AL-ARBAH: Journal of Islamic Finance and Banking
Vol. 5 No. 2 (2023), 209-238; DOI: 10.21580/al-arbah.2023.5.2.18068
E-ISSN: 2716-2575, P-ISSN: 2716-3946

The Influence Of Macroeconomics And Financial Risks On Islamic Corporate Social Responsibility Diclosure Through Earnings At Sharia Commercial Banks In Indonesia

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Abstract

Purpose - This study aims to analyze the effect of Macroeconomics and Financial Risk on Islamic Corporate Social Responsibility Disclosure (ICSRD) through Earning in Islamic Commercial Banks in Indonesia.

Method - This study uses a quantitative method using secondary data in the form of financial risk data, earnings and ICSRD from annual financial reports at Islamic Commercial Banks and published macroeconomic data at the Central Bureau of Statistics from 2017 -2021. The analytical method used is SEM analysis using the SmartPLS 2.0 analysis tool.

Result - The results showed that macroeconomics had a significant effect on ICSRD but did not have a significant effect on earnings. Financial risk has a significant effect on ICSRD but does not have a significant effect on earnings. Earning has no significant effect on ICSRD. Earning is not able to mediate Macroeconomics on ICSRD but is able to mediate financial risks on Islamic Corporate Social Responsibility Disclosure (ICSRD) at Islamic Commercial Banks.

Implication - This research utilizes data from Islamic commercial banks in Indonesia and the Central Statistics Agency for the years 2017-2021.

Originality - This research discusses the profits obtained by companies used for the disclosure of social responsibility of Islamic commercial banks in Indonesia to society, taking into account internal and external factors of the company, namely macroeconomics and financial risk.

Keywords: Macroeconomics, Financial Risk, Islamic Corporate Social Responsibility Disclosure (ICSRD), Earnings.

Introduction

Sharia Banks play a crucial role as enablers in the various economic endeavors within the halal industry ecosystem. Over the past three decades, the Sharia banking sector in Indonesia has seen substantial expansion and progress. The enthusiasm for acceleration can be seen from the number of Sharia Banks involved in corporate actions. The main role of sharia banking is to uphold the principles of justice, prosperity and economic equality. In Islamic banking, the principle of profit sharing is emphasized more than the principle of interest, this aims to ensure justice for society and avoid applying the principle of interest which can be burdensome to one party, namely the customer. But on the other hand, companies also need profits to maintain their existence in the future.

As per Khariry and Yusniar's (2016) perspective, it is essential for companies to possess the capacity to expand their size. Consequently, Islamic banking should demonstrate a robust commitment to corporate social responsibility in order to enhance the company's worth. Additionally, the company's capability to meet both short-term and long-term financial commitments is of paramount importance. This, in turn, will bolster customer confidence in the company.

ICSRD activities are typically made public through annual reports that serve a twofold purpose. Firstly, they serve as a means to convey information regarding the company's endeavors in relation to its societal and environmental impacts. Additionally, these disclosures play a pivotal role in reporting economic, social, and environmental concerns to parties with a vested interest in the company. The overarching objective is to foster and sustain positive relationships between the company and its stakeholders, ultimately ensuring confidence in the company's long-term viability (Oktavila and Erinos, 2019). This, in turn, can be a contributing factor to the fluctuations in the company's financial performance (Bramantyo, 2006).

Islamic banking, as a corporate entity, is obligated to adhere to Islamic Corporate Social Responsibility Disclosure (ICSRD). In Indonesia, the

regulations pertaining to Corporate Social Responsibility are delineated in Company Law no. 40 of 2007, specifically in article 74 paragraph 1, and Law no. 25 of 2007 concerning Capital Investment. Article 66 paragraph (2) section c underscores that, in addition to financial reporting, companies are also mandated to provide information about their execution of social and environmental responsibilities. Article 74 further elucidates the responsibilities of companies in fulfilling their social and environmental obligations, particularly those connected to natural resources. Within Investment Law no. 25 of 2007, stipulations can be found in Article 15 section b, Article 17, and Article 34, all of which compel every investment to engage in corporate social responsibility activities. Given the burgeoning number of Sharia-compliant enterprises, the avenue for conveying the social responsibilities of Islamic entities is through Islamic Corporate Social Responsibility Disclosure (ICSRD). ICSRD is a contribution obligation that must be fulfilled by sharia companies in order to fulfill their social responsibilities.

In addition to banking corporate governance, the disclosure of Islamic Corporate Social Responsibility (ICSRD) is influenced by various factors, including performance elements and the financial structures of banks. The financial performance situation prompts stakeholders to assess the financial health of the bank. Among those stakeholders, investors stand out as a group that particularly needs to comprehend the bank's performance, as the more efficient the bank's operations, the greater the level of assurance for their invested funds.

However, it's important to note that risk and financial institutions are intertwined aspects. The existence of Sharia financial institutions cannot be achieved without the willingness to confront risks. In the banking sphere, financial risk is intricately linked to a bank's earnings and capital. These financial risks have the potential to result in company losses. It's a given that all businesses inherently carry risks, and as such, controlling and mitigating these risks is vital and can be accomplished through a structured risk management process. In management terminology, risk pertains to uncertainties that may

lead to potential asset losses, encompassing risks related to debt, profit erosion, and their overall impact on economic stability.

Companies must generate earnings, which is a crucial factor directly linked to their sustainability. Higher profits in a company are associated with the expectation of increased Islamic Corporate Social Responsibility Disclosure (ICSRD) by the management. As Reeve et al. (2010) have pointed out, earnings serve as a significant indicator that contributes to a company's revenue, delineating the levels of profit and consequently supporting the company's continuity. This perspective is further corroborated by Fabozzi (1999), who highlights earnings as an essential yardstick for gauging a company's profits among several measurement tools necessary for evaluating shares in the financial landscape. This is especially relevant for banks, as they are inherently exposed to elevated risks, particularly internal financial risks that directly impact a bank's income and capital. These financial risks possess the potential to result in losses for the company. It's a universal truth that all businesses entail inherent risks, underscoring the importance of risk management processes for their control and mitigation. Apart from internal risks, there are also external risks originating from macroeconomic factors that have a broad influence or involve a larger area. This involves aspects such as overall consumer behavior, comprehensive activities of entrepreneurs, as well as sustainable movements in economic activity (Nursalam, 2019).

Literature Review

Financial management

Financial management is an activity carried out by a company to gain profits for the company and manage the finances of the company in accordance with predetermined financial goals. Sudana (2011: 1) reveals that company financial management is part of company management that focuses on making decisions regarding long-term investments and managing company financial resources, including in terms of funding and short-term investments.

Agency Theory

Agency theory is a concept that describes the interaction between agents and principals. In the view of Wartyna and Apriwenni (2018), the essence of the agency concept is the dissociation between ownership (principal/investor) and control (agent/manager). Agency relationships are agreements between one or more individuals who employ other people to provide services, and then give decision-making power to these agents (Kayleen & Harindayani, 2019).

The separation of ownership and control in a company is one of the factors driving the emergence of conflicts of interest known as agency theory. This conflict of interest occurs when parties with different goals and interests clash with each other, which in turn can hamper and hinder the company's efforts to achieve positive performance, which will ultimately produce value for the company itself and also for its shareholders (Putra, 2012).

Signaling Theory

Signal theory describes how companies should provide signals to recipients of financial reports. This signal acts as information regarding the steps taken by management to realize the owner's goals. These signals can be in the form of promotions or other information that indicates that the company has performed better than its competitors. Profits are a signal that managers pass on to the market. If managers believe that the company's future is promising, they want to convey this message to investors, where investors are expected to take the signal and assess the company with a more positive assessment.

Macroeconomics

According to Muana Nanga, macroeconomics is an economic discipline that studies overall economic behavior or aggregate economic activity as a whole. This involves analyzing the factors that influence the overall performance of the economy or aggregated economic activity (Nanga, 2001:1). A sluggish macroeconomic situation can be recognized through symptoms of

rising inflation, high interest rates and weakening of the domestic currency exchange rate. Conditions like this have the potential to degrade the company's fundamentals, especially in terms of profitability. Fluctuations in inflation, interest rates and currency exchange rates can influence investment flows in the real sector, and their impact will influence stock price movements. Explanation of the 3 macro fundamental measurements.

Inflation

Inflation is one of the macroeconomic factors that always attracts the attention of economic policy makers. A low and stable inflation rate is an important condition for sustainable economic growth, which in turn contributes to people's welfare. The interest in regulating inflation is based on the understanding that high and unstable inflation has a negative impact on the social and economic conditions of society.

Bank Indonesia revealed that one of the common measures used to measure the rate of inflation is the Consumer Price Index (CPI). Changes in the CPI over time describe fluctuations in the prices of a collection of goods and services consumed by the public. The process of determining which goods and services are included in the CPI basket is based on data from the Cost of Living Survey (SBH) conducted by the Central Bureau of Statistics. Calculating the CPI inflation rate can be done using the following calculations:

$$\text{Infllation} = \frac{\text{IHK}_\text{n} - \text{IHK}_0}{\text{IHK}_0}$$

Explanation:

CPIn: Consumer Price Index for the current period

CPI0: Consumer Price Index last period

Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is a measure used by a country as the main indicator for its national economic activities, but in essence GDP calculates the total production of a geographical region (country). Apart from that, GDP also functions to assess the market value of final products and services produced

by resources in a country during a certain period, usually one year. GDP is also useful for analyzing economic changes over time or for comparing several economies at a particular point in time.

Sutrisno (2003) explains that Gross Domestic Product (GDP) is the value of goods and services produced within a country, using production resources owned by citizens or domestic companies. GDP only includes final products, namely goods and services purchased by final consumers. Goods and services purchased for reprocessing and resale (so-called intermediary goods and services) are not included in GDP to prevent the problem of double counting, where a product is counted more than once.

Exchange Rate

According to Mahyus Ekanada (2014: 168), the exchange rate describes the value of a currency in relation to the currency of another country. T. Gilarso (2017) revealed that the exchange rate in the context of financial management is defined as the rate at which currency can be exchanged for other currencies. In the early days of society, exchange value may have been determined by productivity or the amount of human labor required to produce a good or service. Currency exchange rates play a crucial role in economic decision making, as they facilitate the conversion of prices from various countries into one uniform language.

Financial Risk

Financial risk (financial risk) is the possibility of purchasing a product which will not provide value for the money used. Financial risk is the company's inability to meet its cash obligations when they fall due. In the sense that the company is experiencing financial difficulties or is called financial distress. Financial distress occurs when the company is unable to follow payment schedules or when cash flow forecasts indicate that the company will soon find it difficult to meet its obligations (Syamsul Riyadi, 2018:75).

Debt to Asset Ratio (DAR)

Debt to Asset Ratio (DAR) used to assess the comparison between the total amount of debt with the total value of assets. In other words, the extent to which the company's assets are funded by debt or the extent of the impact of debt on asset management. According to Lukman Syamsuddin (2009: 54), this ratio measures how many assets are financed by the lender. The higher the debt ratio, the greater the amount of loan capital used in an effort to generate profits for the company.

$$\text{DAR} = \frac{\text{Total Debt}}{\text{Total Assets}} \times 100$$

Debt to Equity Ratio (DER)

According to Kasmir (2010: 156), Debt to Equity Ratio (DER) is a ratio used to evaluate the comparison between the amount of debt and equity. This ratio is calculated by comparing total short-term debt to total equity. The calculation of this ratio is:

$$\text{DER} = \frac{\text{Total Debt}}{\text{Equity}} \times 100\%$$

Islamic Corporate Social Responsibility Disclosure (ICSRD)

Islamic Corporate Social Responsibility Disclosure (ICSRD) is an idea regarding the disclosure of corporate social responsibility from an Islamic perspective, which developed from the concept of conventional social responsibility disclosure. Islamic principles have long had a framework for charity or philanthropy, which is substantially in line with the concept of philanthropy in the conventional approach. This can be seen from the teaching of giving zakat, loans to people in need without expecting anything in return (Sidik and Reskino, 2016). (Gustani, 2017) states that Islamic Corporate Social Responsibility Disclosure is the company's social responsibility towards all its stakeholders based on Islamic values.

This index is a tool to measure the level of social disclosure presented by companies in their annual reports. Islamic Corporate Social Responsibility Disclosure is a form of corporate social responsibility disclosure as measured

by the ISR (Social Reporting Index) which contains corporate social responsibility items determined according to the contents of the AAOI (Accounting and Organization for Islamic Financial Institutions).

The Islamic Reporting Standard was first put forward by Haniffa and Roszaini, namely by analyzing the contents of financial statements in Islamic banks and then placing a checklist on the compilation of items disclosed. For this reason, each ICSRD disclosure has an index that is given a value of 1 if the company complies, and a value of 0 if the company does not comply. The formula for ICSRD disclosure is as follows:

$$\text{Index} = \frac{\text{The number of items revealed}}{\text{The expected number of items}} \text{x } 100\%$$

Earnings

As per Bank Indonesia Circular Letter Number 13/24/DPNP/2011, the assessment of factors related to profitability encompasses the examination of profitability performance, the origins of profitability, the enduring nature of profitability, and the management of profitability. Earnings constitute a facet employed to gauge a bank's capacity to generate profits or income. Profitability, in essence, involves evaluating the relationship between profits and the assets or capital responsible for generating these profits. In simpler terms, profitability denotes the capability to fund operational activities using the entirety of a company's capital, with the objective of yielding profits over a specific timeframe (Sutrisno, 2003).

Return On Assets (ROA)

In accordance with the Financial Services Authority Circular Number 14/SEOJK.03/2017, the calculation of Return on Assets (ROA) is carried out using the formula:

$$\text{ROA} = \frac{\text{Profit Before Tax}}{\text{Total Assets}} \text{x } 100\%$$

Return On Equity (ROE)

ROE shows the extent to which a company manages its own capital effectively, measuring the level of profit from investments made by the owners

of their own capital or company shareholders. The larger this ratio the better. Sugiono (2009:81). ROE calculation uses the formula:

$$ROE = \frac{\text{Net Profit}}{\text{Equity}} x\ 100\%$$

Net Profit Margin (NPM)

Net profit Margin is a measure of profit by comparing profit after interest and tax compared to sales (Kasmir, 2009:200). NPM calculation uses the formula:

$$NPM = \frac{\text{Net Profit}}{\text{Net Income}} x\ 100\%$$

BOPO

BOPO is the ratio of operational costs to operational income. BOPO calculation uses the formula:

$$BOPO = \frac{\text{Total Operational Expenses}}{\text{Total Operating Income}} x\ 100\%$$

Hypothesis

H_1 : Macroeconomics has a significant effect on Islamic Corporate Social Responsibility Disclosure (ICSRD).

H_2 : Macroeconomics has a significant effect on earnings.

H_3 : Financial risk significant influence on Islam Corporate Social Responsibility Disclosure (ICSRD).

H_4 : Financial risk has a significant effect on earnings .

H_5 : Capital has a significant influence on Islamic Corporate Social Responsibility Disclosure (ICSRD).

H_6 : Earning mediates the macroeconomics of Islam Corporate Social Responsibility Disclosure (ICSRD).

H_7 : Earning mediates financial risk to Islamic Corporate Social Responsibility Disclosure (ICSRD).

Methods

Research design

This study employs a quantitative research approach, which is a method used to manage data with the objective of describing a company's condition, followed by an analysis based on the available data. The rationale behind opting for this research method is the researcher's interest in determining the extent of the impact of macroeconomics and financial risk on Islamic Corporate Social Responsibility Disclosure (ICSRD) through earnings within Islamic banking institutions in Indonesia. The research comprises three variables: the exogenous variables (X1), which include macroeconomics, (X2), which encompass financial risk, and the endogenous variable (Y), denoting Islamic Corporate Social Responsibility Disclosure (ICSRD), along with the intervening variable (Z), signifying earnings.

Population

According to (Sugiyono, 2016: 80), population refers to a general domain consisting of objects or subjects with certain qualities and characteristics that have been determined by researchers to be investigated and conclusions drawn from the research results. Population is not limited to individuals and natural objects only. Population also includes all the characteristics or traits possessed by the object or subject being studied. In the context of this research, the population refers to 13 Sharia Commercial Banks in Indonesia.

Sample

In this research, the sampling method applied was the Saturated Sampling technique, which involves including every member of the population as part of the sample. This approach is akin to a census, where all population members are selected as samples, as described by Sugiyono (2017:85).

Following the aforementioned sampling technique, this study encompassed a total of 13 Sharia Commercial Banks operating in Indonesia. The research spanned a duration of 5 years, spanning from 2017 to 2021.

Therefore, in this investigation, the sample size was determined by multiplying 5 years by the 13 Sharia Commercial Banks, resulting in a total of 65 respondents.

Data Analysis Technique

The data analysis method used in this research is an quantitative quantitative analysis method by using analysis tools Static and Structural Equation Model SEMPLS (Structural Equation Model Partial Least Square).

Measurement Model or Outer Model

Convergent validity the measurement model with reflective indicators is evaluated based on the correlation between item scores/component scores and construct scores calculated using the PLS (Partial Least Squares) method. The appropriate level of reflection is categorized as high if the correlation exceeds 0.70 with the construct being measured. However, in the initial stages of developing the measurement scale, a loading value of 0.5 to 0.60 was considered sufficient (Chin as quoted by Gangga, 2017). For discriminant validity in the measurement model with reflective indicators, the evaluation is viewed from the cross-loading of the measurement with the construct. If the correlation between the construct and the measurement item is higher than the correlation with other constructs, then this indicates that the latent construct is better at predicting the dimensions in that block compared to other blocks.

An alternative technique for assessing discriminant validity involves comparing the square root of the Average Variance Extracted (AVE) for each construct with the correlations between other constructs within the model. If the square root of AVE surpasses the correlation between the constructs, it is deduced that the construct exhibits robust discriminant validity. This method is employed to appraise the reliability of the component scores of latent variables and tends to yield more cautious outcomes compared to composite reliability. It is advisable that the AVE value exceeds 0.50, as recommended by Fornell and Larcker (1981, as cited in Ghozali, 2016).

Composite reliability, which assesses the reliability of a construct, can be gauged through two distinct measures, namely internal consistency and Cronbach's Alpha (Ghozali, 2016).

Structural Model or Inner Model

Inner models, which encompass inner relationships, structural models, and substantive theory, elucidate the connections between latent variables predicated on substantive theory. The appraisal of the structural model involves the utilization of various metrics, including R-Square for the dependent construct, the Stone-Geisser Q-Square test for predictive relevance, and t-tests along with the significance assessment of the structural path parameter coefficients. When evaluating the model using Partial Least Squares (PLS), the process commences by examining the R-Square values for each dependent latent variable, and the interpretation aligns with that of regression analysis.

Results and Discussion

Description of Research Results

The description of research results is a series of writing techniques created to compile and display existing summaries so that later it can make it easier for readers to understand and at the same time understand the substance and meaning of the research reports made.

Analysis of Research Data Descriptions

In this research, the Structural Equation Model (SEM) methodology is employed, employing the Partial Least Squares (PLS) analysis approach to evaluate the previously posited hypotheses. The PLS analysis was conducted utilizing SmartPLS software version 2.0 designed for Windows operating systems.

Evaluation of Measurement Model

Within the outer model, an assessment of the validity and reliability of the PLS indicators is conducted. Indicator validity comprises both convergent validity and discriminant validity, while the reliability aspect is examined through composite reliability.

Convergment Validity

Convergent validity of a measurement model with reflective indicators can be assessed through the relationship between indicator scores and construct scores. Individual indicators are considered to have good reliability if their correlation exceeds 0.70. However, in the research scale development stage, a loading value of 0.50 to 0.60 is still acceptable (Ghozali, 61:2014).

Table 1. Outer Model (Outer Loading)

Variable	Indicator	Loading Factor	Information
Macro Economy (X1)	Inflation (X1.1)	0.948	Valid
	GDP (X1.2)	0.543	Invalid
	Exchange Rate (X1.3)	0.948	Valid
Financial Risk (X2)	DAR (X2.1)	0.992	Valid
	DER(X2.2)	0.880	Valid
Earnings (Z1)	ROE (Z1.1)	-0.458	Invalid
	ROA (Z1.2)	0.759	Valid
	NPM (Z1.3)	0.755	Valid
	BOPO (Z1.4)	-0.440	Invalid
ICSRD (Y1)	ICSRIj (Y1.1)	1,000	Valid

Table 2. Outer Model Outer Final Loading

Variable	Indicator	Loading Factor	Information
Macro Economy (X1)	Inflation (X1.1)	0.984	Valid
	Exchange Rate (X1.3)	0.991	Valid
Financial Risk (X2)	DAR (X2.1)	0.957	Valid
	DER (X2.2)	0.872	Valid
Earnings (Z1)	ROA (Z1.2)	0.822	Valid
	NPM (Z1.3)	0.810	Valid
ICSRD (Y1)	ICSRIj (Y1.1)	1,000	Valid

The loading factor value in the initial model has met convergence validity because all indicators in the variables have a loading factor of more than 0.5, so the model can be accepted without needing to be modified. The following are the results of convergence validity analysis using SmartPLS.

From table 2, it can be concluded that several proxies still have an outer loading factor of less than 0.5. Therefore, the outer loading factor value is considered inadequate to be an indicator that can describe the appropriate variable. So, this indicator must be removed from the model. There are several indicators issued for each variable that do not match. Namely the GDP indicator on macroeconomic variables and the ROE and BOPO indicators on the Earnings variable.

From Table 2, it can be seen that the loading factor value for each indicator in the variables used exceeds 0.5. This indicates that the indicators selected in this research have met the criteria for convergent validity and each indicator has a valid correlation. Therefore, all indicators are reliable and used for further analysis.

Discriminant Validity

Discriminant validity is measured through a comparison between square roots Average Variance Extracted (AVE) on each construct with correlation between other constructs in the model. The AVE value must exceed 0.50 or have a p-value less than the 5% significance level (Ghozali, 65:2014). Discriminant validity is used to ensure that each concept in the model has a clear difference from other variables. The results of discriminant validity measurements in this research can be found in the table 3.

Derived from the outcomes presented in the Average Variance Extracted (AVE) table, every variable demonstrates discriminant validity scores surpassing 0.50. Consequently, it can be deduced that all the variables exhibit strong validity and reliability. Having established the validity of the variables, the subsequent stage involves subjecting all the variables utilized in this study to reliability assessments.

Table 3. AVE

Variable	AVE	Information
Macroeconomics (X1)	0.677	Valid
Financial Risk (X2)	1,000	Valid
Earnings (Z1)	0.567	Valid
ICSRD (Y1)	1,000	Valid

Table 4. Composite Reliability measurement results

Variable	Composite Reliability	Information
Macroeconomics (X1)	0.859	Valid
Financial Risk (X2)	1,000	Valid
Earnings (Z1)	0.721	Valid
ICSRD (Y1)	1,000	Valid

Composite Reliability

Reliability evaluation is essential for gauging the durability and consistency of instruments utilized in quantifying a concept or variable. The reliability criteria can also be derived from the reliability score of a construct. A construct is deemed reliable when the composite reliability value surpasses 0.70, as outlined by Ghozali (2014:65). The results of composite reliability measurements can be seen in the table 4.

From this table, it can be seen that all variables show a composite reliability value that exceeds 0.70. Based on these results, it can be concluded that all variables in the study have good reliability and can be relied upon to be used in further analysis.

Structural Model Evaluation

Testing of the inner model or structural model is carried out to evaluate the relationship between variables as a whole within the framework of this research. Testing the inner model aims to understand the influence between the resulting variables, as well as how the level of influence of the overall relationship of variables in the structure that has been built.

Inner model test is carried out to analyze the Coefficient of Determination (R2) and Predictive Relevance (Q2) in a study. *R Square* (R2), also known as

the coefficient of determination, is used to measure the extent of the model (goodness of fit) of the regression equation, namely the extent to which the total variability in the dependent variable is explained by the independent variables. The range of R 2 values is between 0 and 1, with closer to 1 indicating better model fit. The table above presents these values (adapted from Imam Ghozali, 2005).

theR2 value, the model can be classified as strong (≥ 0.70), moderate (≥ 0.45), and weak (≥ 0.25). The following are the results of the R 2.

Based on Table R2, it can be seen that the R 2 value is 0.290 for the Earning variable, which means that Macroeconomics and Financial Risk is able to explain the Earning variable by 29% and the R2value is 0.170 for the ICSRD variable, which means that Macroeconomics and Financial Risk are able to explains the ICSRD variable by 17%

Proof of Hypothesis

The determination of the path coefficient between constructs necessitates a statistically significant value. To evaluate the significance of this relationship, Bootstrapping or Jacknifing methods are employed. In this process, a t-count value is computed and subsequently compared to the t-table value. If the t-count value exceeds the t-table value (1.96) at a 5% significance level, it indicates that the estimated path coefficient holds statistical significance.

The table 6 is the result of bootstrapping results which will be used in analyzing the influence of each hypothesis from this research.

Table 5. R Square (R2) measurement results

Variable	R-Square Value
Macroeconomics (X1)	0.000
Financial Risk (X2)	0.000
Earnings (Z1)	0.290
ICSRD (Y1)	0.170

Table 6. Results of the Structural Model (Inner Model) with the Bootstapping procedure

	Hypothesis	Influence Coefficient	T - Statistics	Information
H1	Macro Economics -> Islamic Corporate Social Responsibility Disclosure	0.197877	5.362480	Significant
H2	Macroeconomics -> Earnings	0.007705	0.304900	Not significant
H3	Financial Risk -> Islamic Corporate Social Responsibility Disclosure	-0.404068	1.985779	Significant
H4	Financial Risk -> Earning	0.024562	0.564912	Not significant
H5	Earning -> Islamic Corporate Social Responsibility Disclosure	0.015115	0.196520	Not significant
H6	Macro Economy-> Earning -> ICSRD	-0.010174	0.223671	Not significant
H7	Financial Risk-> Earnings -> ICSRD	0.080371	2.052182	Significant

H1: Macroeconomics has a significant influence on Islamic Corporate Social Responsibility Disclosure (ICSRD)

Based on the test results in table 6, the influence of macroeconomics on Islamic Corporate Social Responsibility Disclosure shows results with a positive coefficient value of 0.197877 and a t-statistic of 5.362480 > (1.96) , then hypothesis 1 (H1) is accepted. This can be interpreted that the influence of macroeconomics on Islamic Corporate Social Responsibility Disclosure is proven to be significant with the support of positive or unidirectional influences.

In terms of theory, macroeconomics encompasses the study of all economic activities on a broad scale, taking into account various aspects. When focusing on producers, it involves analyzing their activities within the entire economy. In contrast, ICSRDis an indicator that gauges the extent of disclosure

related to Islamic corporate social responsibility. ICSRDis defined as the concept of social responsibility that entails a company's obligations to both society and Allah Subhanahuwata'ala. Consequently, it is expected that Islamic banks, in their social responsibility reporting, provide a comprehensive and elevated depiction of their ICSR level through annual reports.

By considering the analytical and theoretical outcomes, it becomes apparent that macroeconomic policies serve as a framework for economic growth, with ICSRD playing a substantial role in preserving the economy's social and developmental functions. Thus, the presence of macroeconomic policies becomes a guiding principle in the execution of ICSRD.

This perspective is further substantiated by the research conducted by Ade Fitri Khoerunisa (2019), which underscores the existence of a connection between macroeconomics and Islamic Corporate Social Responsibility Disclosure (ICSRD).

H2: Macroeconomics has no significant influence on earnings

Based on the test results in table 6, the influence of macroeconomics on earnings shows results in a positive coefficient value of 0.007705 and a t-statistic of 0.304900 < (1.96) , so hypothesis 2 (H2) is not accepted. This can be interpreted as meaning that the influence of macroeconomics on earnings has proven to be insignificant with the support of a positive or unidirectional influence.

In theory, macroeconomics serves as a framework for enhancing economic policies. It should be viewed not as a tool or economic doctrine but as a valuable approach for generating ideas on how to enhance economic conditions. Conversely, earnings evaluation entails assessing income performance, sources of profitability, the sustainability of income, and income management. Earnings represent a metric used to gauge a bank's capacity to generate profits, with higher profitability levels indicating greater operational efficiency.

Based on the analysis and theoretical findings, it can be inferred that macroeconomics is concerned with advancing a nation's economic well-being,

while earnings reflect a company's financial performance and are vital for its survival. Consequently, in this context, the term "insignificant" implies that it is a factor in determining policy patterns within a company rather than the primary determinant in the operational activities of Islamic banking.

This perspective contrasts with the research conducted by Oktoviana Banda Saputri (2021). The research results indicate a correlation between macroeconomics and profitability or earnings. Although Islamic banking's macroeconomic performance in the economic sector may not be on par with commercial banks, the observed influence is still quite noteworthy.

H3: Financial Risk Significant Influence Regarding Islamic Corporate Social Responsibility Disclosure (ICSRD)

Based on *results* test in table 6, the effect of financial risk on Islamic Corporate Social Responsibility Disclosure shows results at a negative coefficient value of -0.404068 and the t-statistic is 1.985779 > (1.96) , then hypothesis 3 (H3) is accepted. This can be interpreted that the effect of financial risk on Islamic Corporate Social Responsibility Disclosure is proven to be significant with the support of a negative or opposite direction of influence.

Financial risk encompasses all decisions pertaining to financial matters that carry the potential for causing financial losses. It is closely intertwined with financial issues, including its impact on the balance sheet, contractual agreements, the accuracy of debt payments, company liquidity risks, and factors that constrain financial flexibility. The management and mitigation of these risks are collectively known as risk management. Risk management not only entails identifying risks but also systematically, consistently, and comprehensively analyzing potential responses to yield achievable benefits.

Islamic Corporate Social Responsibility Disclosure (ICSRD) represents a manifestation of corporate social responsibility (CSR) in an Islamic context, characterized by three core facets of responsibility. These responsibilities extend first to Allah SWT, second to fellow humans, especially employees, and third to the surrounding environment. These three forms of responsibility are

interlinked and inseparable in the implementation of ICSRD. Thus, the effectiveness of a company's risk management practices can be indicative of the company's financial stability, enabling it to fulfill its corporate social responsibility commitments to the community.

This perspective aligns with research conducted by Johan Arifin and Eke Ayu Wardani in 2016. Their research findings affirm a significant correlation between Financial Risk and Islamic Corporate Social Responsibility Disclosure (ICSRD).

H4: Financial Risk Has No Significant Effect on Earning

Based on the test results in table 6, the influence of financial risk on earnings shows a positive coefficient value of 0.024562 and a t-statistic of 0.564912 < (1.96) , so hypothesis 10 (H10) is not accepted. This can be interpreted as meaning that the influence of financial risk on earnings has proven to be insignificant with the support of a positive or unidirectional influence.

Risk is intricately linked to various financial facets, including the consequences of transactions on the balance sheet, obligations within work contracts, the maturity of debt payments, the risk of company liquidity, and other factors that diminish financial flexibility. The process of recognizing these risks is commonly referred to as risk management. Risk management entails systematically, consistently, and comprehensively analyzing potential responses to these risks to achieve the anticipated benefits. Additionally, earnings serve as an assessment of profitability performance, sources of profitability, the sustainability of profitability, and profitability management. Profitability is utilized as a gauge of a bank's ability to generate profits or returns, with higher profitability indicating greater operational efficiency.

Throughout the Covid-19 pandemic, Islamic banking confronted a range of potential risks, including non-performing financing (NPF) risk, market risk, and liquidity risk. Consequently, these risks ultimately impact the performance and earnings of Sharia banking institutions. In this context, there exists an

imbalance between the total debt and total company assets, a situation largely precipitated by the Covid-19 pandemic.

This perspective differs from the research conducted by Syamsuddin and Mufidah in 2021. Their research findings indicate that there is a relationship between financial risk and earnings. Specifically, lower levels of risk within a bank correspond to higher earnings.

H5: Earning Has No Significant Effect on Islamic Corporate Social Responsibility Disclosure (ICSRD)

Based on the test results in table 6, the effect of earning on Islamic Corporate Social Responsibility disclosure shows results at a positive coefficient value of 0.015115 and the t-statistic is 0.196520 < (1.96) , then hypothesis 5 (H5) is not accepted. This can be interpreted that the effect of earning on Islamic Corporate Social Responsibility Disclosure is proven to be insignificant with the support of positive or unidirectional influence.

In theory, earnings encompass an assessment of performance in terms of profitability, the sources of profitability, the sustainability of profitability, and how profitability is managed. Earnings serve as a metric to gauge a bank's capacity to generate profits. Based on the analytical and theoretical findings, it can be inferred that earnings represent an indicator of profit generation, while Islamic Corporate Social Responsibility Disclosure (ICSRD) represents an outcome in the fulfillment of social obligations. Consequently, it may not be meaningful to discuss the management aspect of ICSRD implementation in connection with earnings, suggesting that earnings may not significantly contribute to this matter.

Furthermore, during the Covid-19 pandemic, restrictions imposed by the government limited community activities in an effort to curb the spread of the virus. This situation presented several potential risks to Islamic banking, including non-performing financing (NPF) risk, market risk, and liquidity risk. Consequently, these risks are likely to impact the performance and profitability of Islamic banking, potentially affecting the implementation of Islamic Corporate Social Responsibility Disclosure (ICSRD).

This perspective contrasts with the findings presented by Rizki Kurnia Divine in 2021, as his research indicates a relationship between earnings and Islamic Corporate Social Responsibility Disclosure (ICSRD). According to his findings, higher profitability or earnings can facilitate a company's ability to engage in social responsibility initiatives.

H6 : Earning Not Able to Mediate Macroeconomic Against Islamic Corporate Social Responsibility Disclosure (ICSRD)

Based on the test results in table 6, the influence of macroeconomics on Islamic Corporate Social Responsibility Disclosure (ICSDR) through earnings shows results in a negative coefficient value of -0.010174 and a t-statistic of 0.223671 < (1.96) , so hypothesis 6 (H6) is not accepted. This can be interpreted that influence macroeconomics on Islamic Corporate Social Responsibility Disclosure (ICSRD) through earnings is proven to be insignificant with the support of a negative or opposite direction of influence.

According to Wibisono (2007), Islamic Corporate Social Responsibility Disclosure (ICSRD) represents a commitment to enhancing the broader community's economic well-being in a sustainable manner. Therefore, ICSRD constitutes a form of responsibility aimed at providing positive and valuable contributions to stakeholders by companies. Furthermore, despite increases in inflation, Islamic banks have not experienced a significant decrease in earnings; in fact, the relationship between the macroeconomy and earnings appears to be non-positive. Instead, higher company earnings contribute to the improvement of the country's overall economy.

Brigham and Houston (2006) elaborate that earnings refer to the profits or net income a company generates. This concept is certainly linked to macroeconomics, which encompasses all economic activities, including a company's profitability. They also clarify that a higher level of earnings within a company correlates with improved economic conditions for that company. This serves as a positive indicator of macroeconomic stability within the country.

This viewpoint is further reinforced by research conducted by Rizki Kurnia Divine in 2021, which establishes a connection between earnings and Islamic Corporate Social Responsibility Disclosure (ICSRD). According to his findings, when a company achieves significant profitability or earnings, it facilitates the company's ability to engage in social responsibility initiatives.

H7: Earnings are able to mediate financial risks regarding Islamic Corporate Social Responsibility Disclosure (ICSRD)

Based on results testing in table 6, the influence of financial risk on Islamic Corporate Social Responsibility Disclosure (ICSRD) through earnings shows results in a positive coefficient value of 0.080371 and the t-statistic is 2.052182> (1.96) , then hypothesis 7 (H7) is accepted. This can be interpreted as meaning that the influence of financial risk on Islamic Corporate Social Responsibility Disclosure (ICSRD) through earnings has proven to be significant with the support of a positive or unidirectional influence.

According to Isra (2015), financial risk arises from uncertainty associated with potential losses in financial markets due to fluctuations in various financial factors. Conversely, Brinkman (2003) contends that companies can enhance their brand image, improve their standing with customers and suppliers, and attract and retain skilled employees by effectively communicating their social impacts, environmental contributions, and economic aspects. In the literature, there is confirmation that a commitment to Islamic Corporate Social Responsibility Disclosure (ICSRD) can ultimately lead to improvements in performance, including increased profitability, competitiveness, and better risk management.

Platt (2002) explains that financial distress is a risk condition representing a critical state of a company's finances. This state is commonly referred to as financial distress and characterizes a company's unstable or unhealthy financial condition, preventing it from meeting all its obligations. Therefore, as Nur Falah (2018) highlights, it's essential to proactively address potential risks, including assessing the risk of bankruptcy. Islamic banks must also comprehend the factors that can influence the likelihood of bankruptcy. This

understanding is crucial for taking preventative measures to mitigate potential risks. Consequently, to prepare for and respond to various risks that may arise, it is imperative to promptly evaluate and comprehend the bank's financial situation. An early warning system is employed to predict the possibility of financial distress, subsequently reducing the potential for bankruptcy risks. Such a system helps banks identify early signs of financial troubles, enabling proactive measures to prevent bankruptcy. In this regard, effective risk management within the company contributes to increased earnings, ultimately facilitating the company's ability to fulfill its social responsibilities.

This viewpoint aligns with research conducted by Rizki Kurnia Divine (2021), which indicates a relationship between earnings and Islamic Corporate Social Responsibility Disclosure (ICSRD). Higher profitability or earnings, as revealed by Divine's research, simplifies a company's capacity to engage in social responsibility activities. Additionally, as Syamsuddin and Mufidah (2021) reveal in their research, financial risk significantly influences earnings. Lower levels of risk in the banking sector correspond to higher earnings.

Conclusion

Based on the results of statistical tests and discussion, the conclusions in the research are as follows:

Macroeconomics has a significant influence on Islamic Corporate Social Responsibility Diclosure (ICSRD). Macroeconomics does not have a significant influence on earnings. Financial risk has a significant influence on Islamic Corporate Social Responsibility Diclosure (ICSRD). Financial risk has a significant influence on earnings. Earnings do not have a significant influence on Islamic Corporate Social Responsibility Diclosure (ICSRD). Earnings are unable to mediate macroeconomics and have a significant effect on Islamic Corporate Social Responsibility Diclosure (ICSRD). Earnings are able to mediate financial risk and have a significant effect on Islamic Corporate Social Responsibility Diclosure (ICSRD). in banking.

Even though there is no significant influence between macroeconomics and financial risk on several variables, However, having a stable economy will have an impact on all economic activities which are closely related to the economic performance of various factors that have control over society. Macroeconomics also has the characteristic that it covers a wider and more comprehensive area by observing things broadly. Apart from that, high financial risk will also affect the company's earnings so that this has an impact on maximum and efficient Islamic Corporate Social Responsibility Disclosure (ICSRD). Therefore, Islamic banks need to pay attention to factors that could impact the company's ICSRD disclosures in the future.

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