

Islamic Social Reporting (ISR) Index Disclosure in Public Telecommunication Company (Case Study: PT. XL Axiata Tbk)

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ABSTRACT

The concept of CSR does not only develop in the conventional economy but also exists in the development of the Islamic economy which encourages the birth of corporate social responsibility in accordance with Islamic norms and sharia or can be called Islamic Social Reporting (ISR). So ISR is a form of corporate social responsibility to build a better economy in improving the quality of social and environmental life. ISR was born and developed on the basis of AAOFI (Auditing Organization Islamic Reporting Institute). The aim of this research is to find out how the quality of corporate social reporting PT. XL Axiata Tbk listed on the Jakarta Islamic Index (JII) using the ISR index. The method that the author uses in this study is qualitative with descriptive analysis, in which the researcher describes and describes the results of the index scores based on the ISR items. research shows that ISR disclosure at PT XL Axiata Tbk from 2017-2021 is based on six criteria, namely: Investment funding with a total score of 15, Products and services with a total score of 15, Employees with a total score of 23, Community with a total score of 52, Environment with a total score of 27 and corporate governance with a total score of 10.

Keywords: Financial reports, ISR, Six Criteria on ISR.

1. Introduction

The company XL Axiata Tbk is a company that operates in terms of telecommunications services, this company provides telecommunications services and networks with multimedia services. The EXCL company is also a company that is part of a long-standing cellular operator or service provider in Indonesia.

The company XL Axiata Tbk is a company that has gone public and is included in the Jakarta Islamic Index (JII). Companies that have been registered with JII can be assured that they have carried out operational activities in accordance with sharia principles, therefore some investors want and believe in making investments, especially Muslim investors or other Muslim interests to invest or carry out other business activities in this company. because it has been registered with JII. JII is one of the sharia capital market products on the Indonesia Stock Exchange (BEI). Companies that are included in JII are those that have passed the selection criteria from the Financial Services Authority (OJK) and BEI.

As a company that has been registered with JII, it is known that XL Axiata Tbk Company has paid attention to business operations in accordance with sharia aspects in accordance with JII provisions and criteria. As a form of implementing the JII criteria, XL Axiata Tbk Company will pay attention to aspects regarding teachings that are in accordance with sharia principles. One form of sharia principles that will be seen as part of JII is in its annual report. In sharia, it is known as Islamic social reporting, where Islamic social reporting is a standard for reporting the social performance of companies that carry out business activities in accordance with sharia principles. This is known from the financial reports submitted by companies in their annual reports.

Disclosure of the Islamic social reporting index in publicly traded companies has also been carried out through research by several previous researchers. Disclosure of the Islamic Social Reporting Index for Public Companies Listed in Jakarta. The Islamic Index was researched by Citra Indah Merina and Verawaty. This research was conducted in 2016 and obtained the results of the disclosure of the ISR index from 28 companies registered with JII which cannot be said to be good. Because, there are still ISR index items that have not been fully disclosed. Meutia Handayani et al also conducted research with the title Analysis of ISR (Islamic Social Reporting) Disclosure Score Assessments in Companies Registered on the Jakarta Islamic Index (JII), in their research the companies studied were companies registered with JII in 2017-2018. A Ruslan Abdul Ghani in his thesis research conducted with the title Disclosure of Corporate Social Responsibility in the Shariah Enterprise Theory Perspective Study at Pt (SET) is quite informative.

From the background explanation, researchers are interested in conducting research related to how the Islamic Social Reporting (ISR) Index Disclosure for Go Public Companies, namely Pt. XL Axiata Tbk with more recent data and as part of the companies that have been registered or indexed by the Jakarta Islamic Index (JII) in 2017-2021.

2. Literature Review

2.1 Definition of Financial Statement

Financial reports are a signal to communicate important information held by company management and can describe the company's financial position, the company's business results in a period, and the company's cash flow in a certain period. Financial reports describe the financial condition and business results of a company at a certain time or certain period of time (Harahap, 2010, p. 105). The purpose of financial reports is to provide information regarding the financial position, performance and changes in the financial position of a sharia entity which is useful for a large number of users in making economic decisions (Wiroso, 2011, p. 37). Management compliance statements are usually presented in notes to financial reports, can be a separate note or

as part of accounting policy notes. According to Hendriksen and Breda (1992) in (Raditya, 2012) there is a general concept of disclosure, including:

The financial report is a signal to provide important information that is owned by a company's management and also to describe the company's financial position, the results obtained in one period, and what the company should or will do in each particular period. The financial report also describes a financial condition, and also business results in a company at a certain time within a certain time period (Harahap, 2010 p.105). The objective of financial reports is to provide information regarding the financial position, performance and changes in financial position in a sharia entity which is useful for most users in making economic decisions (Wirosa, 2011 p. 37). In other words, a statement expressing management compliance can be presented in the notes to the financial statements and is also a separate note as part of the accounting policy notes in research conducted by Hendriksend and in (1992) in (Raditya, 2012) there are several general disclosure concepts including :

- A sufficient statement is a minimum disclosure which must be fulfilled so that a financial report as a whole does not mislead users in making decisions.
- A fair statement is a disclosure that must be achieved so that all parties receive the same information.
- A full statement is a statement demanding full presentation and disclosure of all information that is most relevant to the decision making of the person collecting this disclosure. This is often called an excessive statement.

In research conducted by Darrough in (1993) statements based on a relationship of requirements set by standards consisted of several types, namely:

- A mandatory statement is a statement in a part of a financial report that has accounting standard requirements and applies to the capital market supervisory body that has authority in the country concerned, so if the company does not provide information voluntarily in the statement, the mandatory statement will force a company to reveal that information.
- A voluntary statement is a statement of several components carried out voluntarily by a company without being required by applicable regulations.

Corporate Social Responsibility (CSR), the term CSR was first introduced in an article, namely social responsibility of the businessman, in 1953. This CSR was initiated by Howard Rothman Browen to eliminate anxiety in the business world. CSR is an approach in which companies can integrate social care into their business operations and CSR is usually said to be a commitment which is a commitment from business circles to behave ethically and give bribes, a contribution to economic development and can also improve quality. living off employees and their families as well as having local communities and wider society in general (Khasanah, 2016).

2.2 CSR According to an Islamic Perspective According to an Islamic perspective

The concept of corporate CSR comes from an Islamic view of life from a Muslim's view of life which has a system of ethics and values that regulates all aspects of life by ensuring the welfare of all religious communities. In Islam itself, religion can adapt to changes in any form but is still based on from the Koran and also the Sunnah (Santoso, 2011).

According to (I.Y & K.R, 2014) Corporate Social Responsibility (CSR) in Islam is no stranger and has been practiced since 14 centuries ago. As was put into practice by the Prophet Muhammad SAW who carried out social responsibility in society, it became a guide for his people.

In the Al-Qur'an there is a lot of mention about social responsibility, as one of them is in the words of Allah SWT in Surah Al-Qasas verse 77 which means:

"And seek what Allah has bestowed upon you (happiness) in the land of the hereafter, and do not forget your share of worldly (pleasures) and do good (to others) as Allah has done good to you, and do not cause damage to (your face)) the earth. Indeed, Allah does not like those who do damage" (QS.AlQasas: 77).

Islamic social reporting or ISL is an index that has two main objectives, namely as a form of accountability to Allah SWT and also society to increase the transparency of business activities by providing information that is relevant and also in accordance with the needs of Muslim decision-making officials. (Fitria, Soraya, & Hartanti, 2010).

The Islamic social reporting index is used in an indicator and also in a report on the social performance of sharia business. Islamic social reporting not only helps make decisions for Muslims but also helps companies fulfill their obligations towards Allah and society. (Wahyudi & Atang, 2019)

In research conducted by Sut Apa and Melak Situ in 2018, the ISR index used several names of disclosure items built by Othman 2009 which consisted of 43 other military disclosure items as follows:

- Investment and finance (Finance and Investment Theme) This Investment and Finance theme contains disclosure of matters relating to usury (concerning interest charges and income), gharar (sale and purchase of a commodity including foreign currency whose price is uncertain), zakat, policy of late payment of receivables and write-off of bad debts, value added statement (value added report) and trial balance of current value.
- Investment and finance is a theme of this financial investment which makes statements regarding matters relating to usury or regarding interest expenses and income, gahar or sales and purchases of commodities including foreign currency whose prices are uncertain, zakat, policies on taking bath and payment of receivables and write-off of the doctor's receivables and also the adit batman folio or value added report and trial balance for this value.
- The theme of products and services is that every company must be able to produce a product that is safe, environmentally friendly and also certified halal. In this item, there is information about environmentally friendly products as participation in environmental preservation, halal products, safe and quality products in the service of complaints. consumer.
- Employees are concerned about this item, whether the company can be required fairly and fairly through the information disclosed such as differences in opinion, characteristics, working hours per day, annual holidays and leave, remuneration allowances, education and job training, gender equality, employee involvement in management discussions. occupational health and safety, work environment for employees in special groups with physical disabilities or ex-convicts, former drug addicts. Upper class employees perform worship together with other employees and lower class Muslim employees are allowed to perform worship during prayer times and fasting in the month of Ramadan.
- Community Theme This theme reflects the importance of sharing and easing other people's burdens. The company implements this theme by providing donations, assistance and contributions to the community solely to improve the community's economy.

- Environmental Theme: If the disclosure of the accountability report conveys environmental conservation, activities to reduce the effects of global warming (pollution minimization, waste management, clean water management, etc.), education through the environment, independent verification statements or environmental audits, environmental management systems, then the company is has submitted an ISR.
- Theme Corporate Governance A company is considered to have disclosed Islamic Social Reporting (ISR) if it discloses the status of compliance with sharia, share ownership structure, profile of the board of directors, disclosure of whether or not it carries out business monopolistic practices, disclosure of whether or not it carries out practices of hoarding basic necessities, disclosure of committing cases legal or not, and anti-corruption policies

3. Research Methodology

The research method used is a qualitative approach, with content analysis testing based on several items or criteria that trigger the disclosure of Islamic Social Reporting (ISR). The population in this research is publicly traded companies that have been registered with JII (Jakarta Islamic Index), while the sample is PT. XL Axiata Tbk using Annual Report data for 2017-2022. In expressing ISR in this research, the Islamic Social Reporting (ISR) Index was used. According to Fitria and Hartanti (2010) the Islamic Social Reporting (ISR) index is grouped into six indicators with each indicator consisting of several items that will be disclosed, namely as follows:

Funding and Investment

- Usury
- Gharar
- Zakat
- Liability for late payment of receivables and write-off of bad debts
- Current Value Balance Sheet (CVBS)
- Value Added Statement (VAS)

Products and Services

- Environmentally friendly products
- Product halal status
- Quality and safety of a product
- Consumer complaints/non-fulfillment indicators in regulations and voluntary codes (if any)

Employee

- Nature of work
- Education and training/human resource development
- Equal opportunities
- Employee involvement
- Occupational health and safety
- Work environment
- Employees specifically for other groups (disabled, former convicts, former drug addicts)

Public

Environment

- Environmental conservation

- Wildlife that is threatened with extinction
- Environmental pollution
- Environmental education
- Environmental/process related products
- Environmental audit/independent/government verification statement
- Environmental management system/policy

Corporate governance

- Sharia compliance status
- Ownership structure (Number of Muslim shareholders and their share ownership)
- Board structure of Muslims vs non Muslims
- Prohibited activities (Monopoly practices, Hoarding of necessary goods, Price manipulation, Fraudulent business practices, Gambling)
- Anti-corruption policy

The value given to the content analysis which consists of 43 ISR Index items is not measured by the number of times the number of events for each item is disclosed in one annual period, but at least one disclosure of the ISR Index in whatever form has been disclosed, then the item is considered to have exists and is given a value (score) of 1. If the item is not found to be disclosed then the item will be given a value (score) of 0.

The data collection technique in this research is by collecting data from several literature such as scientific journals and other writings related to this research.

4. Results

Based on the ISR index measurement, research results were obtained regarding disclosures related to Islamic Social Reporting (ISR) at PT. XL Axiata Tbk as the research object is one of the companies registered with JII (Jakarta Islamic Index) by taking company Annual Report data for the 2017-2021 period. The following are the survey results from the ISR index measurements that have been obtained.

Tabel 1 Content Analysis Results of the Islamic Social Reporting Index on PT's Financial Reports. XL Axiata Tbk Listed on JII in the 2017-2021 Period

Kriteria ISR	2017	2018	2019	2020	2021	Count
A. Funding and Investment						
1	1	1	1	1	1	5
2	0	0	0	0	0	0
3	1	1	1	1	1	5
4	1	1	1	1	1	5
5	0	0	0	0	0	0
6	0	0	0	0	0	0
Total A						15
B. Products and Services						
7	1	1	1	1	1	5
8	0	0	0	0	0	0
9	1	1	1	1	1	5
10	1	1	1	1	1	5

Total B						15
C. Employee						
11	1	1	1	1	1	5
12	1	0	1	0	1	3
13	0	0	0	0	0	0
14	0	0	0	0	0	0
15	1	1	1	1	1	5
16	1	1	1	1	1	5
17	0	0	0	0	0	0
18	0	0	0	0	0	0
19	0	0	0	0	0	0
20	1	1	1	1	1	5
Total C						23
D. Public						
21	1	1	1	1	1	5
22	1	1	1	1	1	5
23	1	1	0	1	0	3
24	1	1	0	1	1	4
25	1	1	1	1	1	5
26	1	1	1	1	1	5
27	1	1	1	1	1	5
28	1	1	1	1	1	5
29	1	1	1	1	1	5
30	1	1	1	1	1	5
31	1	1	1	1	1	5
Total D						52
E. Environment						
32	1	1	1	1	1	5
33	0	0	0	0	0	0
34	1	1	1	1	1	5
35	1	1	1	1	1	5
36	1	1	1	1	1	5
37	1	0	0	0	1	2
38	1	1	1	1	1	5
Total E						27
F. Corporate governance						
39	0	0	0	0	0	0
40	0	0	0	0	0	0
41	0	0	0	0	0	0
42	1	1	1	1	1	5
43	1	1	1	1	1	5
Total F						10
Total						142

From the table of survey results of PT. XL Axiata Tbk is listed on the Jakarta Islamic Index (JII), by analyzing and revealing the ISR index for a period of 5 consecutive years, namely 2017-2021. Obtaining the ISR index results using predetermined criteria, it is known that the highest ISR criteria are the community, namely reaching a total ISR index of 52. In the community criteria, reporting related to Sadaqah/donations, Waqaf, Qardhassan, voluntary fees, education (school adoption schemes) is assessed. Scholarships), Graduate work, Young generation, Poverty, Child

care, Charity/gifts/social activities and Sponsoring public health/recreation projects/cultural events. After that, environmental criteria with environmental conservation assessment items, endangered wildlife, environmental pollution, environmental education, environmental products/related processes, environmental audits/independent/government verification statements, and environmental management systems/policies. On environmental criteria, the ISR survey results obtained were 27. Employee criteria with assessment items include nature of work (working hours, holidays, other benefits), education and training/human resource development, equal opportunities, employee involvement, occupational health and safety, Work environment, Employees specifically for other groups (disabled, ex-convicts, former drug addicts) the ISR index results obtained were 23

5. Discussion

In the criteria for funding/investment and products/services, the disclosure of the ISR index obtained is the same, namely 15. In the criteria for funding and investment, the items assessed or disclosed from the company's Annual Report are Riba, Gharar, Zakat (Method used, Amount of zakat, Recipient benefits), Liability for late payment of receivables and write-off of bad debts, Current Value Balance Sheet (CVBS) and Value Added Statement (VAS). Meanwhile, disclosure of items in product and service criteria is environmentally friendly products, halal status of products, quality and safety of a product and consumer complaints/indicators that are not met in regulations and voluntary codes (if any).

The ISR criteria surveyed that obtained the fewest results were corporate governance criteria with a score of 10 with item assessments namely Sharia compliance status, Ownership structure (Number of Muslim shareholders and their share ownership), Muslim vs non-Muslim board structure, Prohibited activities (Monopoly practices, Hoarding of necessary goods, Price manipulation, Fraudulent business practices and Gambling) and Anti-corruption policies. Disclosure of the ISR index has detailed and comprehensive items as well as indicators that contain broad meaning, so there needs to be limitations so that each indicator can be evaluated properly. Evaluating indicators in conducting an ISR index must be done well so as to pay attention to opportunities or gaps that the company may actually have carried out most of the ISR index, but just not disclosed it in the financial report (annual report). In fact, the more complete the ISR index that is disclosed, the greater the opportunity for companies, including companies listed on JII, to retain their investors and at the same time get new investors.

6. Conclusion

Survey results from the annual financial report at PT. XL Axiata Tbk from 2017-2021 which is listed on JII shows that the overall criteria for ISR disclosure include: Investment funding with a total score of 15, Products and services with a total score of 15, Employees with a total score of 23, Community with a total score of 52, Environment with a total score of 27 and corporate governance with a total score of 10, so the overall score for the six criteria is 142. It can be seen that the company does not fully implement the six items on ISR, so it can be said that the company is not good enough in meeting the ISR Index. Apart from that, there are limitations in this research, namely the lack of interpretation of several ISR items which makes it difficult to find the right words to explain the items required for ISR. Therefore, the researcher hopes that future researchers can avoid subjectivity.

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