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The Effect of Bank Soundness Ratio on Profitability With Islamic Social Responsibility (ISR) Disclosure as Moderating Variable

Düzenleyici Değişken Olarak İslami Sosyal Sorumluluk (ISS) Açıklamalarıyla Banka Sağlamlık Oranının Kârlılığa Etkisi

Oni Mirfa Cantia LAMBADA
Master Student-University of Lampung
onimirfa04@gmail.com
https://orcid.org/ 0000-0002-8203-6001

Lindrianasari
Prof. Dr., University of Lampung
lindrianasari@feb.unila.ac.id
https://orcid.org/. 0000-0001-9643-6682

Ade WIDIANTI
Master Student-University of Lampung
adewidiyanti12@gmail.com
https://orcid.org/ 0000-0002-4896-2159

Kiagus ANDI
Master Student-University of Lampung
kiagusandi1@gmail.com
https://orcid.org/ 0000-0003-2366-4486

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ABSTRACT

This study aims to identify and examine the impact of the Bank's health ratio on the profits of Islamic commercial banks, taking into account Islamic social responsibility as a mitigating variable in Islamic commercial banks in Indonesia and Malaysia. The type of study used in this study was a descriptive quantitative approach measured using the data-driven panel method using the Software Statistical Package for the Social Sciences (SPSS) version 25.0. Methods for data collection using documentation methods. The study population consisted of Islamic commercial banks in Indonesia and Malaysia registered with OJK and BNM from 2017 to 2020. The results showed that NIM had a significant positive effect individually partially on profitability proxied by ROA. NPF has a significant negative effect on profitability proxied by ROA. Disclosure of Islamic Social Responsibility can significantly moderate and strengthen the effect of NPF on the ROA variable. Meanwhile, the CAR and GCG variable has no significant or partial impact on profitability. Disclosure of Islamic Social Responsibility can moderate the effect of CAR and NIM but has no effect on the ROA variable. Disclosure of Islamic Social Responsibility can moderate the influence of GCG but has no direct effect on ROA.

Anahtar Kelimeler:
Sorunlu Finansman, Sermaye Yeterlilik Oranı, Net faiz marjı, İyi Kurumsal Yönetim, İslami Sosyal Sorumluluk

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ÖZET

Bu çalışma, Endonezya ve Malezya'daki İslami ticari bankalarda İslami sosyal sorumluluğu düzenleyici bir değişken olarak dikkate alarak bankaların sağlamlık oranının kârlılıkları üzerindeki etkisini belirlemeyi amaçlamaktadır. Bu çalışmada SPSS 25.0 programı yardımıyla panel veri analizi yöntemi kullanılmıştır. Çalışmanın ana kütlesi 2017-2020 yıllarında OJK ve BNM'ye kayıtlı Endonezya ve Malezya'daki İslami ticari bankalardan oluşmaktadır. Analiz sonuçlarına göre; NIM'in kısmen ROA tarafından temsil edilen karlılık üzerinde pozitif bir etkiye sahip olduğu tespit edilmiştir. NPF, ROA tarafından temsil edilen karlılık üzerinde negatif bir etki yaptığı belirlenmiştir. Ayrıca NPF'nin ROA değişkeni üzerindeki etkisinde İslami Sosyal Sorumluluğun Açıklanmaları'nın önemli ölçüde düzenleyici bir etkisi söz konusudur. Bunun yanı sıra SYR ve GCG değişkeninin karlılık üzerinde anlamlı veya kısmi bir etkisi bulunmamaktadır. İslami Sosyal Sorumluluğun Açıklanmaları SHY ve NIM'in etkisini düzenleyici bir etkisi vardır ancak ROA değişkeni üzerinde etkisi bulunmamaktadır.

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1. INTRODUCTION

Currently, the growth of the sharia industry has grown rapidly throughout the world. Especially in the Islamic banking sector which is experiencing economic development and progress. One of the things that can be used as a benchmark for the progress of the country is banking which can affect economic activity. Based on its operational principles, banking includes sharia and conventional banking (Khasanah, 2016). Banking plays an important role in economic activity. Banks are responsible for collecting and distributing funds received from the community to improve people's living standards in an effective and efficient manner (Wiwoho, 2014). The main activities carried out by bank financial institutions include deposits, savings, and current accounts (Arinta, 2016). In addition, the banking sector plays a very strategic role in supporting the country's economic development, so the government needs to prepare various strategies for the banking sector (Sengkey et al., 2018). The year 2020 has brought tremendous challenges to the global economy.

The Covid-19 pandemic that hit the economy in early 2020 and lasted throughout the year, drastically reduced the economies of many countries, including Indonesia and Malaysia (Suksmonohadi and Indira, 2020). Global supply chains disrupted by the pandemic have pushed countries to optimize their various economic potentials. Growth in the Islamic economy and finance sector in the current pandemic situation can actually be seen as a new source of growth as well as development resilience in the midst of a pandemic. The current pandemic also shows the importance of microfinance and the role of the Islamic social sector to mitigate the increase in unemployment and poverty due to the recession. In addition, business strategies that can be carried out by optimizing digital technology are aimed at accelerating economic activities and preventing existing pandemic restrictions. Indicators from the Islamic economic and financial sectors are expected to contribute to national policy-making. The recovery and empowerment of sharia businesses in the sharia economic sector from the impact of the Covid-19 pandemic require support for financing from the sharia financial sector. The increase in the contribution of the sharia economy and finance to the national economic recovery expects synergy from various stakeholders, both from regulators, practitioners, and the wider community. As countries with the largest Muslim population, Indonesia and Malaysia have great potential in developing the world's Islamic financial market. This is also a factor that supports the improvement of the sharia industry, which has begun to grow and has a significant impact. Where the increase has been recognized by the international community. According to the Islamic Financial Development Index published by the Islamic Corporation for Private Sector Development (ICD), it is claimed that the Islamic financial industry in Malaysia ranks first in 2020 and Indonesia in second place out of 135 countries according to 5 top ratings. namely governance, quantitative development, awareness, knowledge, and corporate social responsibility. The Islamic Finance Development Index (IFDI) is a weighted index used to measure the overall development in the Islamic finance industry by conducting a performance assessment in accordance with its faith-based nature and objectives. (Islamic Finance Development Report, 2020).

		Indicator Value					
Country	Ranking	IFDI 2020	Quantitative Development	Knowledge	Governance	Awareness	CSR
Malaysia	1	111	94	185	86	149	41
Indonesia	2	72	27	181	67	60	23
Bahrain	3	67	38	68	88	103	38
United Arab Emirates	4	66	31	67	79	91	60
Saudi Arabia	5	64	59	52	41	50	119
Jordan	6	53	14	75	51	29	99
Pakistan	7	51	18	80	74	63	31
Oman	8	45	14	46	66	73	25
Kuwait	9	43	48	13	63	48	42
Qatar	10	38	28	19	63	52	29
Brunei	11	36	13	44	51	61	9

Figure 1. Top IFDI Market And Global IFDI for 2020

The rapid growth of Islamic banking indicate that the public has given a good and positive response isang labhan Islamic (Rahayu and Cahyani, 2014). Under this public trust, Islamic banks must carry out their duties in a trustworthy manner and disclose their responsibilities in an accountable manner. One of the qualities of Islamic banks can be seen in financial performance. Fahmi (2013) reveals that the financial performance of a bank is an analysis to find out to what stage the company conducts a precise and accurate financial transaction using financial rules. An important indicator that can measure the financial performance of a bank is profitability. According to Kasmir (2014), profitability is used to better rank a company's ability to generate revenue. Therefore, profitability is a certain measure of a bank's financial performance, where ROA is the goal of company management by maximizing shareholder value, optimizing various levels of profit, and minimizing existing risks. If the bank has a high ROI, then it has a good opportunity to drive growth to add value to the company. As the banking regulator in Indonesia, Bank Indonesia prioritizes the value of the bank's profits in terms of assets. This is because most of these assets come from public funds (third party funds). Based on research conducted by Tristiningtyas (2013), Mawaddah (2015), Yundi and Sudarsono (2018) state that the performance of a company is mostly measured based on financial ratios during a certain period. The return on investment shows the bank's ability to manage its funds to be channeled into the financial sector, which is potential, safe and in accordance with Islamic law, as well as the effectiveness of the bank, which can be used as a benchmark for the bank's health.

Therefore, the soundness of the bank also reflects the good or bad financial performance of the bank. According to POJK No 4/POJK.03/2016 in assessing the noise of commercial banks, there are two parties that conduct an analysis of the noise of banks, such as the Financial Services Authority as a supervisory authority for financial institutions and banks, which conduct self-assessment of the noise of their banks. In addition to banks, the Financial Services Authority, as the supervisory authority that performs the supervisory tasks of financial service providers, including banks, is obliged to pay attention to the health of banks. The researchers measure health levels using four factors in a bank's risk-based rating method, namely the risk profile, by measuring credit risk using the *non-performing credit ratio* (NPLs). The profitability ratio (profit) uses the ratio between the *return on total assets* (ROA) and the *net interest margin* (NIM). The capital factor (capital) uses the Capital Adequacy Ratio (CAR). *Good Corporate Governance* takes advantage of the results of the Bank's self-assessment. In order to fulfill its responsibilities to society, Islamic Banks fully disclose information to information users, namely shareholders and other stakeholders (Rahayu and Cahyani, 2014). One form of liability for Islamic banking is the disclosure of CSR-related information. Corporate social responsibility is the company's concern for all non-commercial interests (Lestari, 2013). At the same time, the disclosure of corporate social responsibility (CSR) in the Sharia industry can use the starting point, apparently, the Islamic Social Responsibility Index (SRI). The Islamic Social Responsibility Index is one of the CSR reporting standards in accordance with Islamic principles. This index includes cases related to Sharia-based CSR disclosure based on the AAOIFI (Islamic Financial Institutions Accounting and Auditing Organization) definition, which was first clarified by Haniffa (2002).

Although the disclosure of ISR in Islamic financial institutions is not mandatory because there are no specific standards related to regulations governing social responsibility in Islamic banking, the discussion on CSR has been listed in the Qur'an in QS. Al-Baqarah [2]: 205, where it is explained that maintaining and caring for the environment is very important to do because Allah does not like any damage (Yusuf, 2010). Several previous studies have shown that the level of ISR exposure in Islamic banks around the world is still relatively low. Various external and internal factors can influence the exposure of ISRs by Islamic banks. The low level of ISR exposure by Islamic banks suggests that social responsibility is not a serious problem in some Islamic banks. (Hassan and Saaffrey Harahap, 2010). Disclosure of Islamic Social Reports (ISR) conducted by a company can enhance a good image and trust of stakeholders. Therefore, stakeholders will be more interested in investing, which will lead to an improvement in the company's financial performance (Aryanti et al., 2017).

This study was conducted to analyze the impact of the bank's reliability on profitability. Unlike the studies conducted in several previous studies. This study analyzes the strength of banks using the NPF, CAR, NIM and GCG ratios and adds Islamic Social responsibility as a mitigating variable with samples in Indonesia and Malaysia listed on the Indonesian Stock Exchange and the Malaysian Stock Exchange between 2017 and 2020. This is done because Indonesia and Malaysia are the countries with the largest Muslim populations in Southeast Asia and have almost the same culture, both of which have very rapid development. This study is important because previous studies have still limited the disclosure of KSO information to conventional banks and public companies, although there are studies that discuss ISR, the results of conducted studies are contradictory to factors that can affect the level of exposure to Islamic social reports. In addition, this study uses a different sample from previous studies and this study uses more recent data than previous studies.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Legitimacy Theory

According to Mousa and Hassan (2015) the concept of legitimacy is important to be applied in order to analyze a relationship between the company and the environment. Legitimacy is a corporate governance system designed to support communities, governments and individuals. This theory is a link between organizations or companies that are in line with the values of the community itself, where all parties are expected not to get a loss so that all parties get the benefits (Mousa and Hassan, 2015). This legitimacy theory explains that every company must be able to carry out its operational activities on the basis of social values and norms that have been applied and are a tradition in society. This activity is carried out to be able to take trust and good judgment in the surrounding environment so that the company continues to run properly. Therefore, it is important to disclose information in the company clearly and transparently in an annual report and to disclose social and environmental responsibilities within the company itself.

2.2. Fundamental Theory

According to Brigham and Philip (2004), Fundamental theory is based on national and global economic conditions. Financial information related directly or indirectly can be used as research indicators. One form of fundamental analysis is the use of three top-down analysis methods, namely:

a) Review and understand the state of the economic environment in relation to the business being evaluated.
b) To study possible changes in the industry in relation to the company.
c) Review the company for evaluation, including key competition strategies, governance, regulation and other related factors.

2.3. Bank Soundness

In Dhamawi (2011), the power of the bench, the power of the people, the owners of this group, the delegation of the administration, the industry that benefits from banking services, and the people who are the organizers of the bank. A healthy bank is a bank that can properly perform its functions, in which case it can protect the trust of the public, especially its customers, and act as an intermediary. Able to fulfill its commitments and develop the resources the owner has entrusted to management. Public confidence in the use of Islamic banking products is still relatively low, considering that many people still prefer conventional banks. Therefore, it is necessary to improve the socialization of the public regarding Islamic banking, both in terms of existence and products. Then, the soundness of the bank needs to be assessed so that the public knows the bank's financial performance. Bank health, in this case, is useful for assessing bank performance in implementing prudential principles, compliance with Sharia law, compliance with applicable regulations, and risk management in banking. Assessment of these aspects can be done with a quantitative or qualitative assessment. In this study, researchers will conduct research on bank health using the application of bank performance assessment, namely the risk profile factor (risk profile) which measures credit risk using the *Non-Performing Financing* (NPF) ratio, the profitability factor (earnings) using the *Net Interest Margin* (NIM) ratio, secondly, capital factors use the Capital adequacy ratio, and *Good Corporate Governance* factors using the results of the bank's self-assessment.

2.3.1. Non-Performing Financing (NPF)

According to Bank Indonesia's regulations, one of the commercial risks of banks is credit risk, also known as *Non-Performing Financing* due to the borrower's default on its obligations. Criminal financing by Islamic banks is called unprofitable financing (NPF). Unrealized Financing (NPF) is a debt that is difficult to repay due to internal reasons, i.e., intentional factors or external issues, i.e., events beyond the creditor's control. Thus, non-profit investment (NPF) is the ratio measured by non-profit financing compared to the funding provided by Islamic banks. So, if the MFN share increases, the risk of a fall in search of profit, in turn, will be even greater.

2.3.2. Capital Adequacy Ratio (CAR)

CAR (Capital Adequacy Ratio) is a C*apital Adequacy Ratio* (CAR) that indicates a bank's ability to provide funds used to eliminate the possible risk of loss. According to Kasmir (2012), the valuation is based on capital held by one of the banks. One estimate is the CAR (Capital Adequacy Ratio) method, which is by comparing capital with risk fair assets (RWA). CAR is one of the variables used to measure the strength of the bank. If the value of the bank's car is high, the bank is in a good position and vice versa. The high rate of CAR in banks also indicates that the profitability of the bank is increasing, and at the same time the state of health of the bank is good.

2.3.3. Net Interest Margin (NIM)

According to Darmawi (2012), *Net Interest Margin* (NIM) is the difference between all interest income on bank balances and all interest costs on funds received. NIM is a metric that can be used to measure a bank's performance in earning net interest income from productive assets. Muljono (1999) states that when a bank owns more than 2% of NIM, the bank may be in a healthy state. The higher the bank's net interest margin, the higher the interest income on productive assets, making it less and less likely to get the bank into trouble.

2.3.4. Good Corporate Governance (GCG)

According to POJK No. 55/POJK.03/2016 on the implementation of good corporate governance by commercial banks, "Banks are required to regularly self-assess the adequacy of governance implementation and prepare implementation reports." When assessing GCG factors, researchers will use the results of the bank's self-assessment. *Good Corporate Governance* (GCG) is a system whose existence is more than a formality, and the presence of corporate governance is believed to be very influential in adding value to a company (Andika and Rahman, 2018). The better a company performs, the more convincing it will be to investors, and the greater its ability to generate high profits.

2.4. Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is a mechanism that refers to achieving a balance where a company is able to contribute to and align with the company's goals (financial) and non-financial goals in order to be socially and environmentally responsible to the surrounding environment. Communities and other stakeholders take responsibility by and large (Kiliç et al., 2015). According to ISO 2600, corporate social responsibility is the responsibility of an organization for the impact of its decisions and activities on society and the environment in the form of transparent and ethical behavior that is consistent with the common good, sustainable development and respect for stakeholder laws and regulations. International standards of conduct and integration into the overall organization and respect for human rights.

2.5. Islamic Society Report (ISR)

Global awareness of the role of business in society has increased over the past decade (Khaled et al., 2011). More generally, the role of companies includes elements of social responsibility and accountability not only in traditional but also in Sharia (Ghazali, 2007). According to AAOIFI Corporate Social Responsibility in the Islamic concept, all activities carried out by Islamic financial institutions are to fulfill their religious, legal, economic and moral obligations as financial intermediaries (Othman and Thani, 2009).

2.6. Profitability

Profitability is a measure of a company's ability to generate profits or earnings by looking at the total number of assets the company has. Profitability is also a description of a company's performance based on how efficient and effective the company's operations are in generating profits. The performance of company management can be described in terms of profitability (Widiawati and Raharja, 2012). Companies with higher profits tend to get involved in politics. Therefore, these companies are encouraged to disclose increasingly detailed information in their annual reports in order to minimize political costs and present the company's financial health to the public (Widiawati and Raharja, 2012).

2.7. Previous studies

A study analyzing the impact of bank health on profitability using Islamic Social Reports. This study examines the health of banks using the ratios of NPF, CAR, NIM, and GCG, and adds ISR as a moderator to the samples from Indonesia and Malaysia. According to previous research by Agustin and Darmawan (2018), Agustin and Darmawan (2018) stated that one of the most important things to maintain a bank is to increase and maximize operational banking activities as measured by improving the bank's financial performance. Furthermore, Research by Tristiningtyas (2013), Mawadda (2015), and Yundi and Sudarsono (2018) shows that a company's performance is mainly measured by its financial indicators over a specific period and that the soundness of a bank is also a reflection of how good or bad its financial performance is. bench.

In addition, according to Pramana and Mustanda (2016) the higher the company's profitability, the greater the social disclosures made by the company, Hence, it is hoped that the disclosure of the ISR will also be greater to increase investor confidence in investing capital and persuade the public to channel their funds and fund Islamic banks to increase the profitability of Islamic banks. So this shows the relevance of the influence between the soundness of the bank and the disclosure of ISR.

However, several previous studies have shown that the level of ISR disclosure by Islamic banks globally remains relatively low. Various external and internal factors can influence the disclosure of ISR by Islamic banks. The low level of ISR disclosure by Islamic banks suggests that social responsibility is not a major concern for some Islamic banks (Hassan and Syafri Harahap, 2010).

2.8. Hypothesis Development

2.8.1. Impact of *Non-performing Financing* (NPF) on Profitability

Non-performing financing (NPF) is a financing risk in Islamic banking. Non-performing financing (NPF) is a financial indicator that refers to the credit risk faced by Islamic banking. Because some customers do not meet their obligations to the bank. If in a bank there are many arrears in credit payments by debtors, the bank cannot get back the capital that has been issued. This will affect the soundness of the bank and reduce the level of public trust. This is consistent with the underlying theory of indicators used to measure the health of banks. Studies by Astutik (2017), Zubaidah and Hartono (2019) and Yusuf (2017) show that NPF has an impact on the profitability of Islamic banks. The relationship between two variables is inverse or negative.

H_1: Non-performing financing (NPF) negatively affects profitability

2.8.2. Effect of *Capital Adequacy Ratio* (CAR) on Profitability

The C*apital Adequacy Ratio* (CAR)) is a capital ratio that accounts for a bank's allocation of funds for business development purposes and its ability to absorb risk exposure and banking losses. This high ratio leads to better capitalization (Maharani, 2011). That is, the higher the CAR ratio indicates a bank has large capital to develop its business activities. This shows that the profit to be obtained by the bank will also increase along with the increase in capital that can be used to develop the bank's business. Banks must provide capital above 8% of risk-weighted assets (RWA). This is consistent with the underlying theory of indicators used to measure the health of banks. According to Bilian and Purwanto (2017), Fajari and Sunarto (2017) and Suryani (2018) showed that CAR did not affect ROA.

H_2: Capital Adequacy Ratio (CAR) has a positive impact on profitability

2.8.3. Effect of Net Interest Margin (NIM) on Profitability

Net interest margin (NIM) is a component of profitability and is used to assess how much net interest income a bank earns. This is consistent with the basic theory that a company's financial performance is measured by the financial indicators included in its financial statements. Most of the bank's income still comes from interest income, which means that the increasing NIM ratio indicates the better the bank's management, because they can get large interest from their productive assets (Martharini, 2012). This research is supported by research (Sukma Kartika Dewi and Yadnyana, 2019), (Gunawan, 2018), and (Ardiansyah, 2020) showed that NIM had a positive effect on ROA.

H_3: Net interest margin (NIM) has a positive impact on profitability.

2.8.4. Impact of *Good Corporate Governance* (GCG) on Profitability

Good Corporate Governance (GCG) is a system whose existence is more than just a formality, and the existence of corporate governance is believed to be very influential in enhancing corporate value (Andika and Rahman, 2018). According to Bank Indonesia in PBI No. 11/33/PBI/2009, *Good Corporate Governance* (GCG) is the management of a bank that adopts the principles of transparency, accountability, responsibility, professionalism and fairness. The implementation of GCG has the aim of providing an increase in the performance of a company, namely profitability. So the principle of GCG is applied. Due to the success achieved, the profitability of the company can be increased. Research by Rizky Fadhillah (2012), Rima and Ahmad (2018), and Prasodjo (2015) supports this, noting that GCG has a positive effect on profitability.

H_4: Good corporate governance (GCG) has a positive impact on profitability.

2.8.5. Disclosure of Islamic Social Responsibility (ISR) as a moderating variable can strengthen or weaken *Non-Performing Financing* (NPF) on Profitability

Legitimacy theory states that every company must operate on the basis of social values and norms that prevail in society. This is intended so that the company gets a good image and trust from the community itself (Mousa and

Hassan, 2015) Companies can increase profitability by increasing the value of *Return On Assets* (ROA) as this attracts investors to invest in their stocks, and companies can also gain public confidence in doing banking not only for profit, but also by doing social Activities are in accordance with the principles of Sharia law. In order to increase the value of the *Return On Assets* (ROA) and reduce the financing risk rate, it is called *Non-Performing Financing* (NPF) in Islamic banks. Because high financing problems lead to the decline of the bank's profitability, careful analysis is required when financing, so that the financing rate of return is high. to improve bank profitability. Therefore, it is necessary to disclose the ISR as a medium to convince investors and the general public who are channeling funds to Islamic banks that Islamic banks are able to reduce the risk of *non-performing financing* and thus gain an increased chance of profit sharing. Therefore, it is assumed that disclosing Islamic social responsibility can mitigate the impact of bad money, whose profitability is determined by the return on investment.

H_5: Disclosure of Islamic Social Responsibility (ISR) can moderate the relationship between Non-Performing Financing (NPF) on Profitability

2.8.6. The Effect of Disclosure of *Islamic Social Responsibility* (ISR) as a Moderating Variable Can Strengthen or Weaken the *Capital Adequacy Ratio* (CAR) on Profitability

Capital Profitability is a factor most important for the growth and development of the bank, as well as an effort to maintain public trust in the bank. *Capital Adequacy Ratio* (CAR) is a capital adequacy ratio that serves to accommodate the risk of loss that may be faced by the bank. If the CAR value is high, the bank is able to finance operational activities and make a large contribution to profitability. With increased profitability, it will also have a good impact on the disclosure of Islamic Social Responsibility (ISR).

Based on the legitimacy theory of previous research results, companies must clearly state information in annual reports regarding the disclosure of social and environmental responsibilities in their business. This is because CSR disclosure using the ISR index will provide a good reputation and public trust in the company. CSR disclosure using the ISR index can also be considered by stakeholders in making decisions that will increase the value of the company. According to Pramana and Mustanda (2016), the higher the company's profitability, the greater the social disclosures made by the company, so it is hoped that the disclosure of ISR will be even greater so that it can increase investor confidence in investing their capital and convince the public to channel their funds and finance Islamic banks so that will increase the profitability of Islamic banks. Therefore, it is suspected that the disclosure of Islamic Social Responsibility can moderate the C*apital Adequacy Ratio* (CAR) with profitability as a proxy for *Return on Assets* (Pramana and Mustanda, 2016).

H_6: Disclosure of Islamic Social Responsibility (ISR) can moderate the relationship between Capital Adequacy Ratio (CAR) to Profitability.

2.8.7. The Effect of Disclosure of Islamic Social Responsibility (ISR) as a moderating variable can strengthen or weaken *Net Interest Margin* (NIM) on Profitability

According to the theory of legitimacy, legitimacy is a corporate governance system for communities (society), governments, individuals and social groups. The rationale for this theory is that an organization or business will continue to exist if the community recognizes that the organization works for a value system that corresponds to that of the community itself (Mousa and Hassan, 2015). Companies need Islamic Social Responsibility (ISR), which is a form of social responsibility based on Shariah principles, to enhance the reputation or image of the banking industry. avoid things that are prohibited such as usury, gharar and maysir and can improve banking performance due to environmental and social preservation efforts that will later get Allah's blessing. With the disclosure of ISR carried out by Islamic Banks, it is expected to be able to convince investors to invest and make people more confident to channel their funds or carry out financing at Islamic Banks, From the perspective of net interest rate, increases the net interest income that contributes to the bank's profit. Margins (NIM).

H_7: Disclosure of Islamic Social Responsibility (ISR) can moderate the relationship between Net Interest Margin (NIM) and Profitability.

2.8.8. The impact of Islamic Social Responsibility (ISR) disclosure as a moderator variable can strengthen or weaken the impact of good corporate governance (GCG) on profitability

Good corporate governance (GCG) is a system whose existence is more than a formality, and the existence of corporate governance is believed to have a large impact on a company's value creation (Andika and Rahman, 2018). GCG is one of the factors that can have an influence on profitability. The relationship between GCG and profitability can be seen in the company's performance. GCG is also a concept created to increase accountability and transparency in a company with the hope of ensuring that the company can perform its duties and responsibilities as efficiently as possible. With the implementation of GCG, it can also create a sense of trust and at the same time provide protection to the public (customers). Also, in this case, the company must disclose CSR using the ISR index (i.e. Islamic Bank) in order for the company to gain a good reputation and public trust. Stakeholders may also consider using the ISR index to disclose CSR when making decisions that add value to the company. This is consistent with the theory of legitimacy, which states that legitimacy is a system of corporate governance designed to stand with the community (society), the government, individuals and community groups.

H_8: Disclosure of Islamic Social Responsibility (ISR) can moderate the relationship between Good Corporate Governance (GCG) and Profitability.

3. METHODOLOGY

3.1. Type of Study

The type of data used in this study is quantitative data. The data source used is secondary data. This study uses secondary data obtained from annual reports, financial reports, and CSR reports in Indonesian and Malaysian Islamic Banking which were obtained from each website, which amounted to 31 samples of Islamic banks in Indonesia and Malaysia. Data collection from several companies from 2017 to 2020. However, after carrying out a casewise diagnostics test to detect outlier data which makes the data abnormal due to extreme values (too high and too low) with a standard deviation of 3.00, it was found that 44 data are outlier data so trimming or deletion of sample data must be carried out so that the results of observations final score was 80.

3.2. Research Methods

The data analysis techniques used in this study were descriptive analysis and regression analysis. The regression analyses used were linear regression analysis and moderated regression analysis. The following is the regression equation used:

$$Y= \alpha + \beta X1 + \beta X2 + \beta X3 + \beta X4 + e \ldots \qquad (i)$$

$$Y = \alpha + \beta 1\ X1 + \beta 2\ X2 + \beta 3\ X3 + \beta 3\ X4 + \beta 4Z+ \beta 5\ X1 *Z+ \beta 6\ X2 *Z+ \beta 7 \ldots \qquad (ii)$$

Y : Profitability (ROA)

α : Constant

β : Variable Regression Coefficient

X1 = Non-Performing Financing (NPF)

X2 = Capital Adequacy Ratio (CAR)

X3 = Net Interest Margin (NIM)

X4 = Good Corporate Governance (GCG)

Z = Disclosure of Islamic Social Responsibility (ISR)

*X1 *Z = Interaction between Non-Performing Financing (NPF) and ISR*

*X2 *Z = Interaction between Capital Adequacy Ratio (CAR) and ISR*

*X3 *Z = Interaction between Net Interest Margin (NIM) and ISR*

*X4 *Z = Interaction between Good Corporate Governance (GCG) and ISR*

β1, β2, β3, β4, β5, β6, β7 = Multiple regression coefficient

e : Error

Next, the tests used to test the hypothesis are the F-test (ANOVA) and t (partial), if the level of significance is greater than 0.05, the hypothesis is not supported, i.e. the variable is not significant independently of the dependent variable, but if the level of significance is greater than 0.05, the hypothesis is not supported Less than 0.05, the hypothesis is supported, which means that the independent variables have partial/simultaneous effects. significantly affect the dependent variable.

Table 1. Variables and their Measurements

Variables	Profitability
Profitability	ROA =Net Income/Total Assets
Non-Performing Financing	NPF =Total Non-Performing Financing/Total Financing
Capital Adequacy Ratio	CAR =Capital/Risk Weighted Assets
Net Interest Margin	NIM = Net Interest Income/Average Earning Assets

Table 2. Assessment Weight of Good Corporate Governance (GCG)

No.	Factor	Weight
1	Implementation of the Duties and Responsibilities of the Board of Directors	10%
2	Implementation of the Duties and Responsibilities of the Board of Commissioners	20%
3	Completeness and Implementation of Committee Duties	10%
4	Handling Conflicts of Interest	10%
5	Implementation of the Bank's Compliance Function	5%
6	Implementation of the Internal Audit Function	5%
7	Implementation of External Audit Function	5%
8	Implementation of Risk Management Including Internal Control System	7,5%
9	Provision of Funds to Related Parties*and*Provision of Large Funds (*large exposure*)	7,5%
10	Transparency of Financial and Non-Financial Conditions, Implementation Report Governance and Internal Reporting	15%
11	Bank Strategic Plan	5%
	Total	**100%**

Source: Attachment SE OJK No.14/SEOJK.03/2017

4. RESULT

4.1. Descriptive Test Statistics

Descriptive statistics provide an overview or description of data resulting from the mean, standard deviation, maximum and minimum values (Ghozali, 2016). The results of the descriptive statistical analysis were determined by examining the independent variables (bad finance, equity ratio, net interest margin, good corporate governance), dependent variables (return on assets) and moderator variables (Islamic social responsibility), namely:

Table 3. Test Results Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	80	,0002	,1119	,010009	,0129467
NPF	80	,0000	,0530	,018076	,0159428
CAR	80	,0000	14,6080	,549230	2,2179738
NIM	80	,0000	,3596	,041469	,0393544
GCG	80	,0125	,0273	,018598	,0038876
ISR	80	,2500	,8125	,574999	,1769275

As can be seen from the above table, for the dependent variable *Return on Assets* (ROA), the minimum value is 0.0002 and the maximum value is 0.1119. The mean of this dependent variable is 0.0100 and the standard deviation is 0.0129. The standard deviation value of this variable represents the change in the observed data because the standard deviation value is greater than the mean. You can also see that for the independent variable *Non-Performing Financing* (NPF), the minimum value is 0.0000 and the maximum value is 0.530. The independent variable has a mean of 0.1000 and a standard deviation of 0.0159. For this variable, the standard deviation value is less than the mean, indicating that the observed data are homogeneous. For the next variable, *Capital Adequacy Ratio* (CAR), the minimum value is 0.0000 and the maximum value is 14.6080. The CAR variable has a mean of 0.5492 and a standard deviation of 2.2179. The standard deviation value for this variable also indicates that the observed data varies because the standard deviation value is greater than the mean. Then the variable *Net Interest Margin* (NIM) has a minimum value of 0.0000, a maximum value of 0.3596, an average value of 0.0414, and a standard deviation of 0.0393. Standard deviation values less than the mean also indicate that the observed data are homogeneous. Additionally, the *Good Corporate Governance* (GCG) variable has a minimum value of 0.0273 and a maximum value of 0.0125. The mean is 0.0185 and the standard deviation is 0.0038. Standard deviation values less than the mean also indicate that the observed data are homogeneous. Then there is the moderator variable, *Islamic Social Responsibility* (ISR), with a minimum value of 0.2500, a maximum value of 0.5749 means, and a standard deviation of 0.1769. The standard deviation value which is smaller than the mean value also indicates that the observed data is homogeneous.

4.2. F-Test Results

F Test Aims to determine whether or not there is an effect of variable X (independent) on variable Y (dependent) simultaneously (together). The basis for decision making is significance < 0.05 so it can be said to have a significant effect. This test can be done if in a research model there are two or more independent variables.

Table 4. Results of F-Test

Regression Model	F	Sig
Multiple Regression Analysis (i)	178,383	0,000
Moderation Regression Analysis (ii)	85,808	0,000

Table 5. Coefficient of Determination Test Results Model 1

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,951[a]	,905	,900	,0040979

Note: Predictors: (Constant), GCG, CAR, NIM, NPF

Based on the table above, it can be seen that the *R Square* value *is* 0.905 or 90.5% then, it can be concluded that the variable x affects the variable Y simultaneously.

Table 6. Coefficient of Determination Test Model 2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
2	,958[a]	,917	,906	,0039650

Note: Predictors: (Constant), GCG*ISR, NIM, CAR, NPF, GCG, NPF*ISR, ISR, NIM*ISR, CAR*ISR

According to the table above, analyze the interaction between the data variables NPF, CAR, NIM, GCG and ISR and the independent variables (NPF, CAR, NIM, GCG) and the moderator variable (ISR) on ROA This variable adds the independent variable to the dependent variable After adding the moderator variable, the initial effect of the dependent variable increased from 90.5% to 91.7%.

4.3. Result of t-test

A partial test was performed to partially test the effect of the independent variable on the dependent variable. The test was performed using multiple regression analysis with a 95% confidence level or 5% alpha.

Table 7. Results of t-test for Model 1

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	T	Sig.
(Constant)	-0,0021	,002		-,877	,383
NPF	-0,1377	,030	-,170	-4,655	,000
CAR	-0,0001	,000	-,019	-,532	,597
NIM	0,3057	,012	,929	25,733	,000
GCG	0,1076	,122	,032	,885	,379

Note: Dependent Variable: ROA

Table 8. Summary

Variable	T Calculate	Sig Value	Significance	Conclusion
NPF	-4.655	0.000	0.05	Significant Influence
CAR	-0.532	0.597	0.05	No Significant Influence
NIM	25.733	0.000	0.05	Significant Influence
GCG	0.885	0.379	0.05	No Significant Influence

According to the test results presented in the test results in the above table, it can be seen that the t-score of the NPF variable is -4.655, and the significance value is 0.000, indicating that the effect is significant. The t-count for the CAR variable is -0.532 with a significance value of 0.597. The t-count for the NIM variable is 25.733 with a significance value of 0.000. The GCG variable has a value of 0.885 and a significance value of 0.379. Therefore, according to the t-test results in Table 7, it can be concluded that the multiple regression model in the first study model is as follows:

Y = -0,0021 - 0,1377X1 – 0,0001X2 + 0,3057X3 + 0,1076X4

ROA = -0,0021 - 0,1377(NPF) – 0,0001(CAR) + 0,3057(NIM) + 0,1076(GCG)

Table 9. T-test Results for Model 2

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	,004	,011		,369	,713
NPF	,096	,126	,119	,765	,447
CAR	,001	,011	,125	,064	,949
NIM	,124	,145	,376	,850	,398
GCG	-,239	,476	-,072	-,503	,617
ISR	-,010	,018	-,132	-,528	,599
NPF*ISR	-,400	,199	-,345	-2,014	,048
CAR*ISR	-,001	,019	-,152	-,078	,938
NIM*ISR	,276	,226	,574	1,217	,228
GCG*ISR	,616	,750	,195	,821	,414

Note: Dependent Variable: ROA

As can be seen from Table 5, the coefficient of determination or R-squared value for the first test (without the use of moderators) was 0.905 or 90.5%. As can be seen in Table 6, the R-squared value in the second test was 0.917 or 91.7% (using Islamic social responsibility disclosure as a moderator). This suggests that there is an impact that can enhance Islamic social responsibility disclosure. According to the test results in Table 9 above, the significance value of the interaction between the NPF variable and ISR is 0.048, which is less than the alpha value of 0.05, and the conclusion of the disclosure variable "Islamic social responsibility" can be drawn. Can significantly reduce and amplify the effect of NPF on the ROA variable, but the significance value of CAR variable interaction of 0.938 is greater than the alpha value of 0.05, which means that the disclosure variable "Islamic social responsibility" can reduce the impact of CAR, but not on ROA variable, significantly. Among the variables of interaction significance for the NIM variable, the ISR was disclosed as 0.228, with an alpha value greater than 0.05, the ISR variable mitigated the effect of NIM, but was not significant for the ROA variable. Then the significance value of the GCG variable is 0.379, greater than 0.05, which means that the ISR variable is able to moderate the effect of GCG but is not significant on the ROA variable.

The t-test in the second research model (Moderated Regression Analysis) is:

*Y = α + β1 NPF + β2 CAR + β3 NIM + β3 GCG + β4Z+ β5 NPF *Z+ β6 CAR *Z+ β7 NIM *Z + β8 GCG *Z*

5. DISCUSSION

5.1. Non-Performing Financing (NPF) on Profitability

A test analyzing the impact of non-performing financing (NPF) on profitability as measured by return on assets (ROA) revealed a partially or individually significant relationship between non-performing financing (NPF) and return on assets (ROA). NPF variable is less than 0.05, as can be seen from the t-counts in Table 4.9, which has a value of -4.655 and a significance value of 0.000. This means that the NPF variable has a significant negative effect on the ROA variable partly or alone. It can also be assumed that if all variables other than *Non-Performing Financing* are held constant, then every 1% increase in distressed financing reduces ROI by 4,655. That is, if the bad financing rate is high, there is a high financing risk, so the bank's ROI falls because it does not repay both the instalments and the financing profits provided. Therefore, the value of *Non-Performing Financing* in Islamic banks must be maintained at the limit set by Bank Indonesia, namely 5%, this is done because *Non-Performing Financing* will reduce profitability caused by uncollectible funds. which will then result in a bank not being able to carry out financing on its productive assets. This poses a risk of difficulty in repaying the debtor with a high amount so that it can affect the performance of a bank. In this case, Bank Indonesia has taken precautionary measures to maintain the stability of the bank based on the theory of legitimacy, where the relationship between organizations or companies is in line with the values of the community itself, and parties are not expected to suffer losses, but benefit from all parties (Mousa and Hassan, 2015). Furthermore, according to basic theory, the ratio can be used to measure the soundness of a bank. The significant impact of unproductive financing (NPF) on return on investment in this study is consistent with Yusuf (2017), Almunawwaroh Marlian (2018), Zubaidah and Hartono (2019), but unlike the Lemiyana and Litriani (2016), Astutik (2017) studies, which say they do not affect the return on total assets, this is because the distressed financing in Indonesian Islamic banks is not very high in nominal terms.

5.2. Capital adequacy ratio (CAR) Affects Profitability

The analysis test of the impact of variable capital adequacy ratio (CAR) represented by return on assets (ROA) on profitability shows that the relationship between variable capital adequacy ratio (CAR) and return on assets (ROA) can be obtained from Table 4.9. It can be seen from the t-count that its value is 0.532, and the significance value of the CAR variable is 0.597 greater than 0.05, which means that the CAR variable has no partial or single pair against the ROA variable. The results of this study are in line with the fundamental theory where the financial performance of a company is measured using the financial ratios contained in the financial statements which can later provide information regarding the company so that investors can make decisions regarding the distribution of their investment funds. The significant effect of *Capital Adequacy Ratio* (CAR) on investment return in this study is consistent with the study by Suhandi (2019) and Husein Fajri Muttaqin (2017) that *Capital Adequacy Ratio* (CAR) has no effect on investment return (ROA). It can be interpreted that if the bank does not use its capital properly and effectively to generate profits, the capital will have no effect on the profits to be obtained.

5.3. Net Interest Margin (NIM) has an Effect on Profitability

Tests analyzing the effect of net interest margin (NIM) on profitability as determined by the return on investment (ROA) have shown that there is a partially or individually significant relationship between net interest margin (NIM) and return on investment (ROA). The t value in Table 4.9 is 25.733, and the significance value of the NIM variable is 0.000, which is less than 0.05, indicating that the NIM variable has a significant positive effect on the ROA variable partially or alone.

Net Interest Margin (NIM) can sometimes have a significant positive impact on Islamic banks' *Return on Asse*ts (ROA). This suggests that the effect of NIM is consistent with ROA. Where the Islamic bank's *Net Interest Margin* falls, it will also reduce the Islamic bank's *Return On Assets*. This reduces the bank's ability to generate profits as the bank's ability to manage productive assets to generate net interest income decreases. Based on the results of this study, it is in line with the fundamental theory where financial statement analysis is very important because by analyzing financial statements it is possible to estimate the state or position and direction of a company (Brigham and Philip, 2004). The significant impact of *Net Interest Margin* (NIM) on investment returns in this study is consistent with previous studies by Muhammad Laksono (2017), Nugroho (2020), Setyarini (2020). So it can be concluded that the decrease in NIM during the study period will affect the decrease in ROA (Ali and Roosaleh, 2017; Setyarini, 2020; Arief Yuswanto Nugroho, 2020).

5.4. Good Corporate Governance (GCG) Affects Profitability

A test analysis of the impact of *Good Corporate Governance* (GCG) variables on profitability as measured by *Return on Assets* (ROA) shows that there is a partially or individually significant association between the *Good Corporate Governance* (GCG) variables, as can be seen from the t-count values in Table 1. 0.885 in 4.9, where the significance value of 0.379 for *Good Corporate Governance* (GCG) is greater than 0.05, which means that the GCG variable has no component to the ROA variable or individually significant effects.
Based on the understanding of GCG which can be interpreted as a regulatory system to increase added value to the company's stakeholders. A set of rules governing the relationship of rights and obligations among

shareholders, management, creditors, government, employees, and other internal and external stakeholders, or the system of governance and control of a company, consistent with a theory of legitimacy where the theoretical legitimacy is A system of corporate governance designed to support communities, governments, and individuals and their activities to gain the trust and good judgment of those around them.

The results of this study show that GCG has no significant effect on profitability as a company's financial performance. This may be due to inconsistent results provided by Return on Assets (ROA). The long-term nature of GCG makes it impossible to measure success in the short or short-term, while the return on assets (ROA) cycle is short-term. The results obtained can be used directly as a benchmark for corporate decision-making.

The significant impact of *Good Corporate Governance* (GCG) on ROA in this study is consistent with the research by Hapsari (2018) and Widia Ayuning (2021) that the negative impact of GCG on Indonesian banking companies is negligible (Lestari et al., 2021).

5.5. Effect of *Islamic Social Responsibility* Disclosure *Moderates Non-Performing Financing* on Profitability

In the fifth hypothesis, Islamic Social Responsibility (ISR) can reconcile Performance Financing (NPF) to profitability as indicated by Return on Assets (ROA) is acceptable. According to the test results performed, it can be seen that the significance value of the interaction of the variable Non-performing Financing (NPF) and Islamic Social Responsibility (ISR) is 0.048, which is less than the alpha value of 0.05, it can be concluded that the variable Islamic Social Responsibility (ISR) can mediate and strengthen the relationship between non-performing financing (NPF) and profitability based on return on assets (ROA). This is due to Islamic banks' non-performing funds not exceeding the 5% limit set by Bank Indonesia, which may affect the profitability of the bank. If the value of NPFs decreases, profit increases, otherwise the profit will decrease after the growth of NPFs. Disclosure of *Islamic Social Responsibility* (ISR) of NPFs based on Bank Indonesia's 5 percent regulation or the cost of unproductive financing at low-cost Islamic banks encourages investors to invest in Islamic banks because investors believe in the bank's ability to handle financial matters. This is consistent with a sound theory that explains that every company must perform operational tasks based on social values, and is usually applied to society to trust and assess the environment so that the company can continue to function properly. Based on this, it can be concluded that disclosure of information about research institutes can reduce and strengthen the *non-performing financing* (MFN) of the profits of Islamic banks.

5.6. Effect of *Islamic Social Responsibility* Disclosure Capital Adequacy Ratio (CAR) on Profitability

The sixth hypothesis, according to which *Islamic Social Responsibility* (SRI) can mitigate the ratio of the adequacy of the expected *Return on Assets* (ROA) *of profits* (ROA), is rejected. Based on the square R adjusted in the first research model, the variable x that affects the variable y is 0.900, and in the second research model, the adjusted R square is 0.906, which shows an effect that can improve ISR exposure, in accordance with the concept of legitimacy theory where the relationship should be between the company and the environment is important to do so that all parties are not expected to get a loss so that all parties get the benefit. However, the results of the tests carried out can determine the importance of the interaction of the *Capital Adequacy Ratio* (CAR). *Islamic Social Responsibility* (ISR) is 0.938 more than the value of 0.05, so the sixth hypothesis is rejected.

Because if the bank does not use its capital properly and effectively to generate profits, then the capital has no effect on the profits to be obtained. Furthermore, CAR did not have a significant impact during the review period, which may be due to the attitude of bank management that the CAR level in Islamic banking remains in accordance with the compliance set by Bank Indonesia (BI). This causes Islamic banking to not optimally utilize the capital owned (Widyaningrum and Septiarini, 2015). The possibility of moderating ISR on the effect of CAR on profitability (ROA) although not significant because high levels of capital adequacy and profitability are not accompanied by high budgeting of CSR funds as well. This finding is in line with research (Kurniawansyah and Mutmainah, 2013) which states that ISR disclosure practices by Indonesian banking companies are still low, while the average CAR and ROA of companies are high. In addition, companies, in this case, are still not required to carry out sharia social reporting, *Islamic Social Reporting* (ISR), which is still *voluntary*, may cause unequal distribution of each company in making ISR disclosures so that they get less than optimal results.

5.7. Effect of *Islamic Social Responsibility* Disclosure *Moderates Net Interest Margin* (NIM) on Profitability

The seventh hypothesis is based on the fact that *Islamic Social Responsibility* (ISR) can moderate the *Net Interest Margin* (NIM) on earnings as a proxy for *Return On Assets* (ROA). Based on the adjusted R-squared in the first search model, the variable that influences x and y is 0.900 and in the second search model the adjusted R-squared is 0.906, this indicates an influence that can strengthen the ISR exposure, in line with the theory of legitimacy that says that legitimacy is corporate governance oriented to societies (companies), governments, individuals and social groups. The theory is based on the idea that an organization or business will continue to exist when society recognizes that the organization works for a value system that is proportional to the social value system (Mousa and Hassan, 2015). However, the results of the test carried out can reveal the significant value of the *Net Interest Margin* (NIM) with *Islamic Social Responsibility* (ISR) of 0.228 more than the alpha value of 0.05, so it can be concluded that the seventh hypothesis.

Net interest margin (NIM) is the ratio of *net interest income* earned in bank management and capital goods management. The higher the ratio, the higher the interest on the bank's way of withdrawing and the less likely the bank is to run into problems. Therefore, the more volatility indicated by a bank's *Net Interest Margin* (NIM), the higher the bank's income (ROA), which means financial performance will improve or increase. Conversely, if the change in *Net Interest Margin* (NIM) is reduced, the bank's profitability (ROA), i.e. the company's productivity, decreases. In this case, there may be other factors that influence the moderating of ISR, among others, namely people who are not too focused on disclosure of ISR but focus on profit rather than on the performance of corporate social responsibility. When making financial decisions, investors usually do not pay too much attention to the information on the ISR in the annual reports of Indonesian listed banks. The type of banking unit that does not have a direct impact on natural resources is also a minor factor in the impact of ISR disclosure on financial decisions. Since the period in this study is limited to only four years, the effect of publishing the ISR on the financial result cannot be explained.

5.8. Effect of *Islamic Social Responsibility* Disclosure *on* Moderating *Good Corporate Governance* (GCG) on Profitability

The eighth hypothesis argues that Islamic *Corporate Social Responsibility* (ISR) can moderate *Good Corporate Governance* (GCG) on profitable business, as determined by *Return On Asset* (ROA), is rejected. Based on the adjusted R-squared in the first research model, the variable x developing the y variable is 0.900 and in the second research model, the adjusted R-squared div is 0.0.900 din. clear information in the annual report about the disclosure of social and environmental responsibilities in banks. This is because disclosure of CSR using the ISR index will develop a good reputation and public trust in the company, so it has the potential to develop partnerships with other companies. However, the results of the performed tests show that the t-count value is 0.821 with an interaction importance value of 0.414, see an alpha value of 0.05, so that it can be concluded hypothew.

This suggests that the costs applied to the ISR may affect, but not significantly, the profit management operations of assets held for profit, so it does not have a significant impact on the company to improve its performance. Markets cannot use ISR disclosure information to make economic decisions.

6. CONCLUSIONS AND RECOMMENDATIONS

Based on the above research findings and a discussion of the impact of bank trust on profitability and *Islamic Social Responsibility* (ISR) as a median variable in Islamic banking listed on the Indonesian and Malaysian stock exchanges in 2017-2020, it can be concluded that default financing and *net interest* rate effects *return on assets* represent, while equity ratio and good governance do not affect profitability, but using moderate variables in this study it can be concluded that Islamic corporate social responsibility can moderately increase the relationship between default and profitability, while Islamic corporate social responsibility can not set the credit rating, *net interest* rate differential, *good corporate governance* with profitability.

Based on the results of this research, the researcher makes suggestions for new researchers who want to study related phenomena, namely:

1. For further research, you can add additional variables that do not exist in this study, such as control variables or intervening variables.
2. For further research, it is possible to add observation time to get better and more significant observations.
3. For the government, this research is expected to help provide an overview of what policies should be made and conduct good socialization so as to increase corporate awareness in good corporate social responsibility disclosure.

AUTHORS' DECLARATION

This paper complies with Research and Publication Ethics, has no conflict of interest to declare, and has received no financial support.

AUTHORS' CONTRIBUTIONS

Conceptualization, writing-original draft, data collection, editing – OMCL, methodology, formal analysis – AW and KA, Final Approval and Accountability – L

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