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Does Firm Size, Leverage and Profitability Effect On Coefficient Earnings Response (ERC) with Islamic Social Reporting (ISR) As Intervening Variable?

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Abstract

This study aims to determine the direct and indirect effect of Firm Size, Leverage, and Profitability on Earning Response Coefficient (ERC) with Islamic Social Reporting (ISR) as an intervening variable in manufacturing companies listed in the Indonesian Sharia Stock Index (ISSI) for the period 2014 -2017. The data used are the financial statements of manufacturing companies listed in the Indonesian Sharia Stock Index. Data analysis using multiple linear regression. The sample in this study were 30 manufacturing companies in various business fields, which provided quarterly financial reports. Samples were taken using purposive sampling technique. The results of this study show that partially Firm Size and Profitability have a positive and significant effect on Islamic Social Reporting, while Leverage has no and no significant effect on Islamic Social Reporting. Partially Firm Size and Islamic Social Reporting have no and insignificant effect on the Earning Response Coefficient, but Leverage has a negative and significant effect while Profitability has a positive and significant effect on the Earning Response Coefficient. Meanwhile, simultaneously Firm Size, Leverage, and Profitability have a positive effect on Islamic Social Reporting. Simultaneously Firm Size, Leverage, Profitability and Islamic Social Reporting on Earning Response Coefficient. Based on the results of path analysis, it shows that Islamic Social Reporting cannot mediate Firm Size, Leverage, and Profitability variables on the Earning Response Coefficient.

Keywords : *Firm Size, Leverage, Profitability, Islamic Social Reporting, Earning Response Coefficient.*

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1. INTRODUCTION

Statement of Financial Accounting Concept (SFAC) No. 1 states that earnings have benefits for assessing management performance, helping to estimate the ability of representative earnings in the long term, and predicting profits and for estimating risk in investment or credit. (Murwaningsari, 2008).

In an effort to determine the information content in earnings, it can be seen by using the Earnings Response Coefficient (ERC), which is known as research that explains and identifies differences in market responses to earnings announcements. (Scott, 2009). The Earnings Response Coefficient is used to measure the level of abnormal return on a security in response to the unexpected earnings component or surprise earnings reported by the company that issued the security. (Scoot, 2009).

Ball and Brown (1968) in Mulyani et al., (2007) reveal about the content of information by analyzing if the change in unexpected earnings is positive then it has a positive average abnormal rate of return (good news for investors) and if the change in unexpected earnings is negative, then has a negative average abnormal rate of return (bad news for investors). If investors have a perception that financial information has a high level of credibility, investors will react to the financial statements (Mulyani et al., 2007). This will be reflected in the high Earnings Response Coefficient (ERC) value (Delvira & Nelvirita, 2013). The strong market reaction to earnings information is reflected in the high earnings response coefficient. (Paramita, 2012). However, if the Earning Response Coefficient (ERC) is low, it means that the market reaction to earnings information is weak, indicating that earnings are less informative for investors to make economic decisions. (Murwaningsari, 2008). Although earnings information is the most responded to by investors because it provides an overview of the company's performance, earnings information alone is sometimes not enough to serve as a basis for investor decision making because there is a possibility that the information is biased. So in addition to earnings information, investors also need other information such as the size of a company, leverage, profitability and social responsibility disclosure reports (Murwaningsari, 2008).

Several previous studies related to the effect of Firm Size on ISR concluded that Firm Size had a positive and significant effect on ISR (Eksandy & Hakim, 2017; Putri & Yuyetta, 2014; Rosiana et al., 2015; Syakdiyah & Putra, 2021; Widiawati & Raharja, 2012). These studies prove that larger companies (total assets) have a tendency to disclose ISR more broadly than smaller companies. Meanwhile, previous research related to the relationship between Firm Size and ERC, there are three conclusions, namely Firm Size has a significant negative effect on ERC (Diantimala, 2008) dan and Firm Size has a significant positive effect on ERC (Mulyani et al., 2007; Rahayu & Suaryana, 2015) and Firm Size has no effect on ERC. (Paramita & Wijayanti, 2012).

Regarding the relationship between Leverage and ISR, previous research concluded that Leverage had a significant negative effect on ISR (2014) and Leverage has no effect on ISR (Eksandy & Hakim, 2017; Firmansyah & Hariyanto, 2014; Rosiana et al., 2015). Previous research related to the effect of Leverage with ERC concluded that Leverage had no effect on ERC Delvira dan Nelvirita (2013) and Leverage has a significant negative effect on ERC (Murwaningsari, 2008; Rahayu & Suaryana, 2015).

Several previous studies related to the effect of profitability on ISR concluded that profitability had a positive and significant effect on ISR (Amalia Nurul, 2012; Othman et al., 2009; Putra & Aryanti, 2021; Widiawati & Raharja, 2012) and Profitability has no effect on ISR (Putri & Yuyetta, 2014; Rosiana et al., 2015). Previous research related to the relationship between profitability and ERC concluded that profitability has a positive and significant effect on ERC (Aryanti & Sisdyani, 2016; Kusumawardhani & Nugroho, 2010) and profitability have a significant negative effect (Dewi et al., 2016).

Research on the relationship between Islamic Social Reporting (ISR) and Earning Response Coefficient (ERC) is still rarely done. Anggraini (2015) tested the relationship between ISR and ERC and the results showed that Islamic Social Reporting had no significant effect on the Earning Response Coefficient. However, unlike the results of Anggraini's (2015) study, the results of a study conducted by Nastiti (2016) actually showed that ISR disclosure had an effect on ERC with a positive coefficient direction. (Anggraini, 2015; Nastiti, 2016).

Based on the various results from previous studies, the researchers provide differences in this research by trying to further develop combining several of these variables and using the Path Analysis method to observe the effect of direct and indirect variables on Earning Response Coefficient (ERC) with Islamic Social Reporting (ISR) variables as the intervening variable of Firm Size, Leverage, and Profitability.

2. RESEARCH METHOD

This study uses a descriptive method with a quantitative approach (Delvira & Nelvirita, 2013; Dewi et al., 2016; Eksandy & Hakim, 2017). The sampling technique in this study uses purposive sampling method where the researcher selects the sample based on the research objectives and the criteria that have been set by the researcher. This research uses secondary data from the Annual Report taken from sources www.idx.co.id, website www.finance.yahoo.com to obtain stock price data on the announcement day and the Composite Stock Price Index of companies, various journals, and books that support the focus of this research.The population in this study are manufacturing companies (related to firm size, leverage, profitability, Islamic social reporting, and earning response coefficient) for the period 2017 - 2020 which are listed in the Indonesian Sharia Stock Index on the IDX. While the sample set was 30 manufacturing companies in various business fields with complete annual report data and in accordance with research criteria with 4 periods of observation, there were 120 processed data. The following Figure 1 is a framework of operational variables used in this research

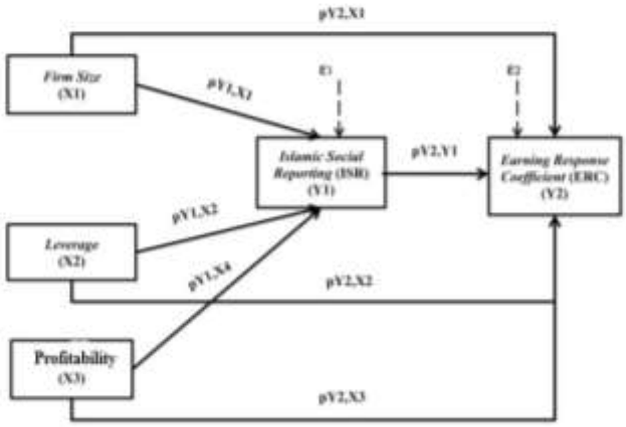

Figure 1. Operational Variables Framework
Source : Data Processed (2021)

Data obtained by probability sampling technique and then processed using path analysis. Path analysis is an extension of multiple linear regression analysis or path analysis is the use of regression analysis to estimate causality between variables (casual model) that has been determined previously based on theory(Ghazali, 2016). Analysis activities were carried out using the SPSS 23.0 for windows program. This path analysis technique is used to examine the contribution (contribution) indicated by the path coefficient on each path diagram of the causal relationship between variables X1, X2, X3 on Y1 and their impact on Y2 as I have done as a researcher previously.(Fauzi & Putra, 2020; Putra et al., 2020; Retnilasari & Putra, 2019) The variables used in this study are as shown in Table 1.

Table 1. Research Variables

Jenis Variabel	Kontribusi
X_1: *Firm Size*	Paramita (2012), Dewi *et al*., (2016)
X_2: *Leverage*	Kasmir (2008), Daud dan Syarifuddin (2008), Delvira dan Nelvirita (2013)
X_3: Profitabilitas	Kasmir (2008), Aryanti dan Sisdyani (2016)
Y_1: ISR	Fitria dan Hartanti (2010), Widiawati dan Raharja (2012), Eksandy dan Hakim (2017)
Y_2: ERC	Murwaningsari (2008), Kusumawardhani dan Nugroho (2010), Dewi *et al*., (2016)

Source : Data Processed (2021)

3. RESULT AND DISCUSSION

3.1. Result

The data in this study have been through descriptive statistical tests and classical assumption tests. The results of the tests carried out show that the model proposed in this study escapes the deviation of the classical assumptions.

Multiple Linear Regression Analysis

Regression analysis is basically a study of the dependence of the dependent variable (bound) with one or more independent variables (explanatory/independent variables), with the aim of estimating and/or predicting the population mean or the mean value of the known independent variables(Ghazali, 2016; Putra, 2016, 2020, 2021). In this study, the analytical method used is multiple regression analysis model. This study will explain the direct and indirect effects between the independent variable (independent), the dependent variable (dependent) and the intervening variable (intervening). The data processing is as shown in Table 2 and Table 3.

Table 2. Islamic Social Reporting (ISR) Regression Test Results

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model	B	Std. Error	Beta		
1 (Constant)	-.294	.122		-2.406	.018
Firm Size	.029	.004	.529	6.830	.000
Leverage	-.015	.016	-.082	-.924	.358
Profitability	.115	.043	.233	2.652	.009

a. Dependent Variable: ISR

Source : Data Processed (2021)

Based on table 2, the formula for the multiple linear regression equation for the ISR variable is obtained as follows:

Y= -0.294+ 0.029 Size – 0.015 Leverage + 0.115 Profitability

The results of the equations from the multiple linear regression analysis model above, can be explained through the following statements:

a. The constant is -0.294, meaning that this constant value indicates that if the independent variables (firm size, leverage, and profitability) have a constant value (0), the Islamic Social Reporting (ISR) value will be -0.294.
b. Firm size regression coefficient is 0.029. This means that each increase in firm size by one unit

will increase the value of Islamic Social Reporting (ISR) by 0.029 with the assumption that the other independent variables of the regression model are fixed. So, the higher the size of the company, the wider the level of disclosure of Islamic Social Reporting (ISR).

c. The regression coefficient of leverage is -0.015 and is negative, this indicates that leverage has the opposite relationship with Islamic Social Reporting (ISR). This means that each increase in leverage of one unit will reduce the value of Islamic Social Reporting (ISR) by 0.015 with the assumption that the other independent variables of the regression model are fixed. These results indicate that companies that have a higher level of leverage will try to reduce the disclosure of Islamic Social Reporting (ISR).

d. The profitability regression coefficient is 0.115. This means that every one unit increase in profitability will increase the value of Islamic Social Reporting (ISR) by 0.115 with the assumption that the other independent variables of the regression model are fixed. So, companies that have a high level of profitability will disclose Islamic Social Reporting (ISR) in more detail.

Table 3. Earning Response Coefficient (ERC) Regression Test Results

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	.019	.174		.111	.912
	Firm Size	.003	.007	.044	.464	.643
	Leverage	-.086	.023	-.346	-3.746	.000
	Profitability	.400	.062	.606	6.478	.000
	ISR	.105	.129	.078	.816	.416

a. Dependent Variable: ERC

Source : Data Processed (2021)

Based on table 3, the formula for the multiple linear regression equation for the ERC variable is obtained as follows:

Y= 0.019 + 0.003 Size – 0.086 Leverage + 0.400 Profitability + 0.105 ISR

As for the multiple linear regression analysis equation above, it can be explained through the following statement:

a. The constant is 0.019, meaning that this constant value indicates that if firm size, leverage, profitability and Islamic Social Reporting (ISR) have a constant value of (0), then the Earning Response Coefficient (ERC) value will be 0.019.

b. Firm size regression coefficient is 0.003. This means that each increase in firm size by one unit will increase the Earning Response Coefficient (ERC) value of 0.003 with the assumption that the other independent variables of the regression model are fixed.

c. The regression coefficient for leverage is -0.086 and is negative, this indicates that leverage has the opposite relationship with the Earning Response Coefficient (ERC). This means that each increase in leverage of one unit will reduce the value of Earning Response Coefficient (ERC) by 0.086 with the assumption that the other independent variables of the regression model are fixed.

d. The profitability regression coefficient is 0.400. This means that every one unit increase in profitability will increase the Earning Response Coefficient (ERC) value of 0.400 with the assumption that the other independent variables of the regression model are fixed.

e. The regression coefficient of the Islamic Social Reporting variable is 0.115. This means that every one unit increase in the Islamic Social Reporting variable will increase the Earning Response Coefficient (ERC) value of 0.115 with the assumption that the other independent variables of the regression model are fixed.

The coefficient of determination (R^2)

The coefficient of determination (R^2) aims to measure how far the model's ability to explain variations in the dependent variable is. The value of the coefficient of determination is zero to one. A value close to one means that the independent variables provide almost all the information needed to predict the dependent variable and vice versa if it is close to zero the independent variables cannot provide almost all the information needed to predict the dependent variable.(Ghazali, 2016; Pernanu & Putra, 2016; Putra, 2016, 2021; Putra & Isfandayani, 2020). The coefficient of determination in this research is explained in table 4 about ISR and table 5 about ERC.

Table 4. ISR Determination Coefficient Test Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.587[a]	.344	.327	.07926

a. Predictors: (Constant), Profitabilitas, *Firm Size*, *Leverage*

b. Dependent Variable: ISR

Source : Data Processed (2021)

Based on table 4, it is known that R of 0.587 means that there is a correlation of 0.587. Adjusted R square of 0.327 means that the dependent variable, namely Islamic Social Reporting (ISR) can be explained by 32.7% by the Firm Size, Leverage, and Profitability variables. While the remaining 67.3% is explained by other variables that are not included in this research model.

Tabel 5. ERC Determination Coefficient Test Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.551[a]	.304	.280	.109890

a. Predictors: (Constant), ISR, *Leverage*, Profitabilitas, *Firm Size*

b. Dependent Variable: ERC

Source : Data Processed (2021)

Based on table 5, it is known that R of 0.551 means that there is a correlation of 0.551. Adjusted R square of 0.280 means that the dependent variable, namely Earning Response Coefficient (ERC) can be explained by 28% by the Firm Size, Leverage, Profitability, and Islamic Social Reporting (ISR) variables. While the remaining 72% is explained by other variables that are not included in this research model.

Model Feasibility Test

F test to find out how the influence of the independent variables on the dependent variable together. This test can be seen in the F test value and the significance value is less than 0.05. If the probability F is less than 0.05 then the regression model can be used to predict the independent variable or in other words the dependent variable simultaneously affects the dependent variable.

Table 6. F test ISR Variable

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.382	3	.127	20.284	.000[b]
	Residual	.729	116	.006		
	Total	1.111	119			

a. Dependent Variable: ISR

b. Predictors: (Constant), Profitabilitas, Firm Size, Leverage

Source : Processed Data (2021)

Based on table 6, the calculated F value is (20.284), F table is (2.68). Calculated F value (20.284) > F table (2.68) with probability (0.000). Significance value = (0.000) < (0.05), resulting in a decision that Ho is rejected and Ha is accepted, which means the model is feasible and has a positive significant effect between Firm Size, Leverage, and Profitability for the independent variable, and Islamic Social Reporting (ISR) for the dependent variable.

Table 7. F test ERC Variable

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.606	4	.152	12.552	.000b
	Residual	1.389	115	.012		
	Total	1.995	119			

a. Dependent Variable: ERC

b. Predictors: (Constant), ISR, Leverage, Profitabilitas, Firm Size

Source : Processed Data (2021)

Based on table 7, the calculated F value is (12,552), F table is (2,45). Calculated F value (12.552) > F table (2.45) with probability (0.000). The significance value = (0.000) < (0.05), resulting in a decision that Ho is rejected and Ha is accepted, which means the model is feasible and has a significant positive effect between Firm Size, Leverage, Profitability and Islamic Social Reporting (ISR) for the independent variable, and Earning Response Coefficient (ERC) for the dependent variable.

Partial test (T test)

Partial test aims to test the hypothesis and to show how far the influence of one independent variable individually in explaining the variation of the dependent variable(Ghazali, 2016). In the t-test in this study, the researcher used a five percent significance level (α = 5%) to see the value of the significance level of each independent variable. If the probability value is greater than 0.05 then it has no significant effect on the independent variable, but if the probability is less than 0.05 then it has a significant effect on the independent variable (Fahrurrozi et al., 2021; Putra & Hasanah, 2018; Siregar, 2015) The hypotheses to be tested are:

H1: Firm Size has a positive effect on Islamic Social Reporting

H2: Leverage has a negative effect on Islamic Social Reporting

H3: Profitability has a positive effect on Islamic Social Reporting

H4: Firm Size has a positive effect on Earning Response Coefficient

H5: Leverage has a negative effect on Earning Response Coefficient
H6: Profitability has a positive effect on Earning Response Coefficient
H7: Islamic Social Reporting has a positive effect on Earning Response Coefficient

The testing of the 7 hypotheses has been carried out by producing a partial t-calculation and the significance is shown in tables 2 and 3. Hypothesis Test 1: Firm Size has an effect and is significant on Islamic Social Reporting (ISR). From the results of the partial test in table 2, the t-count Firm Size value is 6.830 > 1.980 with a significance value of 0.000 <0.05. So it can be concluded that partially Firm Size has a significant and significant effect on Islamic Social Reporting (ISR), meaning that Ha is accepted and Ho is rejected.

Hypothesis Test 2: Leverage has no effect and is not significant on Islamic Social Reporting (ISR). From the results of the partial test in table 2, the t-count Leverage value is -0.924 <1.980 with a significance value of 0.358> 0.05. So it can be concluded that partially Leverage has no effect and is not significant on Islamic Social Reporting (ISR), meaning that Ha is rejected and Ho is accepted.

Hypothesis Test 3: Profitability has an effect and is significant on Islamic Social Reporting (ISR). From the results of the partial test in table 2, the t-count Profitability value is 2.652> 1.980 with a significance value of 0.009 <0.05. So it can be concluded that partially profitability is influential and significant against Islamic Social Reporting (ISR) means that Ha is accepted and Ho is rejected.

Hypothesis Test 4: Firm Size has no effect and is not significant on Earning Response Coefficient (ERC). From the results of the partial test in table 3, the t-count Firm Size value is 0.464 < 1.980 with a significance value of 0.643 > 0.05. So it can be concluded that partially Firm Size has no effect and is not significant on the Earning Response Coefficient (ERC), meaning that Ha is rejected and Ho is accepted.

Hypothesis Test 5: Leverage has a significant and significant effect on Earning Response Coefficient (ERC). From the results of the partial test in table 3, it is obtained that the t-count Leverage value is -3.746> 1.980 with a significance value of 0.000> 0.05. So it can be concluded that partially Leverage has a significant and significant effect on the Earning Response Coefficient (ERC), meaning that Ha is accepted and Ho is rejected.

Hypothesis Test 6: Profitability has a significant and significant effect on Earning Response Coefficient (ERC). From the results of the partial test in table 3, it is obtained that the t-count Profitability value is 6.478 > 1.980 with a significance value of 0.000 <0.05. So it can be concluded that partially profitability has a significant and significant effect on the Earning Response Coefficient (ERC), meaning that Ha is accepted and Ho is rejected.

Hypothesis Test 7: Islamic Social Reporting (ISR) has no effect on Earning Response Coefficient (ERC). From the partial test results in table 3, the t-count value of Islamic Social Reporting is 0.816 < 1.980 with a significance value of 0.416 > 0.05. So it can be concluded that partially Islamic Social Reporting (ISR) has no effect and is not significant on the Earning Response Coefficient (ERC), meaning that Ha is rejected and Ho is accepted.

Path Analysis

To test the intervening variables used path analysis method (path analysis). Path analysis is an extension of multiple regression analysis, or path analysis is the use of regression analysis to estimate causality relationships between variables (causal models) that have been determined previously based on theory. Based on tables 2 and 3 and the path analysis framework, the researcher entered the t-count calculation numbers in Figure 2 below.

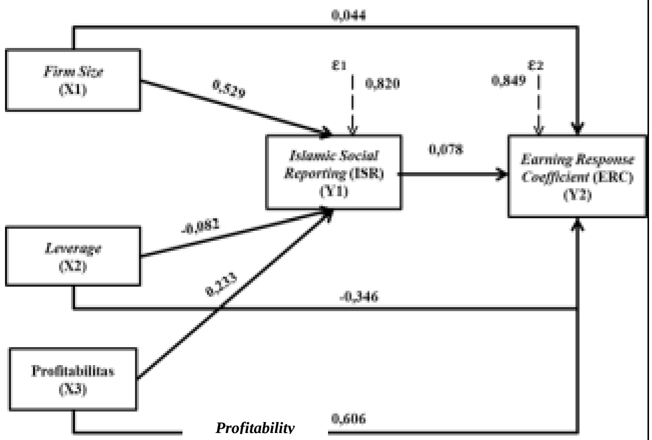

Figure 2. Path Analysis

Source : Data Processed (2021)

From the trajectory model in Figure 2, it can be seen that the indirect influence between Firm Size, Leverage, and Profitability variables on the Earning Response Coefficient (ERC) variable through Islamic Social Reporting (ISR) is as follows:

a. Effect of Firm Size through Islamic Social Reporting (ISR) on Earning Response Coefficient (ERC)

Table 8. Indirect Effect Test Results Firm Size through ISR on ERC

Hypothesis	Beta	Result
Size → ISR	B1 = 0,529	Hypothesis not Proven
ISR → ERC	B2 = 0,078	
Size → ERC	B3 = 0,044	
Size → ISR → ERC	B4 = B1 x B2 = 0,529 x 0,078 = 0,041	

Source : Data Processed (2021)

Based on the table 8, it can be seen that the magnitude of the indirect effect coefficient (B4 value = 0.041) is smaller than the direct influence coefficient (B3 value = 0.044). So it can be said that there is no significant effect between Firm Size which is proxied by the natural logarithm of total assets on ERC through ISR. Thus the formulation of the problem, whether Firm Size through ISR has an effect on ERC cannot be proven

b. Effect of Leverage through Islamic Social Reporting (ISR) on Earning Response Coefficient (ERC).

Table 9. Indirect Effect Test Results Leverage through ISR on ERC

Hypothesis	Beta	Result
Lev → ISR	B1 = -0,082	Hypothesis not Proven
ISR → ERC	B2 = 0,078	
Lev → ERC	B3 = -0,346	
Lev → ISR → ERC	B4 = B1 x B2 = (-0,082) x 0,078 = -0,006	

Source : Data Processed (2021)

Based on table 9, it can be seen that the magnitude of the indirect effect coefficient (B4 = -0.006) is smaller than the direct influence coefficient (B3 = -0.346). This shows that there is no significant effect between Leverage on ERC through ISR. Thus, the formulation of the problem, whether Leverage through ISR has an effect on ERC cannot be proven.

c. Effect of Profitability through Islamic Social Reporting (ISR) on Earning Response Coefficient (ERC)

Table 10. Indirect Effect Test Results Profitability through ISR on ERC

Hypothesis	Beta	Result
Prof → ISR	B1 = 0,233	Hypothesis not Proven
ISR → ERC	B2 = 0,078	
Prof → ERC	B3 = 0,606	
Prof → ISR → ERC	B4 = B1 x B2 = 0,233 x 0,078 = 0,018	

Source : Data Processed (2021)

Based on the table 10, it can be seen that the magnitude of the indirect influence coefficient (B4 value = 0.018) is smaller than the direct influence coefficient (B3 value = 0.606). This shows that there is no significant effect of Profitability on ERC through ISR. Thus the formulation of the problem, whether Profitability through ISR has an effect on ERC cannot be proven.

3.2. Discussion

Effect of Firm Size on Islamic Social Reporting (ISR)

Based on Table 2, it is known that the t-test that has been carried out previously shows that t-count is greater than t-table. So that H1 is accepted, which means that the Firm Size variable has a significant positive effect on ISR. The results of this study are in accordance with the research of Widiawati and Raharja (2012) which proves that Firm Size has a positive effect on ISR, which means Firm Size can determine the level of voluntary disclosure so that the larger a company is, the greater the number of disclosures made (Widiawati & Raharja, 2012). So it can be concluded that the larger the company, the greater the amount of information needed by stakeholders.

The results of the same study were also shown in the research of Eksandy and Hakim (2007) and Othman et al., (2009*)* which proved that firm size as measured by the total assets proxy had a positive effect on the level of ISR disclosure (Eksandy & Hakim, 2017; Othman et al., 2009). Large companies tend to have more financing, facilities and human resources than small companies. Companies that have a large size will disclose their social responsibility in order to maintain the survival of the company. Disclosure of social responsibility is considered to be able to improve the company's reputation in the eyes of investors.

The Effect of Leverage on Islamic Social Reporting (ISR)

Based on Table 2, it is known that the t-test that has been carried out previously shows that the t-count is smaller than the t-table. This shows that H2 is rejected, which means that the Leverage variable has no effect and is not significant on the ISR variable. The results of this study are in line with the results of research by Trisnawati (2014), Rosiana et al., (2015) and Eksandy and Hakim (2017) which state that Leverage has no effect on the disclosure of corporate social responsibility, which means that an increase in leverage is not proportional to a decrease in ISR disclosure (Eksandy & Hakim, 2017; Rosiana et al., 2015; Trisnawati, 2014). If the leverage decreases, the ISR disclosure will increase. This is in accordance with agency theory where management with a high level of leverage will reduce its social disclosures in order to avoid being examined by creditors.

A good relationship with debtholders and accompanied by good company performance can make debtholders not pay too much attention to the level of the company's leverage ratio, thus making the relationship between leverage and corporate social disclosure insignificant. The absence of a significant relationship from Leverage to Islamic Social Reporting explains that the size of Leverage does not have an impact on the size of the disclosure of a company's social performance.

The Effect of Profitability on Islamic Social Reporting (ISR)

Based on Table 2, it is known that the t-test that has been carried out previously shows that t-count is greater than t-table. So that H3 is accepted, which means that the profitability variable has a significant positive effect on ISR. The results of this study are in accordance with research by Othman et al., (2009), Raditya (2012),Widiawati and Raharja (2012) which state that profitability has a positive and significant effect on ISR, which means that the higher the level of profitability of a company, the greater the profitability. also the level of disclosure of social information provided by the company (Amalia Nurul, 2012; Othman et al., 2009; Widiawati & Raharja, 2012).

This study proves that companies that are in a profitable position will tend to disclose a wider ISR than companies that experience losses, although not all companies that experience losses will disclose a smaller ISR. Thus it can be concluded that companies that have a higher level of profitability will attract the attention of investors so that the company will provide more information to the public, one of which is by increasing the disclosure of social responsibility.

Effect of Firm Size on Earning Response Coefficient (ERC)

Based on Table 3, it is known that the t-test that has been carried out previously shows that the t-count is smaller than the t-table. So H4 is rejected, which means that the Firm Size variable has no effect and is not significant on ERC, which means that the larger the company size will have more information than small companies so that investors will use company size or Firm Size as one of the factors that can be used in making investment decisions. .

The results of this study are in line with the results of research by Arfan and Antasari (2008), Paramita (2012) which state that Firm Size does not affect the Earning Response Coefficient (ERC) in manufacturing companies. (Arfan & Antasari, 2008; Paramita & Wijayanti, 2012). This is because in large companies there is a lot of non-accounting information available throughout the year. This information is used by investors as a tool to better interpret financial statements, so that it can be used as a tool to predict cash flows and reduce uncertainty. At the time of the announcement of earnings, earnings information will be responded positively by investors.

Effect of Leverage on Earning Response Coefficient (ERC)

Based on Table 3, it is known that the t-test that has been carried out previously shows that t-count is greater than t-table. So that H5 is accepted, which means that the Leverage variable has a significant negative effect on ERC, which means that if there is an increase in Leverage, the ERC value will decrease. And vice versa if Leverage decreases, the ERC value will increase.

The results of this study are in line with research by Rahayu and Suaryana (2015), Murwaningsari (2008) proving that Leverage has a negative effect on ERC(Murwaningsari, 2008; Rahayu & Suaryana, 2015). This is because high leverage indicates that the company has a larger amount of debt than the assets owned by the company, so that profits flow more to creditors than to investors. So that at the time of the announcement of earnings, creditors will react more quickly, but this is different from investors who will respond negatively because investors think that the company will prioritize paying debts more than paying dividends. Therefore, the profits generated by the company will be used for interest payments on the company's loans and the higher the leverage, it is feared that the company will not be able to cover its debts with the assets owned by the company.

Effect of Profitability on Earning Response Coefficient (ERC)

Based on Table 3, it is known that the t-test that has been carried out previously shows that t-count is greater than t-table. So that H6 is accepted, which means that the profitability variable has a significant positive effect on ERC, which means that the higher the level of profitability of a company, the ERC will increase and vice versa, the lower the level of profitability of a company, the ERC will decrease.

The results of this study are in line with the results of research by Kusumawardhani and Nugroho (2010), Hasanzade et al., (2013), and Aryanti and Sisdyani (2016) which state that profitability has a positive relationship to ERC which means that companies that have a high level of profitability will has a high earnings response coefficient as well (Aryanti & Sisdyani, 2016; Hasanzade et al., 2013; Kusumawardhani & Nugroho, 2010). Thus it can be concluded that if the profitability of the company is high, the profit generated by the company will increase, so that it will attract the attention of investors to invest in companies that have a high level of profitability. Therefore, profitability information can provide an overview of the company's financial condition in general related to the company's ability to earn profits. The higher profitability will provide good news for investors that the company has better future earnings

Effect of Islamic Social Reporting (ISR) on Earning Response Coefficient (ERC)

Based on Table 3, it is known that the t-test that has been carried out previously shows that the t-count is smaller than the t-table. So H7 is rejected, which means that the ISR variable has no effect and is not significant on ERC, which means that if the ISR disclosure increases, the ERC value will also increase and vice versa if the ISR disclosure decreases, the ERC value also decreases.

The results of this study are in line with the results of Anggraini's research (2015) which states that the disclosure of Islamic Social Reporting has no significant effect on the Earning Response Coefficient (Anggraini, 2015). This shows that investors still lack confidence in the ISR information disclosed by the company because investors are more oriented to short-term performance, while the ISR is more oriented to long-term performance, so that ISR information is not responded to by investors and is not used by investors in making investment decisions.

This is also because voluntary disclosure information in Islamic Social Reporting is considered not sufficient to provide an overview of the company's future earnings so that companies that have high or low voluntary disclosures will not affect investor responses when earnings announcements are made by the company.

Effect of Firm Size, Leverage, and Profitability on Earning Response Coefficient (ERC) with Islamic Social Reporting (ISR) Intervening variable

Based on Table 8, it is known that the indirect influence coefficient of the Firm Size variable is greater than the direct effect coefficient, meaning that Islamic Social Reporting is not able to mediate the influence of Firm Size on the Earning Response Coefficient. This means that Islamic Social Reporting in this study is not an intervening variable for the indirect relationship between Firm Size and Earning Response Coefficient. The ineffectiveness of Islamic Social Reporting in the relationship between Firm Size and Earning Response Coefficient shows that Firm Size is more directly related to Earning Response Coefficient without the intermediary of Islamic Social Reporting. This indicates that investors will react by looking at the size of the company without paying attention to the ISR report disclosed by the company.

Based on Table 9, it is known that the indirect influence coefficient of the Leverage variable is greater than the direct influence coefficient, meaning that Islamic Social Reporting is not able to mediate the influence of Leverage on the Earning Response Coefficient. This means that Islamic Social Reporting in this study is not an intervening variable for the indirect relationship between Leverage and Earning Response Coefficient. The ineffectiveness of Islamic Social Reporting in the relationship between Leverage and Earning Response Coefficient shows that Leverage is more directly related to Earning Response Coefficient without the intermediary of Islamic Social Reporting.

Based on Table 10, it is known that the coefficient of indirect influence of the Profitability variable is greater than the coefficient of its direct influence, meaning that Islamic Social Reporting is not able to mediate the influence of Profitability on the Earning Response Coefficient. This means that Islamic Social Reporting in this study is not an intervening variable for the indirect relationship between Profitability and Earning Response Coefficient. The ineffectiveness of Islamic Social Reporting in the relationship between Profitability and Earning Response Coefficient shows that Profitability is more directly related to Earning Response Coefficient without the intermediary of Islamic Social Reporting. In addition, higher profitability will provide good news for investors that the company has better future earnings. This causes investors to respond more to profitability information than the ISR information disclosed by the company.

4. CONCLUSSION

This study concludes that Firm Size has a significant positive effect on ISR, because the larger a company is, the greater the number of disclosures made, Leverage has no effect and is not significant on ISR, this is because the size of Leverage does not have an impact on the size of the disclosure of social performance, a company, profitability has a significant positive effect on ISR, because the higher the level of profitability of a company, the greater the level of disclosure of social information provided by the company. Firm Size has no effect and is not significant on ERC, because the larger the size of the company will have more information than small companies so that investors will use company size as one of the factors that can be used in making investment decisions, Leverage has a significant negative effect on ERC, this is because if there is an increase in leverage, the ERC value will decrease. Profitability has a significant positive effect on ERC, this is because companies that have a high level of profitability will have a high profit response coefficient, ISR has no and no significant effect on ERC, this is because voluntary disclosure information in Islamic Social Reporting is considered not sufficient to provide an overview regarding the company's future earnings so that companies that have high or low voluntary disclosures will not affect investor responses when earnings announcements are made by the company. Islamic Social Reporting (ISR) in this study is not an intervening variable for the indirect relationship between Firm Size, Leverage, and Profitability on Earning Response Coefficient (ERC).

The research model is relatively simple because it only reveals the effect of Firm Size, Leverage, and Profitability on Earning Response Coefficient (ERC) with Islamic Social Reporting (ISR) as an intervening variable partially and simultaneously even though there are other factors that affect ISR and ERC such as structure capital, growth opportunities, earnings persistence, and earnings quality. The research period taken is relatively short for the period 2014-2017, even though the research results can be generalized if it involves a fairly long year of observation.

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