

## Independent Commissioners as Moderators of Financial Determinants of Islamic Social Reporting: Evidence from Extractive Firms in the Jakarta Islamic Index (2019–2024)

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### ABSTRACT

*Islamic Social Reporting (ISR) is a form of social responsibility disclosure that not only focuses on economic aspects but also reflects Shariah values in corporate activities. This study aims to analyze the influence of profitability, leverage, institutional ownership, and firm size on ISR disclosure, as well as examine the moderating role of independent commissioners. The research employs a quantitative approach using panel data from 8 extractive sector companies listed in the Jakarta Islamic Index (JII) during the 2019–2024 period. The analysis method used is panel data regression and Moderated Regression Analysis (MRA) with the assistance of EViews 12 software. The results show that leverage has a positive and significant effect on ISR, while institutional ownership has a negative and significant effect. Profitability and firm size have no significant effect on ISR. Furthermore, independent commissioners are not able to moderate the relationship between the independent variables and ISR.*

Islamic Social Reporting (ISR) merupakan bentuk pelaporan tanggung jawab sosial yang tidak hanya berorientasi pada aspek ekonomi, tetapi juga mencerminkan nilai-nilai syariah dalam aktivitas perusahaan. Penelitian ini bertujuan untuk menganalisis pengaruh profitabilitas, leverage, kepemilikan institusional, dan ukuran perusahaan terhadap pengungkapan ISR, serta menguji peran komisaris independen sebagai variabel moderasi. Penelitian menggunakan pendekatan kuantitatif dengan data panel dari 8 perusahaan sektor ekstraktif yang terdaftar di Jakarta Islamic Index (JII) selama periode 2019–2024. Metode analisis yang digunakan adalah regresi data panel dan Moderated Regression Analysis (MRA) dengan bantuan software EViews 12. Hasil penelitian menunjukkan bahwa leverage berpengaruh positif dan signifikan terhadap ISR, sedangkan kepemilikan institusional berpengaruh negatif dan signifikan. Profitabilitas dan ukuran perusahaan tidak berpengaruh signifikan terhadap ISR. Selain itu, komisaris independen tidak mampu memoderasi hubungan antara variabel independen dengan ISR.

### Introduction

The concept of Corporate Social Responsibility (CSR) has evolved into an integral part of modern business practices, whereby companies have a moral responsibility towards stakeholders and society. CSR reflects a company's business ethics through contributions

to society and the surrounding environment, creating an important reciprocal relationship between companies and society to build legitimacy and maintain business sustainability (Mayasari & Qotrunnada, 2022). The growing awareness among Indonesian Muslims of sharia principles in economic activities has also encouraged sharia-based companies to provide information that is not only financially valuable but also spiritually valuable. This is in line with divine values that emphasize honesty, trustworthiness, and justice in every economic activity, as reflected in the words of Allah in Q.S. Al-Baqarah/2:267, which encourages Muslims to spend part of their wealth as a form of social care (Husein, 2018).

Sharia-based social responsibility reporting has been developed as an Islamic Social Reporting instrument, which is a comprehensive measurement to assess the CSR practices of Islamic financial institutions (Othman et al., 2009). The ISR index is a benchmark for the implementation of sharia corporate social responsibility, which contains standard CSR items set by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions). Through the application of ISR, companies can demonstrate their responsibility to God while increasing transparency regarding their activities to the public, thereby fulfilling the spiritual needs of stakeholders and policymakers (Haniffa, 2002). The comprehensive application of sharia principles will strengthen public trust, especially among Muslims, who are the largest stakeholder group in Indonesia (Ibrahim, 2018).

The extractive industry contributes significantly to environmental degradation in Indonesia. Data from the Ministry of Environment and Forestry show that mining activities account for a substantial portion of land degradation cases, particularly in Kalimantan and Sulawesi.

The extractive industry is the sector with the greatest social and environmental impact because exploration, extraction, and processing of natural resources often cause problems for communities and the environment, especially in developing countries (Kurniadi, 2015).

**Figure 1.** ISR Disclosure by Extractive Companies



Source: data processed in Ms. Excel 2025

The manufacturing, mining, and energy sectors are also categorized as high-profile industries with high public exposure, requiring them to have better Corporate Social Responsibility practices (Cahyono & Sudarlan, 2019). The Jakarta Islamic Index (JII) as a Sharia Capital Market Index expects issuers to not only pursue profit, but also uphold the values of people and planet (Saadah et al., 2023). However, the level of Islamic Social Reporting (ISR) disclosure in JII extractive companies is still low and inconsistent. Data from 2019–2024 shows that ISR scores are only in the range of 56%–77%, not yet stable beyond the informative threshold of 66% as suggested by (Gustani & Bayinah, 2014). This

condition raises questions about the factors that influence the quality of corporate ISR disclosure. The 2019–2024 period captures post-implementation sustainability reporting regulations and post-pandemic economic recovery, which may influence corporate disclosure behavior.

Research on the determinants of Islamic Social Reporting disclosure shows inconsistent results. Profitability in the study (Abimayu et al., 2019) has been shown to increase ISR disclosure, but other studies have found a weak relationship. Findings on leverage also vary; some show a negative effect (Rizfani & Lubis, 2019) due to obligation pressure, while other studies claim no effect. Similarly, institutional ownership and company size are often associated with increased ISR disclosure, but the results are not always consistent across studies. The presence of independent commissioners as supervisors in the governance structure is considered to strengthen or weaken the influence of financial determinants on ISR (Pratama et al., 2018). Independent commissioners have a strategic role in ensuring that companies engage in ethical and responsible business practices, including in terms of social and environmental information disclosure. However, empirical findings on the effectiveness of independent commissioners as a moderating variable in the relationship between financial factors and ISR disclosure still show mixed and inconsistent results.

Previous studies predominantly focus on Islamic banking institutions (Abadi et al., 2020; Pratama et al., 2018), while limited attention has been given to high-profile extractive companies within the Jakarta Islamic Index. Moreover, empirical findings regarding the determinants of ISR disclosure remain inconsistent.

Based on the identified phenomena and research gaps, this study aims to analyze the influence of profitability, leverage, institutional ownership, and company size on ISR disclosure, as well as to examine the role of independent commissioners as a moderating variable in the context of extractive sector companies listed on the Jakarta Islamic Index for the period 2019-2024. This study is expected to contribute theoretically to enriching the literature on Islamic Social Reporting, particularly in the context of the extractive industry, and to provide practical implications for companies and regulators in improving the quality of Sharia-based social responsibility reporting.

## **Literature Review**

### **A. Islamic Social Reporting (ISR) and Theoretical Foundations**

Islamic Social Reporting (ISR) is an extension of the conventional social reporting concept that is integrated with sharia values and principles, emphasizing not only the interests of stakeholders such as shareholders and debtors, but also the community, the environment, and spiritual aspects in accordance with Islamic teachings (Abadi et al., 2020). The ISR concept was first introduced by (Haniffa, 2002) as a response to the limitations of conventional social reporting, which was then developed more comprehensively by (Othman et al., 2009) by adding the theme of corporate governance. The ISR sharia framework was developed to ensure that companies not only fulfill their legal and economic obligations, but also their moral and spiritual obligations to Allah and society, emphasizing the importance of material, moral, and spiritual aspects in corporate social reporting.

The theoretical basis of ISR is built on several main theories, with Sharia Enterprise Theory (SET) being the main foundation developed as an extension of entity theory to

fill the void in conventional entity theory by incorporating spiritual and social elements. In SET, all elements of reporting must be accountable to Allah as the highest authority, with the aim of restoring human consciousness as *khalifatullah fil ardh*. Legitimacy theory also plays an important role in explaining companies' motivations for ISR disclosure, whereby organizations seek to align the values of their activities with social norms in order to gain legitimacy (Cahya, 2021). Jensen and Meckling's agency theory explains the relationship between principals and agents, whereby differences in interests can influence companies' voluntary disclosure policies.

ISR covers six main disclosure themes developed from Haniffa's initial five themes into six themes by (Othman et al., 2009). The theme of financing and investment reveals sources of financing that are free from usury and speculation, as prohibited in the Qur'an Q.S. Al-Baqarah/2:278-279. The theme of products and services reveals halal products that do not harm society, which is particularly important for extractive companies whose products have a major impact on the environment and the sustainability of natural resources in accordance with the principle of *rahmatan lil 'alamin*. The theme of employees covers fairness in employee management based on the hadith "Give a worker his wages before his sweat dries" (HR. Ibnu Majah). The community theme reveals the role of companies in economic development and overcoming social problems through almsgiving, *waqf*, and *qard hassan*, while the environmental theme is based on the concepts of *tauhid*, *khilafah*, *mizan*, *i'tidal*, and *akhirah* to preserve the environment. The corporate governance theme ensures the supervision of sharia aspects and disclosure of compliance with sharia principles (Abadi et al., 2020).

This study integrates Sharia Enterprise Theory as the primary foundation, complemented by Legitimacy Theory and Agency Theory to explain managerial motivations in ISR disclosure behavior.

## **B. Factors Affecting ISR Disclosure**

### **1. Profitability**

Profitability, defined as a company's ability to earn profits in relation to sales, total assets, and equity (Sartono, 2008), plays an important role in ISR disclosure. Profitable companies are expected to not only focus on increasing profits, but also demonstrate spiritual and social responsibility to Allah SWT and the wider community, especially extractive companies that derive large profits from natural resources.

### **2. Leverage**

Leverage, defined as the use of assets or funds with fixed costs to increase income, can be measured through the Debt to Equity Ratio, where a higher DER is assumed to indicate that a company has high liquidity risk.

### **3. Institutional Ownership**

Institutional ownership, defined as the number of shares owned by institutions such as pension funds, insurance companies, and investment funds (Pratama et al., 2018), plays a significant role in influencing a company's strategic decisions.

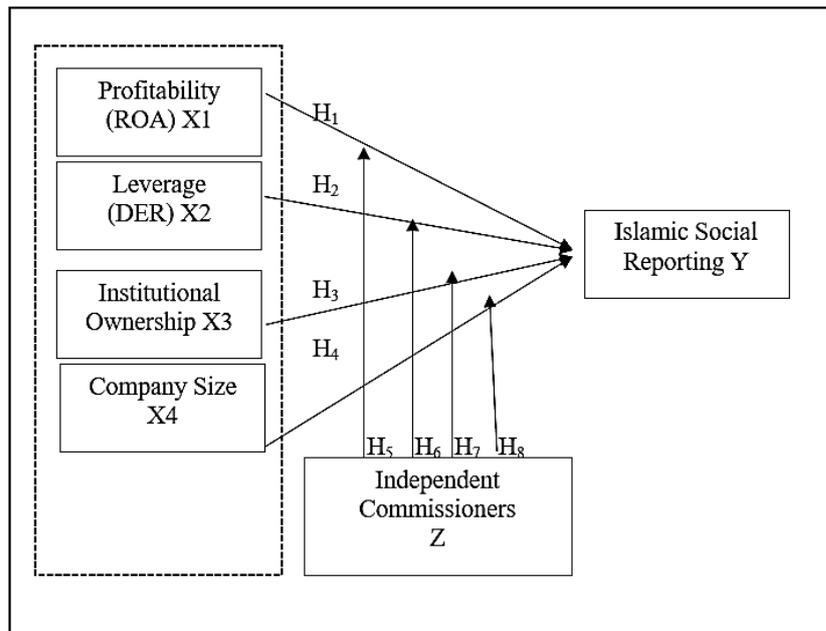
### **4. Company Size**

Company size is an important factor because large companies face more complex conflicts of interest between management and stakeholders, so they tend to disclose

more information to minimize conflicts (Sartono, 2008). From an Islamic perspective that emphasizes social accountability and information disclosure, large companies are considered to play a more active role in establishing relationships with the community.

### 5. Independent Commissioners

Independent commissioners, as members of the board of commissioners who are not affiliated with the majority shareholders, act as moderators in the relationship between these factors and ISR disclosure. Based on agency theory, independent commissioners reduce conflicts of interest between management and owners through objective supervision of company policies (Kurniadi, 2015). The existence



of independent commissioners is a key pillar of Good Corporate Governance (GCG), which is designed based on the principles of transparency, independence, accountability, responsibility, and fairness to provide added value to all stakeholders. In the context of extractive companies listed on the Jakarta Islamic Index, the role of independent commissioners is crucial in ensuring comprehensive ISR disclosure that is in accordance with sharia principles.

**Figure 2.** Framework

**Hypothesis:**

- H1: Profitability has a positive effect on Islamic Social Reporting.
- H2: Leverage has a positive effect on Islamic Social Reporting.
- H3: Institutional ownership has a positive effect on Islamic Social Reporting.
- H4: Firm size has a positive effect on Islamic Social Reporting.
- H5: Independent commissioners moderate the effect of profitability on Islamic Social Reporting.
- H6: Independent commissioners moderate the effect of leverage on Islamic Social Reporting.
- H7: Independent commissioners moderate the effect of institutional ownership on Islamic Social Reporting.

H8: Independent commissioners moderate the effect of firm size on Islamic Social Reporting.

## Research Methodology

This study uses a quantitative approach with a causal associative design to examine the causal relationship between variables (Sugiyono, 2016). The research population includes all companies listed on the Jakarta Islamic Index (JII 30) for the period 2019–2024. The sample was selected using purposive sampling with the following criteria: (1) consistently listed on the JII 30 during the research period, (2) published complete annual financial reports, (3) did not experience delisting, and (4) belonged to the extractive sector (mining/energy). Based on these criteria, eight companies were obtained with a total of 40 observations (eight companies × five years).

The research data consisted of secondary data taken from annual reports and audited financial statements for 2019–2024. The independent variables included ROA, DER, and company size. Islamic Social Reporting (ISR) disclosure was measured through content analysis based on the ISR index of (Othman et al., 2009). Institutional ownership data and the proportion of independent commissioners were obtained from the annual reports of each company.

### A. Dependent Variable

Islamic Social Reporting (ISR) is an extension of the conventional social reporting concept that is integrated with sharia principles and emphasizes social, environmental, and spiritual aspects in accordance with Islamic teachings. ISR measurement uses an index developed by (Othman et al., 2009) with six main themes: financing and investment, products and services, employees, community, environment, and corporate governance. The ISR index is calculated using the formula:

ISR Disclosure = (Number of Item Scores disclosed / Total Number of Disclosure Items).

### B. Independent Variables

From the perspective of Legitimacy Theory, highly profitable companies tend to disclose more ISR information to justify their financial success to society. According to Sharia Enterprise Theory, profitability strengthens the company's ability to fulfill spiritual and social accountability. Empirical evidence from Abimayu et al. (2019) supports this positive relationship.

Profitability is measured using Return on Assets (ROA), which describes a company's efficiency in using assets to generate profits.

ROA formula = Net Profit / Total Assets.

Leverage is measured using the Debt to Equity Ratio (DER), which shows the proportion of debt to a company's equity (Sartono, 2008).

DER formula = Total Liabilities / Equity.

Institutional ownership is the percentage of shares owned by institutions relative to total outstanding shares.

Formula = Number of Shares Owned by Institutions / Number of Outstanding Shares.

Company size is measured using the natural logarithm of the company's total assets.

Formula = Ln (Total Assets).

**C. Moderating Variable**

Independent commissioners are members of the board of commissioners who are not affiliated with majority shareholders or other internal parties. This variable was chosen as a moderator because it reflects the implementation of Good Corporate Governance, which plays a role in overseeing the transparency and accountability of the company.

Formula = Number of Independent Commissioners / Total Number of Commissioners.

**D. Data Panel Analysis**

Data analysis using panel data regression. The analysis begins with descriptive analysis to describe the characteristics of the data through the mean, median, maximum, minimum, and standard deviation (Sofwatillah et al., 2024). Next, the best estimation model is selected through the Chow test, Hausman test, and Lagrange Multiplier test.

Classical assumption testing includes multicollinearity and heteroscedasticity tests. Hypothesis testing uses a partial test (t-test) to evaluate the effect of each independent variable individually on the dependent variable at a significance level of 5%.

**E. Moderated Regression Analysis**

Moderation analysis uses Moderated Regression Analysis (MRA), which includes the interaction between independent variables and moderating variables. Panel data regression model with moderation:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5Z + \beta_6X_1Z + \beta_7X_2Z + \beta_8X_3Z + \beta_9X_4Z + e.$$

Y is ISR, X<sub>1</sub> is profitability, X<sub>2</sub> is leverage, X<sub>3</sub> is institutional ownership, X<sub>4</sub> is company size, Z is independent commissioners, and the respective interaction variables. Moderating decision-making is based on the significance value of the interaction variable: if < 0.05, the moderating variable strengthens the relationship, and vice versa.

**Result**

This study uses quantitative data analysis methods with a panel data regression approach to examine the effect of profitability, leverage, institutional ownership, and company size variables on Islamic Social Reporting (ISR) disclosure in extractive sector companies listed on the Jakarta Islamic Index (JII) for the period 2019-2024. The independent commissioner variable serves as a moderating variable in this research model. The entire data analysis process was conducted using EViews 12 and Microsoft Excel LTSC software to ensure the accuracy and reliability of the test results.

**A. Descriptive Analysis**

**Table 1.** Descriptive Analysis Results

	ISR (Y)	ROA (X1)	DER (X2)	KEP_INS (X3)	Ln_SIZE (X4)	KOM_IND (X5)
<b>Mean</b>	64.5%	10.4%	0.578173	90.3%	31.69057	38.1%

<b>Maximum</b>	77.1%	45.4%	1.549194	99.3%	32.76376	57%
<b>Minimum</b>	56.3%	-2.9%	0.128824	77.4%	30.42479	20%
<b>Std. Dev.</b>	4.9%	9.1%	0.352145	6.4%	0.671090	8.3%
<b>Observasi</b>	48	48	48	48	48	48

Source: Data processed using E-Views 12

Descriptive analysis shows the statistical characteristics of 48 observations from 8 companies in the extractive sector over a period of 6 years. Table 1 presents complete descriptive statistics for all research variables. The dependent variable Islamic Social Reporting (ISR) shows an average value of 64.5% with a standard deviation of 4.9%, indicating a relatively consistent level of ISR disclosure among companies. The highest ISR value of 77.1% was achieved by PT Alamtri Resources Indonesia Tbk (ADRO), while the lowest value of 56.3% was found in PT Vale Indonesia Tbk (INCO). This relatively small variation indicates that extractive sector companies in the research sample have a fairly uniform level of awareness in disclosing social responsibility based on Islamic principles.

Profitability measured by Return on Assets (ROA) shows significant variation with an average value of 10.4% and a standard deviation of 9.1%. The wide range between the maximum value of 45.4% (PT Indo Tambangraya Megah Tbk) and the minimum of -2.9% (PT Perusahaan Gas Negara Tbk) reflects substantial differences in financial performance between companies. This indicates different business dynamics in the extractive sector, where some companies are able to generate very high profitability while others experience operational losses.

Leverage, as measured by the Debt to Equity Ratio (DER), has an average of 0.578 with a standard deviation of 0.352. The maximum value of 1.549 at PT Perusahaan Gas Negara Tbk indicates a high level of dependence on external funding, while the minimum value of 0.129 at PT Vale Indonesia Tbk reflects a more conservative capital structure. Institutional ownership shows a high level of concentration with an average of 90.3% and a standard deviation of only 6.4%, indicating the dominance of institutional investors in the ownership structure of extractive companies. Company size, measured in natural logarithms of total assets, shows an average of 31.69 with a standard deviation of 0.671, reflecting relatively similar operational scale homogeneity. Independent commissioners have an average proportion of 38.1% with a standard deviation of 8.3%, indicating fairly consistent implementation of corporate governance principles in accordance with applicable regulations.

## B. Panel Data Regression Model

This study uses three panel data regression estimation approaches to determine the model that best fits the data characteristics.

**Table 2.** Panel Data Regression Results using the CEM Approach

<b>Variable</b>	<b>Coefficient</b>	<b>Prob.</b>
C	0.410913	0.2673
X1_ROA	0.101971	0.1680
X2_DER	0.048085	0.0380
X3_KEP_INS	-0.263319	0.0119

X4_SIZE	0.013681	0.2350
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Source: Data processed using E-Views 12

Table 2 shows the results of the Common Effect Model (CEM) estimation, which assumes that there are no individual differences between companies. The CEM results show that leverage has a significant positive effect on ISR with a coefficient of 0.048085 and a probability of 0.0380, while institutional ownership has a significant negative effect with a coefficient of -0.263319 and a probability of 0.0119. Profitability and company size did not show a significant effect, with probability values of 0.1680 and 0.2350, respectively.

**Table 3.** Panel Data Regression Results Using the FEM Approach

Variable	Coefficient	Prob.
C	-0.157309	0.9001
X1_ROA	-0.012670	0.9185
X2_DER	-0.024919	0.4905
X3_KEP_INS	-0.229448	0.2950
X4_SIZE	0.032353	0.4028

Source: Data processed using E-Views 12

Table 3 presents the results of the Fixed Effect Model (FEM) that considers heterogeneity between observation units. The FEM results show that none of the independent variables have a significant effect on ISR, with all probability values above 0.05. This indicates that when differences in individual characteristics between companies are taken into account, the effect of the independent variables becomes insignificant.

**Table 4.** Panel Data Regression Results using the REM Approach

Variable	Coefficient	Prob.
C	0.340904	0.3967
X1_ROA	0.084372	0.2626
X2_DER	0.038299	0.1141
X3_KEP_INS	-0.268858	0.0171
X4_SIZE	0.016284	0.1957

Source: Data processed using E-Views 12

Table 4 shows the results of the Random Effect Model (REM), which assumes that individual effects are random. The REM model shows results consistent with the CEM, where only institutional ownership has a significant negative effect on ISR with a coefficient of -0.268858 and a probability of 0.0171.

### C. Selection of Panel Data Regression Model Estimation

The process of selecting the best model was carried out through three stages of statistical testing. Table 5 shows the results of the Chow Test comparing CEM and

FEM. The Cross-section F probability value is 0.1533 and the Cross-section Chi-square is 0.0640, both of which are greater than  $\alpha = 0.05$ , so CEM is more appropriate than FEM. The Hausman test shows a probability value of 0.1844 > 0.05, indicating that REM is more appropriate than FEM. The Lagrange Multiplier test shows that the probability values for all categories (cross-section 0.8200, period 0.9070, and both 0.7981) are greater than 0.05, so CEM is more appropriate than REM. Based on the results of these three tests, the Common Effect Model (CEM) is determined to be the most appropriate model for this study.

**Table 5. Chow Test Estimation Results**

Uji Chow	Prob.
Cross-section F	0.1533
Cross-section Chi-square	0.0640

Source: Data processed using E-Views 12

#### D. Classical Assumption Test

Classical assumption testing was conducted to ensure the validity of the regression model used. The multicollinearity test using a paired correlation matrix between independent variables showed that all correlation values were below 0.85, with the highest value of 0.591691 between leverage and company size. These results indicate that there are no serious multicollinearity issues in the research model. The heteroscedasticity test using the Glejser method shows that all variables have probability values above 0.05, ranging from 0.2597 to 0.7989. These results confirm that the regression model meets the homoscedasticity assumption, so that the estimates can be considered efficient and unbiased.

#### E. Hypothesis Testing and Interpretation of Results

**Table 6. Multiple Linear Regression Test Results**

Variable	Coefficient	Prob.
C	0.410913	0.2673
X1_ROA	0.101971	0.1680
X2_DER	0.048085	0.0380
X3_KEP_INS	-0.263319	0.0119
X4_SIZE	0.013681	0.2350

Source: Data processed using E-Views 12

Table 6 presents the results of hypothesis testing that shows the partial effect of each independent variable on ISR. Profitability (ROA) shows a positive coefficient of 0.101971 but is not significant (p-value 0.1680), indicating that the company's profit level does not directly affect the level of ISR disclosure. This result contradicts the legitimacy theory, which states that companies with high profitability tend to be more active in social disclosure. Leverage (DER) shows a significant positive effect with a

coefficient of 0.048085 and a p-value of 0.0380, indicating that companies with high debt levels tend to increase ISR disclosure as a strategy to maintain legitimacy and stakeholder trust, especially creditors and investors.

The positive and significant effect of leverage indicates that extractive companies with higher debt ratios tend to increase ISR disclosure as a signaling mechanism to creditors. Given the average DER of 0.578 and maximum 1.549, firms with higher financial risk appear to strategically utilize ISR to reduce perceived risk and maintain financing access. Institutional ownership shows a significant negative influence with a coefficient of -0.263319 and a p-value of 0.0119. These results indicate that the higher the proportion of institutional ownership, the lower the level of ISR disclosure. This phenomenon can be explained by the perspective that institutional investors are more focused on financial efficiency and investment returns, thus tending to suppress CSR activities that are not considered to generate direct profits. Company size shows a positive coefficient of 0.013681 but is not significant (p-value 0.2350), indicating that the scale of a company's operations does not automatically determine the level of ISR disclosure. These results show that ISR disclosure is more influenced by strategic factors and company value than by company size.

The coefficient of determination ( $R^2$ ) shows an Adjusted R-squared value of 0.289032, which means that 28.90% of the variation in ISR disclosure can be explained by the four independent variables in the model. This value indicates that there is still 71.10% of variation that cannot be explained by the model, suggesting that there are other factors that influence ISR disclosure, such as corporate culture, management commitment, the existence of a Sharia Supervisory Board, and industry regulatory factors.

**F. Moderated Regression Analysis**

**Table 7.** Moderated regression analysis (MRA) result

Variable	Coefficient	Prob.
C	0.021915	0.9551
X1_ROA	0.123084	0.1088
X2_DER	0.030946	0.2195
X3_KEP_INS	-0.125159	0.2771
X4_SIZE	0.019733	0.0934
Z_KOM_IND	0.208338	0.0635
X1Z	1.090983	0.4775
X2Z	0.384939	0.1524
X3Z	0.933162	0.7322
X4Z	-0.085092	0.6406

Source: Data processed using E-Views 12

Table 7 shows the results of the moderated regression analysis (MRA) that tests the role of independent commissioners as a moderating variable. The results show that all interaction variables are insignificant, with probability values of X1Z (ROA × Independent Commissioners) of 0.4775, X2Z (DER × Independent Commissioner) of 0.1524, X3Z (Institutional Ownership × Independent Commissioner) of 0.7322, and

X4Z (Company Size × Independent Commissioner) of 0.6406. These results indicate that independent commissioners do not function as effective moderators in the relationship between independent variables and ISR disclosure. This phenomenon may be caused by several factors, including the suboptimal proportion of independent commissioners, limited knowledge of sharia principles, or a greater focus on financial aspects than on social responsibility.

However, the addition of the moderating variable increased the Adjusted R-squared value from 0.2890 to 0.3499, or an increase of 6.09%. This increase indicates that, although not statistically significant, the moderating variable contributes to the model's ability to explain the variation in ISR disclosure. These results indicate that the role of independent commissioners in the context of ISR disclosure requires further research using different approaches or larger samples to identify more effective moderating mechanisms.

The minimum proportion of independent commissioners (20%) suggests partial non-compliance with OJK governance recommendations, potentially explaining the weak moderating effect observed.

## Discussion

The results of this study reveal the complexity of the relationship between corporate financial factors and Islamic Social Reporting (ISR) disclosure in extractive companies listed on the Jakarta Islamic Index for the period 2019-2024. The main finding shows that profitability has a positive but insignificant effect on ISR (coefficient 0.1019; p-value 0.1680 > 0.05), indicating that a company's profit level is not a determining factor in sharia-based social responsibility disclosure (Pawestry, 2023). This phenomenon is in line with the Sharia Enterprise Theory (SET) perspective, which emphasizes that social disclosure is a spiritual mandate to Allah SWT, not merely a conventional economic consideration (Haniffa, 2002). In the context of extractive companies, environmental and social responsibility remains inherent regardless of financial conditions, as it is more related to the ethical consequences of natural resource extraction.

Conversely, leverage shows a positive and significant effect on ISR (coefficient 0.0481; p-value 0.0380 < 0.05), supporting Legitimacy Theory that companies with high debt levels seek to maintain legitimacy through social information disclosure (Juwita & Fitranita, 2023). Extractive companies with high leverage use ISR as a managerial strategy to build investor trust and demonstrate commitment to responsible governance in accordance with sharia principles, despite having a large debt burden. Another interesting finding is that institutional ownership has a negative and significant effect on ISR (coefficient -0.2633; p-value 0.0119 < 0.05), contrary to previous research (Saadah et al., 2023). This can be explained through Agency Theory, whereby shareholder institutions tend to encourage management to focus on efficiency and return on capital, avoiding activities that are not considered to provide direct financial benefits, such as ISR disclosure.

Company size shows a positive but insignificant effect on ISR (coefficient 0.0125; p-value 0.2350 > 0.05), not supporting the Legitimacy Theory assumption that large companies have higher social pressure to increase transparency. This finding is consistent with (Pawestry, 2023), showing that asset scale is not always the main driver of ISR reporting without ethical awareness from management. For example, PT Indo Tambangraya Megah Tbk, with relatively lower total assets, actually shows a commitment to informative ISR disclosure compared to other large extractive companies.

Moderated regression analysis (MRA) shows that independent commissioners are unable to moderate the relationship between the four independent variables and ISR. The interaction between profitability and independent commissioners shows a p-value of  $0.4775 > 0.05$ , leverage and independent commissioners p-value  $0.1524 > 0.05$ , institutional ownership and independent commissioners p-value  $0.7317 > 0.05$ , and company size-independent commissioners p-value  $0.6406 > 0.05$ . These findings are in line with (Saadah et al., 2023), but contradict the principles of Good Corporate Governance, which expect independent commissioners to be effective supervisors in promoting transparency and accountability.

The ineffectiveness of the moderating role of independent commissioners can be explained by the phenomenon that many extractive sector companies view the position of independent commissioners as administrative compliance with OJK regulations without providing substantial room for strategic oversight. Furthermore, the presence of Politically-Exposed Persons (PEPs) in the board of commissioners structure in 52 of 121 mining companies in Indonesia obscures the supervisory function and increases conflicts of interest (Atikah et al., 2024). This results in independent commissioners not playing an effective role in strategic decision-making, including ISR disclosure, in contrast to the Islamic banking sector, which has a stronger regulatory and philosophical structure in encouraging Islamic reporting through the Sharia Supervisory Board. Overall, this study confirms that ISR disclosure in extractive companies is more influenced by internal factors such as the ethical and spiritual awareness of management than by structural or financial factors alone, highlighting the importance of strengthening Islamic values in the corporate governance practices of extractive companies.

## **Conclusion**

Based on an analysis of extractive sector companies listed on the Jakarta Islamic Index (JII) for the period 2019–2024, this study concludes that leverage has a significant positive effect on Islamic Social Reporting (ISR) disclosure, institutional ownership has a significant negative effect, while profitability and company size have no significant effect on ISR, and independent commissioners are unable to moderate all independent variables on ISR disclosure. Therefore, it is recommended that future researchers expand the sample to other sectors and add variables such as the Sharia Supervisory Board or auditor reputation, for companies in the extractive sector to strengthen spiritual and ethical awareness in ISR reporting not only because of regulatory requirements but also to maintain long-term reputation in the sharia market, and for regulators such as the OJK to evaluate the effectiveness of the independent commissioner's function in supervising non-financial reporting and encourage more comprehensive sharia-based reporting in corporate governance guidelines.

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