level of ISR disclosure of companies that are included in the ISSI is still relatively low, it is about 56.9%. The results of this study become important information for the government to bring forth a regulation in the form of standard methods and formats that regulate the presentation of financial reports of a business activity in sharia.

This study has two limitations. First, the company sample is only in the food industry sector so it cannot be generalized to the entire industry. Second, this study only uses two determinants. Profitability is proven to have no effect on ISR disclosure. Future research should consider other determinants that influence the disclosure of ISR, such as corporate governance, company growth and stock volatility.

References

Abdul, H. and Hanafi, M. (2009), "Analisis laporan keuangan (IV)".

Adebayo, R.I. and Hassan, M.K. (2013), "Ethical principles of Islamic financial institutions", *Journal of Economic Cooperation and Development*, Vol. 34 No. 2, pp. 63-89.

Adiba, E.M. and Wulandari, D.A. (2018), "Pengaruh halal knowledge, Islamic religiosity, dan attitude terhadap behavior konsumen muslim generasi Y pengguna kosmetik halal di surabaya", *INOBIS: Jurnal Inovasi Bisnis Dan Manajemen Indonesia*, Vol. 1 No. 3, pp. 357-369, doi: 10.31842/jurnal-inobis.v1i3.42.

Agustina, A. (2020), "The influence of disclosure of Islamic social reporting, profitability, and liquidity on firm value in companies listed in Jakarta Islamic index Indonesia stock exchange 2016-2019", *Indonesian Interdisciplinary Journal of Sharia Economics (IIJSE)*, Vol. 3 No. 1, pp. 69-84. available at: www.e-journal.ikhac.ac.id/index.php/iijse/article/view/742

Al-Sartawi, A.M.A.M. (2018), "Online financial disclosure, board characteristics and performance of Islamic banks", *Journal of Economic Cooperation and Development*, Vol. 39 No. 3, pp. 93-114.

Anggraini, A. and Wulan, M. (2019), "Faktor financial-non financial dan tingkat pengungkapan Islamic social reporting (ISR)", *Jurnal Akuntansi Dan Keuangan Islam*, Vol. 3 No. 2, pp. 161-184, doi: 10.35836/jakis.v3i2.35.

Arifin, J. and Wardani, E.A. (2016), "Islamic corporate social responsibility disclosure, reputasi, dan kinerja keuangan", *Jurnal Akuntansi and Auditing Indonesia*, Vol. 20 No. 1, pp. 1-11.

Badriyah, N., Sari, R.N. and Basri, Y.M. (2015), "The effect of corporate governance and firm characteristics on firm performance and risk management as an intervening variable", *Procedia Economics and Finance*, Vol. 31 No. 15, pp. 868-875, doi: 10.1016/s2212-5671(15)01184-3.

Baidok, W. and Septiarini, D.F. (2016), "Pengaruh dewan komisaris, komposisi dewan komisaris independen, dewan pengawas syariah, frekuensi rapat dewan komisaris syariah, dan frekuensi rapat komite audit terhadap pengungkapan indeks islamic social reporting pada bank umum syariah periode 2010-201", *Jurnal Ekonomi Syariah Teori Dan Terapan*, Vol. 3 No. 12, pp. 1020-1034.

Baron, R.M. and Kenny, D.A. (1986), "The moderator–mediator variable distinction in social psychological research: conceptual, strategic, and statistical considerations", *Journal of Personality and Social Psychology*, Vol. 51 No. 6, p. 1173.

BliegeBird, R. and Smith, E. (2005), "Signaling theory, strategic interaction, and symbolic capital", *Current Anthropology*, Vol. 46 No. 2, pp. 221-248.

Brigham, F. and Daves, P.R. (2016), "Intermediate financial management", *The British Accounting Review*, Vol. 21Issue No. 3, doi: 10.1016/0890-8389(89)90100-5.

Brigham, F. and Gapenski, L. (1996), *Intermediate Financial Management (Fifth Ed)*, The Dryden Press.

Căpraru, B. and Ihnatov, I. (2014), "Banks' profitability in selected Central and Eastern European countries", *Procedia Economics and Finance*, Vol. 16, pp. 587-591, doi: 10.1016/s2212-5671(14)00844-2.

Chariri, A. and Ghozali, I. (2007), "Teori akuntansi", *Semarang: Badan Penerbit Universitas Diponegoro*, Vol. 409.

Deegan, C. (2009), *Financial Accounting Theory*, McGraw Hill. North Ryde.

Dewi, L.C. and Nugrahanti, Y.W. (2017), "Pengaruh struktur kepemilikan dan dewan komisaris independen terhadap nilai perusahaan (studi pada perusahaan industri barang konsumsi Di bei tahun 2011Â€"2013)", *KINERJA*, Vol. 18 No. 1, p. 64, doi: 10.24002/kinerja.v18i1.518.

Dowling, J. and Pfeffer, J. (1975), "Organizational legitimacy: social values and organizational behavior", *The Pacific Sociological Review*, Vol. 18 No. 1, pp. 122-136.

Dushnitsky, G. and Lenox, M.J. (2006), "When does corporate venture capital investment create firm value?", *Journal of Business Venturing*, Vol. 21 No. 6, pp. 753-772, doi: 10.1016/j.jbusvent.2005.04.012.

Eisenhardt, K.M. (1989), "Agency theory: an assessment and review", *The Academy of Management Review*, Vol. 14 No. 1, pp. 57-74.

Eksandy, A. and Hakim, Z.M. (2017), "Pengaruh ukuran perusahaan, profitabilitas, dan leverage terhadap pengungkapan islamic social reporing (pada perbankan syariah di Indonesia tahun 2011-2015)", Universitas Muhamadiyah Surakarta, ISSN 2460-0784, 47-59.

Eric, K.B., Samuel, A. and Victor, C.L. (2013), "Determinants of profitability of insurance firms in Ghana", *International Journal of Business and Social Research (IJBSR)*, Vol. 3 No. 3, pp. 43-50.

Evans, T.G. (2003), *Accounting Theory: Contemporary Accounting Issues*, South-Western Pub.

Ghozali, I. and Latan, H. (2015), *Partial Least Squares: Konsep, Teknik, Dan Aplikasi Menggunakan Program Smart PLS 3.0 (2nd ed.)*, Universitas Dipone-goro Semarang, Semarang.

Gray, R., Kouhy, R. and Lavers, S. (1995), "Corporate social and environmental reporting", *Accounting, Auditing and Accountability Journal*, Vol. 8 No. 2, pp. 47-77, doi: 10.1108/09513579510146996.

Hanafi, M.M. and Halim, A. (2016), *Analisis Kritis Atas Laporan Keuangan. Edisi Kelima*, uPP STIM YKPN, Yogyakarta.

Haniffa, R. (2002), "Social responsibility disclosure: an Islamic perspective", *In Indonesian Management and Accounting Research*, Vol. 1 No. 2, pp. 128-146.

Harahap, S.S. (2018), "Analisa kritis atas laporan keuangan", RajaGrafindo Persada, available at: https://books.google.co.id/books?id=VosWAQAAMAAJ

Hikmah, N., Chairina. and Rahmayanti, D. (2011), "Faktor-Faktor yang mempengaruhi luas pengungkapan corporate governance dalam laporan tahunan perusahaan perbankan yang terdaftar Di bursa efek Indonesia", *Simposium Nasional Akuntansi XIV Aceh 2011*, 21-22.

Huafang, X. and Jianguo, Y. (2007), "Ownership structure, board composition and corporate voluntary disclosure: evidence from listed companies in China", *Managerial Auditing Journal*, Vol. 22 No. 6.

Jasra, J., Khan, M., Hunjra, A., Rehman, R. and Azam, R. (2010), "Determinants of business success of small and medium enterprises", *International Journal of Business and Social Science*, Vol. 2 No. 20, pp. 274-280.

Jensen, M.C. and Meckling, W.H. (1976), "Theory of the firm: managerial behavior, agency costs and ownership structure", *Journal of Financial Economics*, Vol. 3 No. 4, pp. 305-360.

Kalbuana, N., Sutadipraja, M.W., Purwanti, T. and Santoso, D. (2019), "Pengaruh profitabilitas, leverage, kinerja lingkungan terhadap pengungkapan islamic social reporting (studi empiris pada perusahaan yang terdaftar di JII tahun 2013-2017)", *AKTSAR: Jurnal Akuntansi Syariah*, Vol. 2 No. 2, p. 233, doi: 10.21043/aktsar.v2i2.6037.

Keown, A.J. (2004), *Manajemen Keuangan: Prinsip-Prinsip Dan Aplikasi*, PT Indeks Kelompok Gramedia.

Khoiriyah, R. (2020), "The influence of Islamic social reporting on company value (case studies on Islamic banks in Indonesia)", *Management and Entrepreneurship*, Vol. 1 No. 3, pp. 116-124.

Khoirudin, A. (2013), "Corporate governance dan pengungkapan islamic social reporting pada perbankan syariah Di Indonesia", *Accounting Analysis Journal*, Vol. 2 No. 2, pp. 227-232, doi: 10.15294/aaj.v2i2.2919.

Lang, M. and Lundholm, R. (1993), "Cross-sectional determinants of analyst ratings of corporate disclosures", *Journal of Accounting Research*, Vol. 31 No. 2, pp. 246-271.

Lewis, L. and Unerman, J. (1999), "Ethical relativism: a reason for differences in corporate social reporting?", *Critical Perspectives on Accounting*, Vol. 10 No. 4, pp. 521-547.

Lindblom, C.K. (1994), "The implications of organizational legitimacy for corporate social performance and disclosure", *Critical Perspectives on Accounting Conference, New York*, Vol. 1994.

Luqyana, I. and Zunaidi, D.S. (2021), "Determinants of Islamic social reporting on sharia commercial banks of Indonesia", *Journal of Business and Banking*, Vol. 11 No. 1, pp. 151-166, doi: 10.14414/jbb.v11i1.2727.

Maali, B.M. (2005), "Financial accounting and reporting in Islamic banks: the case of Jordan",

Mais, R.G. and Lufian, N. (2018), "Pengaruh sharia governance structure terhadap pengungkapan CSR berdasarkan islamic social reporting index", *Jurnal Akuntansi Dan Manajemen*, Vol. 15 No. 1, pp. 83-100.

Mak, Y.T. and Kusnadi, Y. (2005), "Size really matters: further evidence on the negative relationship between board size and firm value", *Pacific – Basin Finance Journal*, Vol. 13 No. 3, pp. 301-318, doi: 10.1016/j.pacfin.2004.09.002.

Mukhibad, H. and Fitri, A. (2020), "Determinant of Islamic social reporting (ISR) disclosure", *KnE Social Sciences*, Vol. 2020, pp. 478-489, doi: 10.18502/kss.v4i6.6620.

Naser, K. and Yousef, H. (2013), *Journal of Contemporary Issues in Business Research* ©, Vol. 2 No. 3, pp. 56-74.

Nugraheni, P. and Wijayanti, R. (2017), "Analysis of factors affecting the disclosure of Islamic social reporting (empirical studies on the shariah compliant companies in the sharia securities list)", *Journal of Economics, Business and Accountancy Ventura*, Vol. 20 No. 1, p. 103, doi: 10.14414/jebav.v20i1.788.

Olobatuyi, M.E. (2006), *A User's Guide to Path Analysis*, University Press of America.

Omar, B. and Simon, J. (2011), "Corporate aggregate disclosure practices in Jordan", *Advances in Accounting*, Vol. 27 No. 1, pp. 166-186.

Othman, R., Thani, A.M. and Ghani, E.K. (2009), "Determinants of Islamic social reporting among top shariah-approved companies in bursa Malaysia", *Research Journal of International Studies*, Vol. 12 No. 12, pp. 4-20.

Ozili, P.K. and Uadiale, O. (2017), "Ownership concentration and bank profitability", *Future Business Journal*, Vol. 3 No. 2, pp. 159-171, doi: 10.1016/j.fbj.2017.07.001.

Prasetyoningrum, A.K. (2019), "Pengaruh ukuran perusahaan, profitabilitas, leverage, efisiensi biaya, dan umur perusahaan terhadap islamic social reporting (ISR) pada perbankan syariah Di Indonesia", *MALIA: Journal of Islamic Banking and Finance*, Vol. 2 No. 2, p. 147, doi: 10.21043/malia.v2i2.4780.

Puspitaningrum, D. and Atmini, S. (2012), "Corporate governance mechanism and the level of internet financial reporting: evidence from Indonesian companies", *Procedia Economics and Finance*, Vol. 2, pp. 157-166, doi: 10.1016/s2212-5671(12)00075-5.

Ratri, R.F. and Dewi, M. (2017), "The effect of financial performance and environmental performance on firm value with Islamic social reporting (ISR) disclosure as intervening variable in companies listed at Jakarta Islamic Index (JII)", *SHS Web of Conferences*, Vol. 34, p. 12003, doi: 10.1051/shsconf/20173412003.

Retnaningsih, S., Hariyanti, W. and Astuti, T.P. (2019), "Pengaruh pengungkapan islamic social reporting (ISR) terhadap kinerja keuangan pada perbankan syariah Di Indonesia tahun 2012-2016", *AKTSAR: Jurnal Akuntansi Syariah*, Vol. 2 No. 2, p. 169, doi: 10.21043/aktsar.v2i2.5850.

Rizfani, K.N. and Lubis, D. (2019), "Pengungkapan islamic social reporting pada perusahaan di jakarta islamic index", *Al-Muzara'ah*, Vol. 6 No. 2, pp. 103-116, doi: 10.29244/jam.6.2.103-116.

Rjiba, H., Jahmane, A. and Abid, I. (2020), "Corporate social responsibility and firm value: guiding through economic policy uncertainty", *Finance Research Letters*, Vol. 35, p. 101553, doi: 10.1016/j.frl.2020.101553.

Rosenstein, S. and Wyatt, J.G. (1990), "Outside directors, board independence, and shareholder wealth", *Journal of Financial Economics*, Vol. 26 No. 2, pp. 175-191.

Rustam, B.R. (2013), *Manajemen Risiko Perbankan Syariah di Indonesia*, Salemba Empat, Jakarta, 414.

Salvatore, D. (2005), *Ekonomi Manajerial Dalam Perekonomian Global*, Salemba Empat, Jakarta.

Sarwono, J. (2007), *Analisis Jalur Untuk Riset Bisnis Dengan SPSS*, Andi Offset, Yogyakarta.

Setiawan, I., Swandari, F. and Dewi, D.M. (2019), "Pengaruh pengungkapan islamic social reporting (isr) terhadap nilai perusahaan dengan kinerja keuangan sebagai variabel moderating", *JWM (Jurnal Wawasan Manajemen)*, Vol. 6 No. 2, p. 168, doi: 10.20527/jwm.v6i2.150.

Siaran Pers (2018), "Industri makanan dan minuman jadi sektor kampiun", Kementerian Perindustrian Republik Indonesia, available at: https://kemenperin.go.id/artikel/20298/Industri-Makanan-dan-Minuman-Jadi-Sektor-Kampiun

Solimun (2003), "Structural equation modeling LISREL", dan Amos. Fakultas MIPA Universitas Brawijaya Malang.

Spence, M. (1973), "Job market signaling the quarterly journal of economics", *The Quarterly Journal of Economics*, Vol. 87 No. 3, pp. 355-374.

Stiglitz, J.E., Wolpin, K.I., Ehrenberg, R., Brewer, D., Fowler, W., Walberg, H., Hanushek, E., Rivkin, S., Taylor, L. and Krueger, A. (1975), "Курс «Экономика Образования»", *Внимание! Программа Предварительная. Возможны Изменения*, Vol. 65 No. 3, pp. 283-300.

Sutapa, S. and Laksito, H. (2018), "Peran islamic social reporting terhadap nilai perusahaan", *Jurnal Akuntansi Indonesia*, Vol. 7 No. 1, p. 57, doi: 10.30659/jai.7.1.57-68.

Wardhani, R. (2007), "Mekanisme corporate governance dalam perusahaan yang mengalami permasalahan keuangan", *Jurnal Akuntansi Dan Keuangan Indonesia*, Vol. 4 No. 1, pp. 95-114, doi: 10.25105/jipak.v3i2.4452.

White, G., Lee, A. and Tower, G. (2007), "Drivers of voluntary intellectual capital disclosure in listed biotechnology companies", *Journal of Intellectual Capital*, Vol. 8 No. 3.

Widiyanti, N.W. and Hasanah, N.T. (2018), "Analisis determinan pengungkapan islamic social reporting (ISR) (studi kasus pada perusahaan yang terdaftar pada jakarta islamic index tahun 2011 - 2015)", *BISNIS : Jurnal Bisnis Dan Manajemen Islam*, Vol. 5 No. 2, p. 239, doi: 10.21043/bisnis.v5i2.3013.

Zhao, J. Katchova, A.L. and Barry, P.J. (2004), "Testing the pecking order theory and the signaling theory for farm businesses".

Further reading

Le, H.Q. and Nguyen, T.M. (2018), "Behaviors in the market for safe vegetables under information asymmetry: modeling approach", *Eurasian Economic Review*, Vol. 8 No. 3, pp. 381-392.

Appendix

Disclosure themes	Points	References
A Financing and investment themes		
1 Activities containing usury, such as interest and interest income.	1	Haniffa (2002) Othman *et al.* (2009)
2 *Gharar* related activities, hedging, future non-delivery trading, margin trading, arbitrage, short selling, pure swap, warrant and the like	1	Haniffa (2002), Othman *et al.* (2009)
3 Zakat includes disclosure of methods used, sources, amount and recipients of zakat	1	Haniffa (2002), Othman *et al.* (2009).
4 Policies for dealing with late payment of *insolvent clients*	1	Othman *et al.* (2009)
5 Value-added statement of the company	1	Othman *et al.* (2009)
B Products and services themes		
6 Environment-friendly products and operating activities	1	Othman *et al.* (2009)
7 Halal or syariah status in products	1	Haniffa (2002), Othman *et al.* (2009)
8 Product safety and quality	1	Othman *et al.* (2009)
9 Customer's complaints or events occurring from company's disobedience to the applicable rules	1	Othman *et al.* (2009)
C Employees themes		
10 Job characteristics including working hours, holidays and other benefits	1	Haniffa (2002), Othman *et al.* (2009)
11 Remuneration	1	Haniffa (2002) Othman *et al.* (2009)
12 Education and job training in relation to human resources development	1	Haniffa (2002) Othman *et al.* (2009)
13 Equality of rights between men and women	1	Haniffa (2002) Othman *et al.* (2009)
14 Employee's involvement at management discussions in the process of decision-making	1	Othman *et al.* (2009)
15 Occupational safety and health	1	Haniffa (2002), Othman *et al.* (2009)
16 Work environment	1	Maali *et al.* (2006); Othman *et al.* (2009)
17 Employees of specific groups, such as physically disabled, ex-convict, former drug addict and the like	1	Othman *et al.* (2009)
18 The high-level employees performing religious worship with the mid- and lower-level employees	1	Othman *et al.* (2009)
19 Muslim employees allowed to perform their religious worship at times for prayers and to fast during the month of Ramadan	1	Othman *et al.* (2009)
20 Representative prayer's room	1	Othman *et al.* (2009)
D Society themes		
21 Alms, donation or charity	1	Haniffa (2002), Othman *et al.* (2009)
22 *Wakaf*	1	Haniffa (2002) Othman *et al.* (2009)
23 *Qard Hassan*	1	Haniffa (2002), Othman *et al.* (2009)
24 Volunteers from employees	1	Othman *et al.* (2009)
25 Providing scholarships	1	Othman *et al.* (2009)

(*continued*)

Table A1. List of Islamic social reporting items

Disclosure themes	Points	References
26 Empowering graduates from high schools or colleges, such as in the form of internships or field work	1	Othman *et al.* (2009)
27 Youth development	1	Othman *et al.* (2009)
28 Improving life quality of the poor	1	Othman *et al.* (2009)
29 Children caring	1	Othman *et al.* (2009)
30 Charity or social programs intended for different occasions, such as charity for natural disasters, providing blood donors, circumcisions, building public infrastructures and the like	1	Othman *et al.* (2009)
31 Giving charity to programs related to healthcare, entertainment, sports, education and religion.	1	Othman *et al.* (2009)
E Environment themes		
32 Environment conservation	1	Haniffa (2002) Othman *et al.* (2009)
33 Acts for reducing global warming effects, such as activities which support minimizing pollutions, waste management, clean water management and the like	1	Othman *et al.* (2009)
34 Environment education	1	Othman *et al.* (2009)
35 Stating independent verification or environmental audits	1	Othman *et al.* (2009)
36 Environment management system	1	Othman *et al.* (2009)
F Corporation management themes		
37 Compliance to syariah	1	Othman *et al.* (2009)
38 Share ownership structure	1	Othman *et al.* (2009)
39 Disclosure about whether the company has undergone monopoly practices	1	Othman *et al.* (2009)
40 Disclosure about whether the company carries out the practice of hoarding basic necessities	1	Othman *et al.* (2009)
41 Disclosure about whether the company practices price manipulation	1	Othman *et al.* (2009)
42 Disclosure about any legal case is raised	1	Othman *et al.* (2009)
43 Anti-corruption policy, such as *code of conduct*, *whistleblowing system* and the like	1	Othman *et al.* (2009)
Total	43	

Table A1.

Corresponding author
Arik Susbiyani can be contacted at: ariksusbiyani@unmuhjember.ac.id