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The Mediation Role of Islamic Social Reporting in the Effect of Good Corporate Governance on Financial Sustainability: The Case of the Indonesia Islamic Bank

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Abstract:

Sustainable finance aims to increase the resilience and competitiveness of Financial Services Institutions to grow and develop sustainably. The development of the Islamic banking business in Indonesia in terms of income earned is still categorized as relatively small compared to conventional banking. Therefore, Islamic banking must improve the performance of its company to grow and develop so that it can compete with conventional banking. This study aims to examine the effect of Good Corporate Governance (GCG) on the Financial Sustainability Ratio (FSR), as well as examine the role of Islamic Social Reporting (ISR) at Indonesia Islamic Bank in influencing the relationship between Good Corporate Governance (GCG) and Financial Sustainability Ratio (FSR). The research method used is a quantitative approach with an analytical method using the Structural Equation Model Partial Least Square (SEM PLS). The subjects in this study were Indonesian Islamic Commercial Banks registered with the Financial Services Authority (OJK) in 2013 - 2019. The direct test results showed that GCG disclosure had a negative and insignificant effect on FSR, then GCG disclosure had a negative and insignificant impact on ISR. ISR disclosure has a positive and significant effect on FSR. The indirect test results show that ISR cannot mediate the relationship between GCG and FSR.

Introduction

The development of the Islamic banking business in Indonesia in terms of income earned is still relatively small compared to conventional banking. The total profit received by Islamic banking is Rp. 87 billion—inversely proportional to conventional banking, which reaches Rp. 92.645 billion (Husaeni & Jayengsari, 2020). The difference in income between Islamic banks and conventional banks is vast. Therefore, Islamic banking must improve the performance of its companies to grow and develop and compete with conventional banking. Assessment of the performance and growth of the bank can be measured using financial ratios. One of them is the sustainable ability ratio (Almilia et al., 2009). This ratio can determine the sustainability and growth rate of the bank in the long term (Almilia et al., 2009). One of the sustainability ratios, in this case, is the Financial Sustainability ratio. In other words, Financial Sustainability is necessary to determine the possibility of going concerned of a bank in the future, both conventional and Islamic banks (Wahyuni & Fakhruddin, 2014).

At the moment, the implementation of Good Corporate Governance (GCG) in the bank's management plays a crucial role. (Siswanti et al., 2017). It is due to good corporate governance that can help create an environment that is conducive to efficient and sustainable growth in all sectors of the company, one of which is the sustainability of the terms of finances (Siswanti et al., 2017). In Indonesia, regulations on good corporate governance designated for Islamic banks are listed in the Bank Indonesia Regulation (PBI) Number. 11/33/PBI/2009 and SE BI No.12/13/DPBS (www.bi.go.id). The rules state that the Good Governance Business Sharia (GGBS) is an element important in maintaining the sustainability of the growth of the business future that will come. Bank Indonesia expects the implementation of the management of the bank of Islam based on the principle - the principle of Good Governance Business Sharia (GGBS). Then this will encourage the establishment of financially sound Islamic banks (Firdaus, 2015).

So far, the measurement of Corporate Social Responsibility (CSR) disclosure in Islamic banking still refers to the Global Reporting Initiative Index (GRI) (Sunarsih & Ferdiansyah, 2016b; Sunarto, 2016). Whereas the measurement cannot describe the principles of Islam as a whole because it is unable to eliminate the elements of riba (interest), gharar (uncertainty), and transactions that are prohibited by Islamic law (Sunarsih & Ferdiansyah, 2016). Therefore, the need to disclose social performance in Islamic banking under Islamic principles must use the Islamic Social Reporting Index (ISR) (Sunarsih & Ferdiansyah, 2016). ISR is a benchmark for the performance of Islamic banking implementation, which contains a compilation of standard items set by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) (Haniffa, 2002; Othman et al., 2009; Sunarsih & Ferdiansyah, 2016). The ISR index is believed to be the first step in terms of disclosure standards for social responsibility based on Islamic principles.

The company as an economic entity, regardless of the form of industry, aims to generate optimal profits to increase shareholder wealth and also the company's financial performance, but that is not enough. Based on research by Sundari & Nofryanti (2019), its financial sustainability is not guaranteed if it only relies on high profits alone. Still, the company must also have a high commitment to carrying out Social Responsibility programs. In simple terms, the background of this research can be seen that the influence of GCG will improve the Financial Sustainability of Islamic Commercial Banks, and reporting of social responsibility in Islam will be able to maintain the existence and business continuity of Islamic commercial banks. Therefore, this research is still very feasible to be explored more deeply to obtain favourable results both for Islamic economic literature and for Islamic commercial banking financial institutions in Indonesia.

Literature Reviews

Stakeholder theory

Stakeholder theory says that the company is not an entity that only operates for its own sake but must also provide benefits to its stakeholders. Thus, the existence of a company is strongly influenced by the support provided by the company's stakeholders (Ghozali, 2013). The assumption of stakeholder theory is built on the statement that the company grows to be very large and causes the community to be significantly related and pay attention to the company. The company needs to show accountability and responsibility more broadly and not limited to shareholders.

Stakeholder theory is a theory that describes which parties the company is responsible for (Freeman & Reed, 1983). Companies must maintain relationships with their stakeholders by accommodating the wishes and needs of their stakeholders, especially stakeholders who have power over the availability of resources used for the company's operational activities (Ghozali & Ratmono, 2017). One of the strategies to maintain relationships with stakeholders and company shareholders is to disclose a Sustainability Report that informs about economic, social and environmental performance and all company stakeholders. With this disclosure, it is hoped that the company will be able to meet the information needs needed and manage stakeholders to get support from stakeholders that affect the company's survival.

Legitimacy Theory

The legitimacy theory stated that the legitimacy of an entity's business to operate in society is implicitly dependent on the social contract between entities of business and society (Faisal, 2012). Legitimacy theory is used to explain empirical findings, predict companies have a relationship in sustainability reports and seek critical corporate strategies through legitimacy (Shamil et al., 2014). Organizations in terms of these companies can be seen as desired by society (Iqbal et al., 2015). The theory also gives benefits or sources of power potential for the Company to survive life (Iqbal et al., 2015). The Company's management system is oriented towards taking sides with the community, government, individuals, and community groups (Iqbal et al., 2015). Companies can lose their license to operate in the community if they violate the norms and expectations of the community. The Company will undertake whatever it considers necessary to maintain its reputation as a legitimate company (Shamil et al., 2014). Practice sustainability report not only do companies as a strategy to bring in a profit or attempt to fulfil obligations alone but also as a form of consciousness imbued by the values of ethics and morality

Good Corporate Governance

According to Lee (2009), the concept of Corporate Governance can be defined as a series of mechanisms that direct and control an enterprise that runs its operations under the stakeholders' expectations. Good Corporate Governance can be defined as the structure, system, and process used by internal and external parties related to the company to continuously add value in the long term while still paying attention to other stakeholder interests based on regulation and prevailing norms. Good corporate governance is the level of achievement of a result of efforts that meet the requirements, indicate the company propriety and operational regularity under the concept of

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corporate governance (Olivia & Setiany, 2021). Measurement of Good Corporate Governance in this study uses Self-Assessment. It is measured by the composite value of the quality rating of the Bank's Corporate Governance Implementation, which is based on the circular letter of Bank Indonesia (BI) SEBI No. 9/12/DPNP. Here is a detailed explanation:

Table 1.
Composite Value Calculation

No	Rated aspect	Weight (A)	Rating (B)	Value (A)x(B)	Description*
1	Implementation of the duties and responsibilities of the Board of Commissioners	10%	0	0,000	
2	Implementation of the duties and responsibilities of the Board of Directors	20%	0	0,000	
3	Completeness and implementation of the Committee's duties	10%	0	0,000	
4	Implementation of the duties and responsibilities of the Sharia Supervisory Board	10%	0	0,000	
5	Implementation of sharia principles in fund-raising activities and distribution of funds and services	5%	0	0,000	
6	Handling conflicts of interest	5%	0	0,000	
7	Implementation of the Bank's compliance function	5%	0	0,000	
8	Implementation of the internal audit function	7,5%	0	0,000	
9	Implementation of the external audit function	7,5%	0	0,000	
10	Maximum Disbursement of Funds	15%	0	0,000	
11	Transparency of financial and non-financial conditions, GCG implementation reports and internal reporting	5%	0	0,000	
	Composite Value *: Filled with an explanation why the rater gave a rating as column (B)	100%			

(Source: Attachment of SEBI No.9/12/DPNP)

Financial sustainability Ratio (FSR)

The concept of Sustainability is a sustainable program, in terms of the ability to carry out programs to continue to carry out activities and services in achieving its goals and functions to become an ideal financial institution, having the ability to operate and participate in development (various aspects) for the community. According to Khandker et al. (1995:36), Sustainability in general means the ability of a program to continuously carry out activities and services in pursuit of its statutory objectives. For an ideal institution, this would mean the ability to continue operating as a development financial institution. Operating Self Sustainability (OSS) or operational Sustainability is the concept of operational independence that measures the percentage of operating income from operations and financial expenses, including allowance for loan losses and the like. If this ratio is more significant than 100 per cent, financial institutions can cover all costs through their operations and do not depend on contributions or subsidies from donors (Guntz 2011:27-28).

Income from bank deposits). Financial Sustainability consists of two components, namely expenses and income. Financial sustainability ratio in banking is the ability of an organization to compare all costs (financial costs, such as interest expense on loans, and operating costs, such as employee salaries, equipment, supplies) with money or income received from activities carried out (e.g., interest income and income). Financial Sustainability is good if the value is more excellent than 100%, meaning that the total income must be greater than the total costs incurred (Almilia et al., 2009). The amount of FSR is taken from the total financial income compared to the total financial expense on the income statement. Here is the formula*:*

$$\text{FSR} = \frac{\text{Total Financial Income}}{\text{Total Financial Expenses}} \times 100\%$$

Islamic Social Reporting (ISR)

Islamic Social Reporting Index (Index ISR) is one of the forms of framework reporting responsibilities social responsibility are considered attention to the spiritual (Haniffa, 2002). ISR is one of the forms of expansion of the reporting framework that contains the material, moral and social aspects and pays attention to the type of products and services that the company offers. Products and services are offered by companies that must meet the rules of Islam, for example, free from riba (Interest), gharar (Uncertainty), vague, and other illicit transactions. The elements contained within the ISR but not within the conventional reporting framework are zakat (Islamic alms), sadaqah (non-obligatory charity), waqf (Islamic endowment), and others who are regularly classified by each way of acquisition and distribution. Several things are essential in social reporting from an Islamic perspective, namely, understanding accountability, social justice, and social ownership (Maali et al., 2006; Nugroho et al., 2018). The third case is very closely related to the relationship of social among humans. Islam shows that the accountability of the ummah is influenced by the relationship between individuals, companies with Almighty Allah. Their concept of the oneness of God is asserted that in Islam (Akbar & Siti-Nabiha, 2021). All things must be accountable only to Almighty Allah, and everything that is done must be under the command of his. According to this concept, the creator of all things that only Allah alone, and all things come from Him. For the reason that a Muslim perform activities of social and make his report not to gain financially alone but for which is primary is to get the blessing of Almighty Allah. Research on Islamic CSR generally uses the Islamic Social Reporting model, developed based on the AAOIFI reporting standards, which each previous researcher later developed. In particular, the ISR index is an extension of social reporting where people expect a company to play a role in economic problems and play a role in a spiritual perspective (Haniffa, 2002). The ISR index also emphasises social justice related to reporting on the environment, minority rights, and employees.

$$\text{ISR} = \frac{\text{Number of points revealed}}{\text{Maximum score}} \times 100\%$$

Table. 2. Social Performance Disclosure Level Predicate

Predicate	Index Value (%)
Very Informative	81 s/d 100
Informative	66 s/d <81
Less Informative	51 s/d 66
Not Informative	0 s/d <51

(Source: Tjahjono (2005)

Research Model, Hypotheses, and Methodology

Good Corporate Governance affects Financial Sustainability.

The level of performance, soundness and quality of Islamic banks can be seen from the essential factors that significantly influence the smoothness, sustainability and success of Islamic banks for both short-term and long-term sustainability. Financial performance is a valuable source of information for investors. Corporate governance is also considered a variable that can affect a company's sustainability (Hashim et al., 2015). Based on Azis et al. (2017), good corporate governance with an extensive disclosure of the Sustainability Report was the size of the board of commissioners, audit committee, institutional share ownership, concentrated share ownership, managerial share ownership, company size as independent variables. The results showed that only managerial share ownership had a positive and significant effect on the disclosure of the Sustainability Report. The variable size of the board of commissioners, audit committee, institutional share ownership, concentrated share ownership, firm size does not affect the disclosure of the Sustainability Report. The implementation of Good Corporate Governance for Islamic Commercial Banks is not only intended to obtain bank management that follows the five basic principles

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and is based on sharia principles but is also intended for broader interests). These interests include maintaining the good name of Islamic banking and instilling public trust in Islamic commercial banks. So with this, it can automatically increase sustainability (Financial Sustainability).
H1: Good Corporate Governance has a positive effect on financial sustainability

Good Corporate Governance affects Islamic Social Reporting (ISR)

The banking industry is one of those industries that are required to carry out CSR. Corporate governance is one of the focuses of attention in Islamic banking because Islamic banks play an essential role in disclosing social responsibility. The management of Islamic banking should give even the existence of good corporate governance practices more attention to maintain public trust and expectations. In Khoirudin's research (2013), Good Corporate Governance is proxied by the size of the board of commissioners and the size of the sharia supervisory board. In contrast, the ISR index used by this study refers to the ISR index used in Rizkiningsih (2012) research which is the result of an adaptation of the ISR index made by Othman et al. (2009) with several adjustments. The results showed that the size of the board of commissioners proved to have a significant positive effect on the disclosure of Islamic social reporting in Islamic banking in Indonesia. While the size of the sharia supervisory board is not proven to affect the disclosure of Islamic social reporting in Islamic banking in Indonesia. Therefore, the author concludes that Good Corporate Governance can affect ISR.
H2: GCG has a significant positive effect on the disclosure of Islamic Social Reporting

Islamic Social Reporting affects Financial Sustainability

The company as an economic entity, regardless of the form of industry, aims to print optimal profits to increase shareholder wealth and the company's financial performance, but that alone is not enough. Sundari & Nofryanti (2019) explains that its financial sustainability is not guaranteed if it only relies on high profits. However, the company must also have a high commitment to carrying out CSR (Corporate Social Responsibility) programs. Larger companies will have more influence and activities on the community to make their shareholders pay more attention to company reports in disseminating information—social activities that have been implemented (Sembiring, 2005).

The company carries out corporate responsibility for social and environmental activities in order to achieve long-term business sustainability. The growth and stability of the company depend on the readiness of each company in the form of its CSR responsibility value chain, so the organisation seeks to develop its experience in supporting the achievement of long-term growth and stability (Dilling, 2010). From the Islamic perspective, transparency is one of the mandates requiring organisations to make mandatory and voluntary disclosures. One part of voluntary disclosure is Islamic responsibility for Islamic banking (Haniffa, 2002). In this case, the researcher concludes that there is a company's relationship in social disclosure, which directly affects the company's financial sustainability.
H3: Islamic Social Reporting (ISR) has a positive effect on financial sustainability

Good Corporate Governance on Financial Sustainability mediated by Islamic Social Reporting (ISR).

The company's sustainability will only be guaranteed if the company pays attention to the social and environmental dimensions. The concept of sustainable development explains that the company is a tool for humans to ensure common goals in three domains: Intra and intergenerational justice in economic, social, and environmental dimensions. The development and increase in high profits is a long-term advantage of the company in business competition. To develop and increase these profits, the company should get good value from the community, where governance will increase public consumption of the products produced by the company. According to Khoirudin (2013), the results showed that the size of the board of commissioners proved to have a significant positive effect on the disclosure of Islamic social reporting in Islamic banking in Indonesia. Research conducted by Maygarindra & El Maghviroh (2012) shows that by running a CSR program, the company hopes to get a positive effect in the community's eyes to form a good image of the company. Then the research conducted by Ming-Yen Teoh et al. (2013) shows that CSR activities and disclosures with an Islamic perspective positively affect the company's financial sustainability as proxied by financial ratios. Researchers see a link to show company accountability to the community and maintain financial sustainability in the long term, bridged by Islamic social responsibility reporting, which is a measure for companies to achieve blessings and success.
H4: Good Corporate Governance has a positive effect on financial sustainability mediated by Islamic Social Reporting

Research Model

The data analysis method used to test the hypothesis in this study is the Partial Least Square (PLS) approach. PLS is a component-based or variance-based structural equation model (SEM). PLS is an alternative approach that shifts from a covariance-based SEM approach to a variance-based approach (Ghozali & Latan, 2015). Covariance-based SEM generally tests causality/theory, while PLS is more of a predictive model. PLS is a more predictive model. PLS evaluation model is done by assessing the outer model and inner model. Evaluation of the measurement model or outer model is carried out to assess the validity and reliability of the model (Ghozali & Latan, 2015). This study does not use the outer model, and this is because each variable only uses one measuring indicator. This study only uses the inner model, which aims to predict the relationship between the dependent variable and the independent variable (Ghozali & Latan, 2015).

Population and Sample

The population of this study is Islamic banking registered with the Financial Services Authority from 2013 to December 2017, with the criteria of companies having HOO (Head Operational Office). The sample selection in this study was based on the purposive sampling method to obtain a representative sample with specified criteria. So that the sample obtained is 10 Islamic Commercial Banks (BUS) in Indonesia. Here is the table:

Table 3. Sample of the Reasearch

No	Bank name	Abbreviation
1	Bank Syariah Mandiri	BSM
2	Bank Muamalat Indonesia	BMI
3	Bank Mega Syariah	BMS
4	BRI Syariah	BRIS
5	Bank Bukopin Syariah	BBS
6	Bank Aceh	BA
7	BTPN Syariah	BTPNS
8	BCA Syariah	BCAS
9	Bank Panin Syariah	BPS
10	BNI syariah	BNIS

(Source: (OJK, 2019)

Results and Discussion

Coefficient of Determination

The coefficient of determination in this study uses the reference R Square, where the value of R2 ranges from 0 <R2 <1. If the coefficient of determination is closer to 1, the model used is more precise. Based on table 4, The value of the coefficient of determination R^2 for the ISR variable is 0.036. This means that GCG and FSR can influence only 3.6% of the ISR of Islamic banking companies. Furthermore, the remaining 96.4% is influenced by other factors not described in the model. The value of the coefficient of determination R^2 for the FSR variable is 0.198. This means that only 19.8% of the FSR of Islamic banking companies can be affected by GCG. Moreover, the remaining 80.2% is influenced by other factors not explained in the model.

Table 4. Determination Coefficient

	R Square	R Square Adjusted
FSR	0,231	0,198
ISR	0,056	0,036

The coefficient of total determination (Q2) measures how well the model and the estimated parameters generate the observed values. A model is considered to have a relevant predictive value if the Q2 value is greater than 0 (zero). The magnitude of Q2 has a value with a range of 0 <Q2 < 1, the model is getting better if the value of Q2 is close to 1. If the values obtained are 0.02 (small), 0.15 (medium) and 0.35 (large). The coefficient of total determination (Q2) of this research model can be calculated as follows:

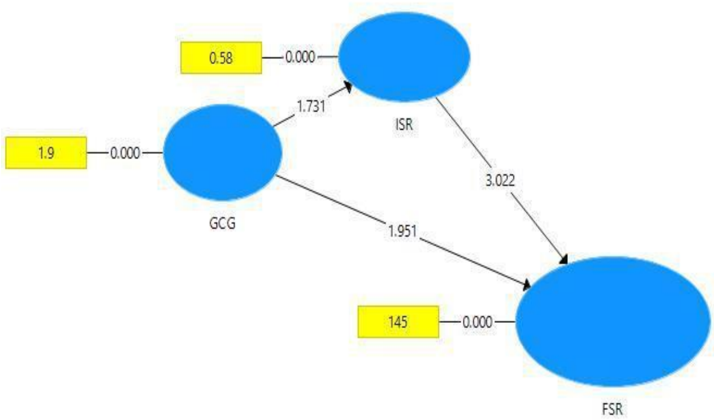
$Q^2 = 1 - (1 – 0,036) (1 – 0,198)$

$= 1 – 0,7731$
$= 0,2268$
$= 22,68\%$

The results of the study found that the model could explain 22.68%. It means that the model in this study has a significant relationship between variables, namely 22.68%, because it is close to 25%.

Data Analysis and Hypothesis Testing

Figure 1. Model of Variable



Tabel 5. Result For Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Staticic (|O/STDEV|)	P Values
GCG_ -> FSR	-0,263	-0,239	0,135	1,951	0,052
GCG_ -> ISR	-0,236	-0,227	0,136	1,731	0,084
ISR ->FSR	0,345	0,326	0,114	3,022	0,003

Source: PLS (2021)

Based on the results of the inner model test above, it can be seen that the results between each independent variable on the dependent variable can be explained as follows:

A. The effect of GCG (Good Corporate Governance) on FSR (Financial Sustainability Ratio)
The results of hypothesis testing in table 5 show that the original sample value is -0.263, which means that the direction of the relationship between GCG and FSR is negative, and the influence of the GCG variable on the FSR variable is indicated by a value of 1.951. This value is smaller than t-table 5% (1.96). These results indicate that GCG has a negative and insignificant effect on FSR. This means that Hypothesis 1 is rejected.

B. The effect of GCG (Good Corporate Governance) on ISR (Islamic Social Reporting)
The results of hypothesis testing in table 5 show that the original sample value is -0.236, which means that the direction of the relationship between GCG and ISR is negative, and the effect of the GCG variable on the ISR variable shows at the value of 1.731. This value is smaller than t-table 5% (1.96). These results indicate that GCG has a negative and insignificant effect on ISR. This means that Hypothesis 2 is rejected.

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C. The effect of ISR (Islamic Social Reporting) to FSR (Financial Sustainability Ratio)
The results of hypothesis testing in table 5 show that the original sample value is 0.345, which means that the relationship between ISR and FSR is positive. The effect of ISR on the FSR variable shows at the value of 3.022. This value is greater than t table 5% (1.96). These results indicate that ISR has a positive and significant effect on FSR. This means that Hypothesis 3 is accepted.

Indirect Effect (Sobel Test)

The mediation test was carried out using the coefficient multiplication with the Sobel test to prove that ISR (Islamic Social Reporting) can mediate the effect of the GCG (Good Corporate Governance) variable on the FSR (Financial Sustainability Ratio).

Table 6. Mediation Test

Input	N	A	B	Sa	Sb
	50	-0,263	0,345	0,173	0,116
Output	Sab	Ab	T Value		
GCG ->ISR ->FSR	0,00700	-0,0907	-1,2968		

Source: Sobel Test (2021)

The results of the test with the Sobel test in table 6 showed that the t value was -1.2968. This value was smaller than the t table at the 5% level, which was 1.96. This means that the ISR variable does not mediate between GCG and FSR. This means that the Hypothesis about Mediation is rejected.

Discussion of Findings

1) GCG has a negative and insignificant effect on FSR
The results of the study show that GCG has a negative and insignificant effect on FSR. This reveals in practice in the field even though Islamic banks disclose GCG intensively, and it does not affect the increase in FSR due to one of the factors, among others, the growth rate of each period fluctuates so that the financial performance of the bank not good. Because the results are insignificant, the sample cannot be generalized to all Islamic banks in Indonesia, so only a part of the sample experienced this incident because the implementation of Good Corporate Governance for Islamic Commercial Banks is not only intended to obtain bank management under the five basic principles and following sharia principles but is also intended for broader interests (Alhawari et al., 2012). These interests include maintaining the good name of Islamic banking itself or to instil public trust in Islamic commercial banks, which can automatically increase Financial Sustainability in general in Islamic banking. The results of this study are in line with Aras & Crowther (2008) and Aziz (2014), who all state that corporate governance does not affect the quality of corporate sustainability but is inconsistent, for example, with research conducted by Sari & Marsono (2013), Janggu et al. (2014), and Hashim et al. (2015) all state that corporate governance has a significant and positive impact on business sustainability.
2) GCG has a negative and insignificant effect on ISR
From the Islamic perspective, transparency is one of the mandates requiring organisations to make mandatory and voluntary disclosures. One part of voluntary disclosure is Islamic responsibility for Islamic banking (Haniffa, 2002). The banking industry is one of those industries that are required to carry out CSR. Corporate governance is one of the focuses of attention in Islamic banking because Islamic banks play an essential role in disclosing social responsibility. The management of Islamic banking should give even the existence of good corporate governance practices more attention to maintain public trust and expectations. This result contradicts with Ajzen (2005) research, which examined the transparency of CSR disclosure in Islamic banking worldwide. The study found that Islamic Governance (as a proxy for corporate governance in Islamic banks) proved to have a significant positive effect on social responsibility disclosure. In the Islamic Governance variable, the number of sharia supervisory boards is discussed, where the greater the number of DPS, the higher the level of disclosure. Nevertheless, the results of this study are the following research conducted by Rizkiningsih (2012), which shows that the Islamic governance score has no significant effect on the disclosure of ISR. The study concludes that the sharia supervisory board still lacks attention to the disclosure of ISR.
3) ISR has a positive and significant effect on FSR

The company as an economic entity, regardless of the form of industry, aims to print optimal profits to increase shareholder wealth and the company's financial performance, but that alone is not enough. (Sundari & Nofryanti, 2019) explains that its financial sustainability is not guaranteed if it only relies on high profits. Nevertheless, the company must also have a high commitment to carrying out CSR (Corporate Social Responsibility) programs. The results of this study are in line with research conducted by Ming-Yen Teoh et al. (2013), show that CSR activities and disclosures with an Islamic perspective have a positive effect on the company's financial sustainability.

4) ISR variable does not mediate between GCG and FSR

ISR proved unable to mediate the relationship between GCG and FSR. This shows that the practice and disclosure of ISR is a logical consequence of implementing the concept of Good Corporate Governance (GCG), whose principles include stating that companies need to pay attention to the interests of their stakeholders under existing rules and establish active collaboration with stakeholders for survival in long term. In summary, the ISR variable cannot be used as a mediating variable between GCG and FSR.

Conclusion

Good Corporate Governance has a negative and insignificant effect on the Financial Sustainability Ratio in Islamic banking companies registered with the Financial Services Authority. This is revealed in practice in the field even though Islamic banks disclose GCG intensively. However, it does not affect the increase in FSR because one of the factors is the fluctuating growth rate every period, so the bank's financial performance is not good. The following results reveal that Good Corporate Governance has a negative and insignificant effect on Islamic Social Reporting in Islamic banking companies registered with the Financial Services Authority. The banking industry is an industry that is required to implement CSR. Corporate governance is one of the focuses of attention in Islamic banking because Islamic banks play an essential role in disclosing social responsibility. Even good corporate governance practices should be a more significant concern for Islamic banking management to maintain public trust and expectations. The disclosure of Islamic Social Reporting has a positive and significant effect on the Financial Sustainability Ratio in Islamic banking companies registered with the Financial Services Authority. Sundari (2019) explains that its financial sustainability is not guaranteed if it only relies on high profits. However, the company must also have a high commitment to carrying out CSR (Corporate Social Responsibility) programs.

The sample of Islamic banks in this study is relatively small due to the limited number of Islamic banks for the measurement criteria for 2013-2017, and many Islamic banks do not present their complete financial statements based on Islamic accounting principles so that many indicators of the Islamic Social Reporting Index cannot be measured. Furthermore, it resulted in reduced samples and research results. Then this study uses the measurement of the Islamic Social Reporting Index indicator, whose openness is still voluntary. Future research can develop a research model further to explore the relationship between components, not just focus on this research model.

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