



## Analysis Of Islamic Social Reporting (ISR) Disclosures in Companies Listed On The Jakarta Islamic Index (JII)

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**Abstract:** This research was conducted to analyze the assessment of ISR (Islamic Social Reporting) disclosure scores in companies listed on the Jakarta Islamic Index (JII). ISR (Islamic Social Reporting) is a form of social responsibility for companies that have sharia shares by the fatwa of the Indonesian Sharia Council (DSN-MUI) in their life with the surrounding environment. The data used are annual reports of companies registered with JII which disclose their Islamic social reporting. Disclosure of Islamic Social Reporting is needed as a form of corporate responsibility whose activities do not conflict with Islamic law to the surrounding social environment. The data used in this research used secondary data methods and descriptive analysis was carried out on the research results. The results of this research show that in the observation period from 2021 to 2022, the highest ISR index was owned by PT Indofood CBP Sukses Makmur Tbk. (ICBP) and PT. Indofood Sukses Makmur Tbk. (INDF). The lowest ISR score is owned by PT Barito Pacific Tbk. (BRPT).

**Keywords:** *Islamic Social Reporting, Jakarta Islamic Index, Score Assessment, Disclosure,*

### 1.0 Introduction

The topic of CSR has become increasingly important in recent years because the concept of social responsibility is the core of business ethics and the principle of social responsibility is not only based on the single bottom line concept, a value that is only based on the financial situation, but also based on the triple bottom line concept, namely corporate responsibility in social, environmental and economic aspects (Santo & Rahayuningsih, 2022). Several Indonesian companies have demonstrated their commitment to adopting corporate social responsibility practices towards their stakeholders and various corporate stakeholders and can be grouped into internal and external.

The concept of CSR in Islam is closely related to companies that run their businesses according to the sharia concept and expects companies to carry out social responsibilities naturally. The development of CSR in Islamic economics also has an impact on increasing public attention to sharia institutions or institutions, and the increasing public attention indicates that society's need for sharia institutions or agencies is increasing over time. CSR is social responsibility, where companies basically have a concept with the same vision, namely sustainable development.

Islamic Social Reporting (ISR) is an extension of corporate social responsibility (Corporate Social Responsibility) which not only concerns the role of the company and the community economy, but also the role of the company in developing society and the

environment around the company. In particular, ISR is an extension of social reporting which includes society not only regarding the role of companies in the economy, but also the role of companies from a spiritual perspective. According to (Zubki, 2022) Islamic Social Reporting (ISR) in it is a form of responsibility that informs the halalness of products and fulfills the rights of Allah and society, and aims to gain profits in accordance with Islamic principles, ensure environmentally friendly business activities and make workers a form of worship, transparency in disclosure. Jakarta Islamic Index (JII) is a stock that meets sharia investment criteria in the Indonesian market. These shares become JII which consists of 30 shares which are sharia shares with large capitalization and the most liquid. According to (Ulum & Syaputri, 2022) the Indonesian Stock Exchange (BEI) carries out JII examinations every six months in accordance with the Sharia Securities List (DES). Jakarta Islamic Index (JII) is also an issuer that operates based on sharia law, shares which go through a step-by-step screening process before JII and are then evaluated periodically based on the stock market and financial transactions. does not comply with sharia, it will be issued and replaced with other shares.

## **2.0 Literature Reviews**

According to (Hery, 2023) financial reports are a record of a company's financial information in an accounting period which describes the company's financial condition, the company's business results in a period, and the company's cash flow in a certain period. According to Fadillah et al (2022), the preparation of financial reports can comply with all relevant PSAK from presenting fairly to present ethics:

1. Choose appropriate accounting policies that are by the hierarchy set out in PSAK 1.
2. Present information including the accounting policies used in such a way that it can provide relevant, reliable and comparable information, so that it can be understood by users of financial reports.
3. Provide additional regulatory information in PSAK that covers and provides understanding for users of financial reports in determining the impact of transactions, events and conditions on financial position and financial performance.
- 4 Management statements are usually presented in the notes to the financial statements and may constitute a separate note or part of the accounting policy notes.

According to (Handayani et al., 2020) there is a general concept of disclosure, namely:

1. Adequate Disclosure: Adequate disclosure is the minimum level of disclosure required to ensure that the financial statements as a whole do not mislead users in decision making.

2. Fair Disclosure: Fair disclosure is disclosure that must be achieved so that all parties receive the same information.

3. Full Disclosure, Full disclosure requires the full presentation and disclosure of all relevant information in a decision, this disclosure is also often called excessive disclosure. Disclosure of this information must provide sufficient explanation and be able to represent the actual situation

Corporate Social Responsibility (CSR) is a company's commitment in the business world to encourage sustainable economic development by considering social responsibility for society and the surrounding environment in carrying out its business activities.

According to (Ardani & Mahyuni, 2020) the benefits that can be obtained by companies that implement CSR are as follows

1. Improve the Company's Image

Companies that carry out CSR activities will be seen as having a high level of concern in the eyes of society.

2. Strengthen the Company Brand

Companies that carry out CSR sometimes also provide their products for free to the public, indirectly the company has strengthened its product brand in the community, so that people use and know the advantages of the product.

3. Develop cooperation with stakeholders in carrying out CSR. Companies do not run alone, usually the company will collaborate with local governments to work together to carry out CSR.

4. Opening Access to Investment and Financing for Companies.

Companies that carry out CSR usually become a real magnet for investors, many investors invest in companies that carry out CSR in it so that they can improve their image too.

5. Generate innovation and learning to increase company influence.

CSR is a sustainable activity in empowering the surrounding community. With CSR, companies can actually produce innovation and learning that can increase the company's influence in society.

6. Differentiate the company from its competitors.

There are many ways that companies can use to gain an advantage over their competitors, one of which is by carrying out CSR activities. By carrying out CSR, the company will try to be different from its competitors and show that the company cares about the surrounding community.

The increasing of awareness from Muslims about sharia knowledge in conducting an economic transaction makes Indonesians need additional information that will give them different views and assessments in fulfilling spiritual needs and providing added value to the firm (Haryono, 2022). According to the Islamic perspective, CSR from the Islamic view of life, a Muslim must also make Islam a system of ethics and values that regulates all aspects of life and can guarantee the welfare of its people. This is because CSR with Islamic characteristics was developed based on the Al-Qur'an and Sunnah as well as the culture that developed in Islamic society (Boheran Nudin et al., 2016).

The ISR index is a sharia-based corporate social performance report. This index was formed on the basis of AAOIFI which was further developed by subsequent researchers. This index is an extension of the social performance reporting standard, which covers public finances and not only the role of companies in the economy, but also from a spiritual perspective and emphasizes social justice in relation to the environment, minority and employee rights. The Islamic Social Reporting (ISR) Index has two main objectives, namely providing a form of accountability to Allah SWT and society and increasing transparency in business operations by providing information that is meaningful and in accordance with the needs of Muslim decision makers (Zubki, 2022). According to previous research conducted (Handayani et al., 2020, p. 146- 160) ISR uses 6 disclosure themes and was built;

1. Investment and finance (Finance and Investment Theme)

This Investment and Finance theme includes disclosure of matters relating to usury and interest as well as income, including foreign exchange whose prices are uncertain, zakat, delays in debt payments and write-offs of bad debts, and current balance sheets.

2. Product and Services Theme

Every company is expected to produce products that are safe, high quality, environmentally friendly and halal certified, as well as serving consumer complaints.

3. Employee Theme

Regarding whether the company is treated fairly and equally with the information provided, such as salary, job characteristics, annual holidays, benefits, job training, employee involvement in management discussions, work safety, work environment.

4. Community Theme

This theme reflects the importance of sharing and easing other people's burdens. The company implements this theme by providing gifts, assistance and donations to the community just to improve the community's economy.

## 5. Environmental Theme

Disclosure of responsibility reports conveying environmental protection, steps to reduce the impact of global warming, minimizing pollution, waste management, clean water management and others.

## 6. Corporate Governance Theme

A company is considered to have disclosed information (ISR) if it has disclosed sharia law, shareholder structure, board profile, disclosure of carrying out business practices or not, and disclosure of whether it is legal or not, and corruption policies.

Determining the Islamic social reporting index is by content analysis of a company's report by providing items contained in the Islamic social reporting disclosure. The disclosure index used is the Islamic social reporting (ISR) disclosure index (Romadhoni et al., 2022). Where if the company discloses the item, it will get a score of 1, and if the company does not disclose the item, it will get a score of 0. According to Thani & Ghani, E Kothman (2015), the formula for calculating Islamic Social Reporting (ISR) is as follows:

$$ISR = \frac{\sum X}{n}$$

Information:

ISR: Islamic Social Reporting

$\sum X$  : Number of items disclosed

n : Total disclosure items

The Jakarta Islamic Index (JII) is a sharia stock index which was first launched on the Indonesian capital market on July 3 2000. The JII constituents only consist of the 30 most liquid sharia stocks listed on the IDX. Just like ISSI, reviews of sharia shares that are JII constituents are carried out twice a year, in May and November, following the DES review schedule by the OJK ([www.idx.co.id](http://www.idx.co.id)). According to (Kalbuana et al., 2020) the Jakarta Islamic Index (JII) was established as a benchmark index to measure the productivity of sharia-based stock investment and aims to increase investor confidence and to develop sharia-based stock investment, the shares that are most included JII can be interpreted as the stock with the largest capitalization. According to (Oktaviani, 2017)

shares entered into JII must go through a screening process for listed shares, the process is as follows:

### 1. Sharia Selection

- a. The issuer does not carry out gambling businesses or games that are classified as gambling, and trading is prohibited.
- b. Not a conventional financial institution
- c. Do not produce, distribute and distribute haram food and drinks.
- d. Not a business that produces, distributes and provides goods and services that are moral and harmful.

## 2. Capitalization Selection

This process filters 60 companies with the highest market capitalization value on the IDX. Capitalization is determining the book value of all expenses to obtain fixed assets until they are ready for use, to increase capacity/efficiency, extend their technical life to increase the values of these assets.

## 3. Select Transaction Volume Value

This process filters 30 shares with the highest daily average transaction value on the IDX. Of the 60 shares, 30 shares were then selected based on the highest average daily transaction value on the regular market.

## 4. Issuer Evaluation Process Every 6 Months

The aim is for companies that do not have JII requirements to be expelled from JII, because they are not in accordance with sharia. Its function is to ensure that JII is a pure company that carries out its business in accordance with sharia.

### 3.0 Methodology

In this research, the data used is secondary data, in the form of financial report data taken from the official website of the Indonesia Stock Exchange (BEI), namely [www.idx.co.id](http://www.idx.co.id). Companies listed in the Jakarta Islamic Index (JII) 2021-2022.

The Islamic Social Reporting (ISR) disclosure score is calculated by tabulating the score for each principal disclosure by giving a value of 1 if the principal ISR disclosure is contained in the company's annual report, and given a value of 0 if the principal ISR disclosure is not contained in the annual report of the company included in Jakarta. Islamic Index (JII), then calculated using a formula. Descriptive Analysis of Islamic Social Reporting (ISR) Disclosure Score Calculation. The level of disclosure of social responsibility according to sharia for each company is different. Some companies carry out sharia social responsibility well and highly, but there are also companies that carry out very little social responsibility even though the

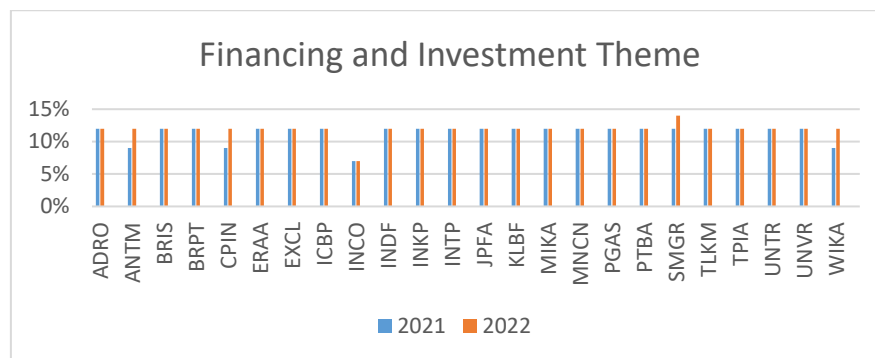
company has been categorized as a sharia company by the capital market authority and financial institutions.

#### 4.0 Data Analysis and Findings

Analysis of Islamic Social Reporting (ISR) Disclosure Score Calculation Based on Company and Each Theme

##### 1. Financing and Investment Theme

Based on the ISR Index scoring results for the financing and investment theme for the 2021-2022 period, the average ISR index value for each company was obtained as shown in the following graph:

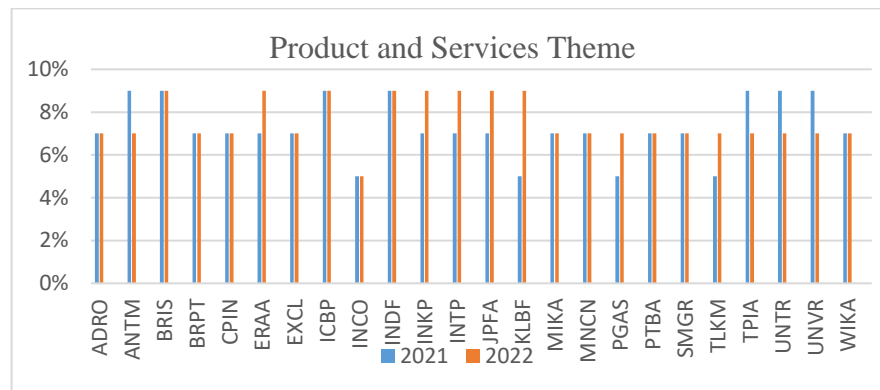


**Figure 1.** Chart of Financing and Investment Themes

Based on Figure 1 above, it shows a graph of the disclosure of financing and investment themes starting from 2021, several companies have experienced very significant increases, namely PT. Semen Indonesia (Persero) Tbk. which has increased by 2 points from 2021 to 2022.

##### 2. Product and Services Theme

Based on the ISR Index scoring results for product and service themes for the 2021-2022 period, the average ISR index value for each company is obtained as shown in the following graph.

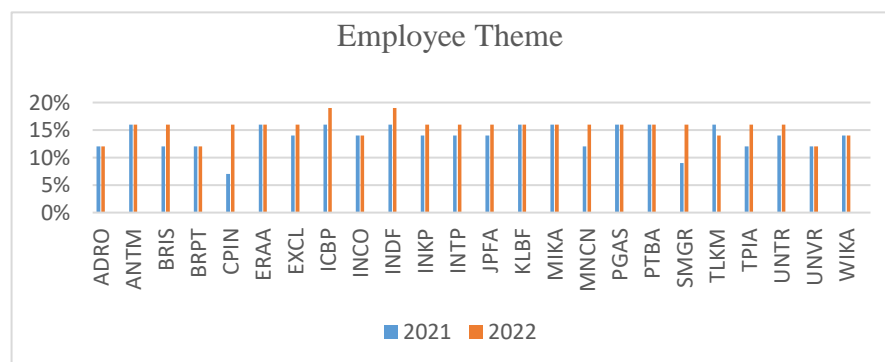


**Figure 2** Chart of Product and Services Theme

Based on the product and service theme graph as of 2021, several companies have experienced increases and decreases. PT Aneka Tambang (Persero) Tbk. (ANTM), PT Chandra Asri Petrochemical Tbk. (TPIA), PT United Tractors Tbk. (UNTR) and PT Unilever Indonesia Tbk. (UNVR) experienced a decrease of 3 points each from 2021. Meanwhile PT Erajaya Swasembada Tbk. (ERAA), PT Indah Kiat Pulp&Paper Tbk. (INKP), Indocement Tunggal Prakasa Tbk. (INTP), PT Japfa Comfeed Indonesia Tbk. (JPFA) experienced an increase of 3 points from 2021. PT Kalbe Farma Tbk. (KLBF) experienced a very high increase of 4 points from 2021. Perusahaan Gas Negara (Persero) Tbk. (PGAS) and PT Telekomunikasi Indonesia (Persero) Tbk. (TLKM) which experienced an increase of 2 points from 202

### 3. Employee Theme

Based on the results of the employee theme ISR Index scoring for the 2021-2022 period, the average ISR index value for each company was obtained as shown in the following graph:



**Figure 3** Chart of Employee Theme

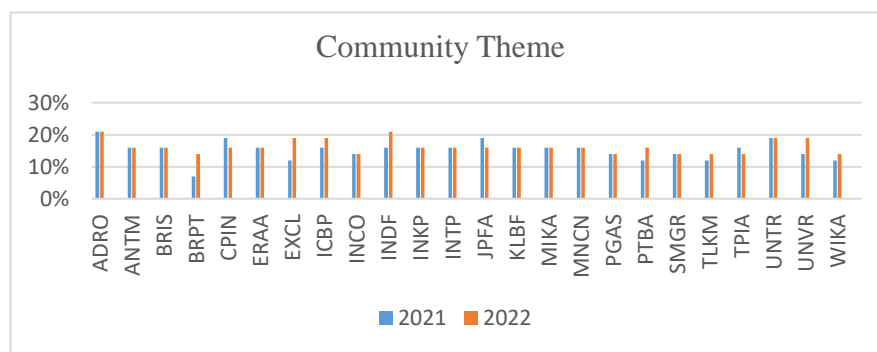
Based on the karawan theme graph since 2021, several companies have experienced increases and decreases. PT Telekomunikasi Indonesia (Persero) Tbk. (TLKM) experienced a decline of 2 points. PT Charoen Pokphand Indonesia Tbk. (CPIN) experienced a very high increase as shown by 9 points and PT Semen Indonesia Tbk. (SMGR) experienced an increase



of 8 points. PT Bank Syariah Tbk. (BRIS), PT Chandra Asri Petrochemical Tbk. (TPIA), and PT Media Nusantara Tbk. (MNCN) experienced an increase of 4 points, while PT Indofood CBP Sukses Makmur Tbk. (ICBP) and PT Indofood Sukses Makmur Tbk. (INDF) ) and experienced an increase of 3 points. PT Indah Kiat Pulp & Paper Tbk. (INKP), PT Indocement Tunggal Prakasa Tbk. (INTP), PT Japfa Comfeed Indonesia Tbk. (JPFA), PT United Tractors Tbk. (UNTR) and PT XL Axiata Tbk. (EXCL) experienced an increase of 2 points from 2021.

#### 4. Community Theme

Based on the results of the community theme ISR Index scoring for the 2021-2022 period, the average ISR index value for each company was obtained as shown in the following graph:

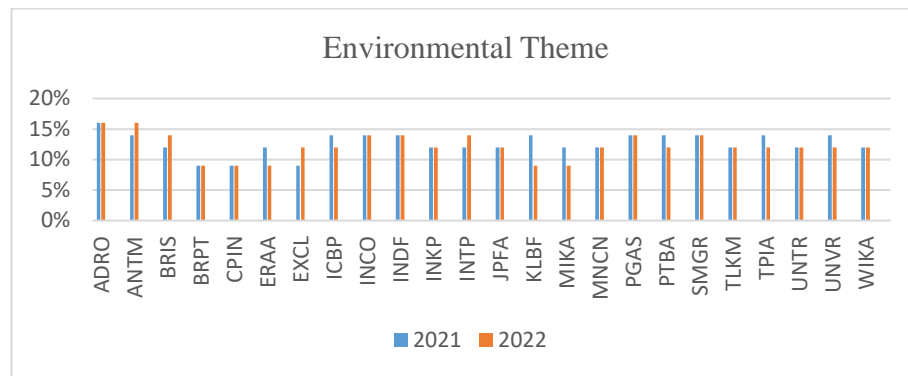


**Figure 4** Chart of Community Theme

Based on the community theme graph since 2021, several companies have experienced increases and decreases. Meanwhile PT Erajaya Swasembada Tbk. (ERAA), and PT Japfa Comfeed Indonesia Tbk. (JPFA) experienced a decline of 2 points while PT Chandra Asri Petrochemical Tbk. (TPIA) experienced a decrease of 1 point. PT Barito Pacific Tbk. (BRPT), PT XL Axiata Tbk. (EXCL) experienced a very high increase with an increase of 8 points, while PT Unilever Indonesia Tbk. (UNVR), PT Indofood Sukses Makmur Tbk. (INDF) and Tambang Batu Bara Tbk. (PTBA) experienced an increase of 5 points each, PT Indofood CBP Sukses Makmur Tbk. (ICBP) 4 points, as well as PT Telekomunikasi Indonesia (Persero) Tbk. (TLKM), PT Wijaya Karya Tbk. (WIKA) experienced an increase of 1 point each from 2021.

#### 5. Environmental Theme

Based on the results of the environmental theme ISR Index scoring for the 2021-2022 period, the average ISR index value for each company is obtained as shown in the following graph.

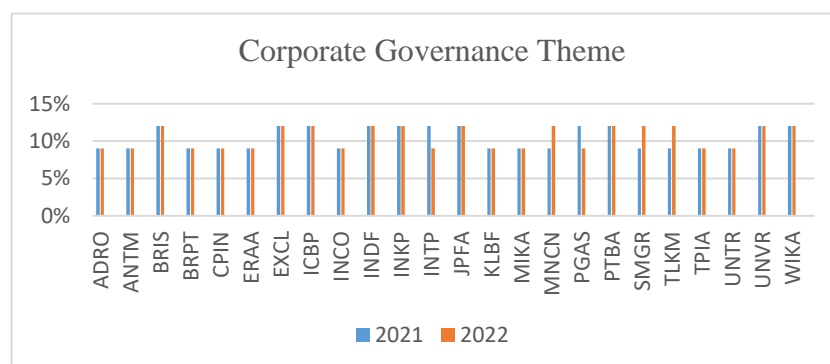


**Figure 5** Chart of Environmental Theme

Based on the environmental theme graph since 2021, several companies have experienced increases and decreases. PT Kalbe Farma Tbk. (KLB) experienced a decline of 5 points, while PT Erajaya Swasembada Tbk. (ERAA), and PT Mitra Keluarga Karyasehat Tbk. (MIKA) experienced a decline of 3 points, PT Indofood CBP Sukses Makmur Tbk. (ICBP), PT Tambang Batu Bara Tbk. (PTBA), PT Chandra Asri Petrochemical Tbk. (TPIA), and PT Unilever Indonesia Tbk. (UNVR) each experienced a decline of 2 points. PT XL Axiata Tbk. (EXCL) experienced an increase of 3 points, while PT Aneka Tambang Tbk. (ANTM), PT Bank Syariah Tbk. (BRIS), PT Indocement Tunggal Prakasa Tbk. (INTP) experienced an increase of 2 points each from 2021.

#### 6. Corporate Governance Theme

Based on the ISR Index scoring results for the corporate governance theme for the 2021-2022 period, the average ISR index value for each company was obtained as shown in the following graph:



**Figure 6** Chart of Corporate Governance Theme

Based on the corporate governance theme graph since 2021, several companies have experienced increases and decreases. PT Indocement Tunggal Prakasa Tbk. (INTP) and PT

Perusahaan Gas Negara Tbk. (PGAS) experienced a decrease of 3 points each. PT Media Nusantara Tbk. (MNCN), PT Semen Indonesia Tbk. (SMGR), PT Telekomunikasi Indonesia (Persero) Tbk. (TLKM) experienced an increase of each point from 2021.

#### Analysis of Islamic Social Reporting (ISR) Disclosure Score Calculations per year

**Table 1.** Accumulated Disclosure Scores for 6 Themes

No	Tema Pengungkapan ISR	2021	2022
1.	Finanacing and Investment	35	43
2.	Product and service Theme	40	49
3.	Employee Theme	50	63
4.	Community Theme	67	77
5.	Environmental Theme	64	71
6.	Corporate Governance Theme	81	78
	<b>Total</b>	<b>337</b>	<b>381</b>

**Table 2.** List of Companies with the Highest and Lowest ISR Index Scores for 2021-2022.

Skor ISR Tertinggi				Skor ISR Terendah			
2021		2022		2021		2022	
Code	Score ISR (%)	Code	Score ISR (%)	Code	Score ISR (%)	Code	Score ISR (%)
ICBP	79%	INDF	87%	BRPT	56%	BRPT	63%
INDF							

From Table 2 it can be seen that the highest ISR index score in 2021 belongs to PT Indofood CBP Sukses Makmur Tbk. (ICBP) and PT Indofood Sukses Makmur Tbk. (INDF) with an ISR score of 79% broadcasts on all themes. In 2022 PT Indofood Sukses Makmur Tbk. (INDF) experienced an increase and showed an ISR score of 87%, meaning that PT Indofood Sukses Makmur Tbk. (INDF) got the highest score because the company is very consistent in carrying out social responsibility. This is proven because INDF has a high score on each theme, which means that almost all ISR disclosure items are disclosed in the company's annual report. The company with the lowest score is PT Barito Pacific Tbk, in 2021 it has an ISR score of 56% and in 2022 it has an ISR score of 63%, meaning that a company that has a low distribution

score can be interpreted as meaning that the company does not cover its social responsibility according to sharia. good, because the company does not carry out social responsibility according to sharia. (Abadi et al., 2020).

## 5.0 Discussion and Conclusions

Based on the results of the research and discussion in the previous chapter, the following conclusions can be drawn:

1. The highest Islamic Social Reporting (ISR) index in 2021 is owned by PT. Indofood CBP Sukses Makmur Tbk. (ICBP) and PT. Indofood Sukses Makmur Tbk. (INDF) with an ISR score of 79%.
2. The lowest Islamic Social Reporting (ISR) index in 2021 is owned by PT. Barito Pacific Tbk. (BRPT) with an ISR score of 56%.
3. The highest Islamic Social Reporting (ISR) index in 2022 is owned by PT. Indofood Sukses Makmur Tbk. (INDF) with an ISR score of 87%.
4. The lowest Islamic Social Reporting (ISR) index in 2022 is owned by PT. Barito Pacific Tbk. (BRPT) with an ISR score of 63%.

Further research is important to support the development of corporate social responsibility disclosure in Indonesia,

So the researcher suggests that future research use a wider sample by extending the research period. Adding information as a reference in research related to corporate social responsibility disclosure.

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