# THE INFLUENCE OF SHARIA COMPLIANCE AND INSTITUTIONAL OWNERSHIP ON *SUSTAINABILITY REPORT DISCLOSURE* ON THE JAKARTA ISLAMIC INDEX 2021-2023

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**Abstract:** The aim of this research is to analyze the influence of sharia compliance on sustainability disclosure report on companies listed on the Jakarta Islamic Index 30 (JII 30). The samples from this research consisted of 21 companies selected using the *purposive sampling method* . The results of this research indicate that Sharia Compliance in the form of the ratio of interest debt to assets has a significant negative effect on *Sustainability Disclosures Reports* or the ratio of interest-bearing debt to total assets are inversely proportional to encouraging sustainability disclosure report of a company. The other Sharia Compliance variable (non-halal income to total income), has no significant partial effect, nor does the Institutional Ownership variable has a partial effect on *Sustainability Disclosure. Report*. Simultaneously, the Ratio of Interest-Bearing Debt to Total Assets, the Ratio of Non-Halal Income to Total Income and Institutional Ownership have a significant effect on Sustainability Reports.

**Keywords:** Shariah Complance, Sustainability Disclosure Report.

## INTRODUCTION

The development of the Islamic capital market in Indonesia is currently relatively rapid (Nurhisam et al., 2016). This is reflected in the many sharia-based investment instruments that are traded in the capital market in the form of sukuk, mutual funds, shares, and so on. Shares are one of the instruments traded in the capital market and are in demand by Muslim investors because their principles are in accordance with Islamic law and are able to produce high *returns , namely through dividends and capital gains.* One of the sharia stock indices in Indonesia is *the Jakarta Islamic Index* (JII). JII is also the first sharia stock index in Indonesia.

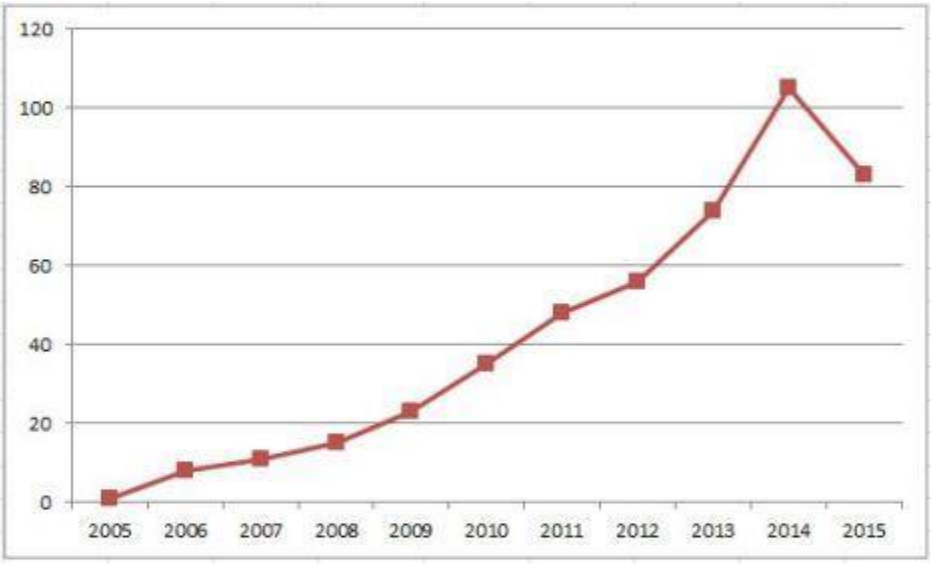
One of the legal aspects in the sharia financial industry is regulations regarding sharia *compliance*. It is important for the sharia financial industry in terms of management and operations. This is supported by requiring the existence of a Sharia Supervisory Board (DPS) for every sharia-based financial institution. The Sharia Supervisory Board (DPS) is tasked with supervising the implementation of contracts or contracts to see whether the implementation is in accordance with the principles contained in the sharia (Nurhisam et al., 2016). As long as compliance with sharia principles is a necessity for the sharia financial industry, sharia supervision *exists* in Indonesia. So it can be said that sharia supervision by the Sharia Supervisory Board (DPS) is an inseparable part of sharia compliance.

Financial reports in a company play a very important role, especially for go public companies. They submit report each period which accordance with those stated in regulation of Indonesian Stock Exchange Number I-E Decree of Jakarta Stock Exchange Direcots Number: Kep-306/BEJ/07-2004 regarding the obligation to submit information. According to Anisa et al., (2023), a company's general description of the condition of the company with financial ratios means that showed the financial condition good or bad in a certain period, which is referred to as the company's financial performance.

On the other hand, there has been an issue of damage to the ecosystem and environment resulting from the company's operational activities, which in this growing era of globalization, the company's focus must be on the 3P concept " *Profit, People, Planet* ", in this case *the Sustainability report* is one of the forms to realize it. the 3P concept " *Profit, People, Planet*" namely reports in the form of social performance, environmental performance and economic performance (Puspitandari et al., 2017). Information regarding the impact of a company's economic, social and environmental activities can be disclosed through *a sustainability report* as a voluntary report which is presented separately from the annual report (Aniktia et al., 2015).

Currently, there is a trend of increasing the number of companies in Indonesia that regularly present sustainability reports. In the period from 2005 to 2018, there was a significant jump from only 7 companies to 56 companies that actively disclosed sustainability reports. In the group of companies registered with JII, almost all of them have disclosed *their Substainability Report* in the 2021 Global Reporting Initiative (GRI) Standard and there is still one of the 30 companies that has not yet disclosed its *Substainability Report*. Apart from that, there is also one company that is still implementing the 2016 GRI Standard and has not upgraded *to* the new standard. So, this became an interest for the writer to make JII a research object. However, it should be noted that disclosure of sustainability reports in Indonesia is still voluntary. This reflects the company's high level of awareness and responsibility regarding sustainable economic, social and environmental aspects. The following is the growth in the number of companies publishing *Substainability Reports* for the 2006-2015 period.

**Figure 1. Growth in the number of companies publishing *Substainability Reports* for the 2006-2015 period**




Source: Fariz (2019)

Based on Figure 1, it is known that the number of companies that published *sustainability reports* for the 2006-2014 period experienced a significant increase, only in 2015 there was a decrease in the number of companies that published *sustainability reports* . After that, in 2017, OJK regulation number 51/POJK.03/2017 appeared regarding disclosure of sustainability reports, where companies are required to implement sustainable finance. This is required as an effort for businessman who have a commitment and contribution to sustainable development which does not only focus on economic aspects, but also environmental and social aspects, so supervision of company sustainability reports is required.

To monitor sustainability reports well, efficient corporate governance is needed. The share ownership structure is part of external supervision in corporate governance. By using the voting power of shareholders in voting, this ownership structure is expected to be able to monitor the disclosure of sustainability reports to protect the interests of stakeholders, especially in the context of sustainability reporting (Younas et al., 2017). This can also reduce the risk of management taking actions that are detrimental to shareholders, such as covering up or not disclosing environmental and social information (Barung et al., 2018). With high institutional ownership, it is hoped that it can encourage management to be active in reporting sustainability reports that meet stakeholder expectations. Large institutional ownership also expands company supervision, not only internally but also through the involvement of other institutions (Barung et al., 2018).

With the low number of companies disclosing *sustainability reports*, it is hoped that large company ownership can provide encouragement for companies to report *sustainability reports* (Barung et al., 2018). This is because shareholders are parties who have influence (*power)* and certainly have large voting rights so they can control and encourage company management to participate in informing about environmental and social aspects. This statement is supported by research by Hardika *et al*., (2018) which explains that there is an influence of institutional ownership on *sustainability reports*. In line with research by Afsari *et al*. (2017) that institutional *ownership* has a positive effect on sustainability report disclosure. Where companies that *go public* are required to provide information related to the activities carried out by the company, including social and environmental issues, to the public, who also have a proportion of share ownership in the company. However, the higher the institutional ownership of a company, the higher the demands for disclosure of sustainability reports. The results of different research conducted by Setyawan et al. (2018) and Qomariah (2021) where institutional *ownership* has no effect on sustainability report disclosure. This is because institutional ownership, especially in Indonesia, tends not to pay attention to responsibility and concern for the environment and social matters as a benchmark for investing. So, investors tend to no longer prioritize how big the company is when disclosing *its sustainability report* as a consideration in making decisions.

Based on previous research written by Afridawati and Gampito (2017) regarding influence *Sharia compilation* of consumers' decisions to save on the Mandiri Sharia Bank at Batu Sangkar. They found that sharia compliance has an influence on the decision to save at the Mandiri sharia bank KCP Batusangkar, this is proven by the results of the causation test (determinant coefficient – $R^2$) and the multiple regression test. Oktaviani and Rachmawati (2019) customer research stated that what had been tested using a partial test showed that sharia compliance had no effect on customer loyalty at the BNI Syariah Surabaya Branch Office. The reason is because customers don't care whether each activity carried out contains usury or not, but rather chooses a sharia bank based on references they have received from other people and good service. Similar research also discusses sustainability reports, the aim of which is to find out the company's performance in the future, as in several previous studies conducted by Pratiwi et al., (2022) which found that the company's financial performance was positively influenced by the simultaneous disclosure of sustainability reports which in the form of social, environmental and economic performance aspects through profitability ratios using *Return On Equity (ROE).* Other research from Josua and Hatane (2014), explains that the economic dimension (EC) of *the sustainability report* has a negative effect on financial performance because stakeholders in Indonesia have not seen the elements reported in *the* sustainability report for consideration in making decisions.

The implementation of *sustainability reports* in Islam must be based on ethics in accordance with sharia. As in the Word of Allah SWT. Surah An-Nisa verse 29:

يٰٓاَيُّهَا الَّذِيْنَ اٰمَنُوْا لَا تَأْكُلُوْٓا اَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ اِلَّآ اَنْ تَكُوْنَ تِجَارَةً عَنْ تَرَاضٍ مِّنْكُمْ ۗ وَلَا
تَقْتُلُوْٓا اَنْفُسَكُمْ ۗ اِنَّ اللّٰهَ كَانَ بِكُمْ رَحِيْمًا

English Sahih Internasional (translate):

> “O you who have believed, do not consume one another's wealth unjustly but only [in lawful] business by mutual consent. And do not kill yourselves [or one another]. Indeed, Allah is to you ever Merciful.”

The study of *sustainability reports* is of interest to Indonesian people who tend to view business processes from an Islamic perspective. Based on the description above, the author is interested in researching sharia compliance with *sustainability reports* in companies listed on the Indonesia Stock Exchange. Therefore, the researcher decided to examine the title **"The Influence of Sharia Compliance and Institutional Ownership on Substainability Report Disclosure companies registered in the Jakarta Islamic Index (JII) 2021-2023 ."**

## LITERATURE REVIEW

### Legitimacy Theory

According to Hadi (2014), it illustrates that society is part of an organization that must pay attention to its social norms. This theory is based on the concept of a social contract which emphasizes the relationship between social institutions and society to achieve goals that are in line with society's values. In this context, legitimacy theory highlights the importance of conforming company activities or policies to society's values, norms and expectations to maintain public support and trust. Companies that are considered to have legitimacy are believed by stakeholders to have good and responsible performance, which is reflected in the annual reports submitted to the public.

### Stakeholder Theory

Clarkson (2014), states that companies do not only operate for their own benefit, but must also provide benefits to stakeholders. According to Scott (2018), stakeholder theory involves a company's ability to operate by considering the strategic involvement of stakeholders in decision making. Thus, stakeholder theory explains that organizations have responsibilities not only to owners or shareholders, but also to various groups who have an interest in or are affected by the organization's activities, such as employees, customers, suppliers, government, and others.

### Sharia Compliance

Financial transactions carried out by sharia companies must comply with the principles of the Islamic religion, known as sharia compliance. According to Sukardi (2014), values, behavior and actions that reflect a culture of compliance need to be supported to ensure sharia companies comply with the provisions issued by the financial services authority. Sharia compliance refers to rules based on Islamic law that govern relationships between companies and other parties. In the context of sharia companies, compliance is used as a guideline to avoid activities, types of business and transactions that are not in accordance with sharia principles in the capital market. The health of a sharia company can be assessed by the ratio of total interest-based debt compared to total assets of no more than 45%, and the ratio of total interest income and other non-halal income compared to total business income and other income of no more than 10%.

The total debt ratio in a sharia company reflects the company's ability to manage or acquire assets without relying on high interest debt to other parties. Meanwhile, the Islamic income ratio in sharia companies is used to measure income originating from halal income sources. The Islamic investment ratio is a key factor in an organization or company, where a company is considered sharia if it is able to implement investments based on sharia principles.

### Institutional ownership

The share ownership structure in public companies can be classified into three categories, namely individual share ownership, managerial share ownership and institutional share ownership. According to the Financial Services Authority (OJK), institutional ownership refers to the proportion of share ownership by financial institutions. With high institutional ownership, investors have a better opportunity to control the company optimally. A high level of institutional ownership will strengthen the company's external supervision and can reduce major opportunistic behavior.

Institutional ownership has an important role in monitoring and controlling management, which ultimately can influence company performance in achieving company goals. Companies with significant institutional ownership demonstrate their ability to monitor management performance. The greater the institutional ownership, the more efficient the use of company assets and it is hoped that it can prevent wasteful practices that may be carried out by management (Sudarno, 2022). Institutional ownership can be measured using the formula:

$$Kepemilikan\ Institusional = \frac{\text{Total saham institusi}}{\text{Total saham yang beredar}} \text{ x } 100\%$$

**Sustainability Report**

Sustainability Report is a mechanism for reporting company information to stakeholders that combines financial, environmental and corporate governance reporting aspects in one document, or as a means used by organizations to move towards sustainability (Sukaharsono & Andayani, 2021). Disclosure of sustainability reports in the context of this research refers to company efforts to convey economic, environmental and social performance to all stakeholders to support sustainable development goals. In Indonesia, disclosure of the Sustainability Report is currently voluntary in accordance with Financial Services Authority Regulation (POJK) Number 51/POJK.03/2017.

The Global Reporting Initiative (GRI) is a non-profit organization that develops standard guidelines for reporting sustainability reports. GRI has made improvements to its sustainable reporting guidelines from time to time, starting from the First Generation (G1) Guidelines in 2000, then GRI G2, GRI G3, GRI G3.1, GRI G4, to the most recent GRI standards which were released successively -successfully in 2006, 2011, 2013, 2016, and 2021. The Global Reporting Initiative is an independent international organization that prepares sustainability reporting standards that are used as a reference by companies in preparing sustainability reports. The 2021 standard Global Reporting Initiative (GRI) index consists of 117 items, where corporate social responsibility (CSR) disclosure is measured using the CSR disclosure index which is formulated as follows:

$$CSR\ Indeks = \frac{\text{Jumlah item CSR diungkapkan}}{\text{Jumlah item maksimum harus diungkap berdasarkan GRI}} \text{ x } 100\%$$

**Hypothesis**

**Effect of Sharia Compliance on Ratio of Interest Payable to Total Assets to Sustainability Report**

Sharia compliance is implemented in sharia principles to advance the sharia capital market in Indonesia. Sharia compliance refers to Financial Services Authority Regulation number 35/POJK.04/2017 which regulates the criteria and list of sharia securities in the capital market. Sharia principles ensure that total interest-based debt does not exceed 45% of the company's total assets. Companies that apply sharia principles will disclose sustainability reports to attract public attention to the company (Haditya, 2014). Research by Dewling and Plefler (2015) and Chartri and Ghozali (2017) shows that sharia compliance with interest debt on total assets has an effect on sustainability reports. Based on that matter hence the hypothesis First in study This is :

**$H_1$: Sharia compliance with the ratio of interest debt to total assets has a significant effect on the sustainability report.**

**The Effect of Sharia Compliance on the Ratio of Non-Halal Income to Total Income on Sustainability Report**

Gompers et al. (2016) explained that company managers who implement sharia compliance can increase public trust in the company through disclosing sustainability reports. Sharia principles ensure that the ratio of total interest income and non-halal income does not exceed 10% of total business income and other income. Research by Othman (2019) and Hanlon, M. (2017) shows that sharia compliance with non-halal income on total income has a positive influence on sustainability report disclosure. However, research by Farook & Lanis (2015) and Percy, M. & Stewart (2014) concluded that sharia compliance with non-halal income on total income does not have a positive influence on the disclosure of sustainability reports. Based on that matter hence the hypothesis second in study This is :

**$H_2$: Sharia compliance with the ratio of non-halal income to total income has a significant effect on the sustainability report.**

**The Influence of Institutional Ownership on Sustainability Reports**

Institutional ownership is share ownership in companies owned by financial institutions. Institutional ownership can motivate companies to increase disclosure of sustainability information. Large institutional ownership can increase investor control over the company so that large share ownership by institutions can be one of the reasons for disclosures made by the company. It is hoped that the disclosure of the sustainability report can reduce the information asymmetry that occurs between agents and principals. Research conducted by Sellami et al (2019) and Susadi and Kholmi (2021) explains that institutional shareholders are actually increasingly demanding information related to sustainability and are putting pressure on companies so that they continue to build the credibility and transparency of their sustainability report information. Based on that matter hence the hypothesis third in study This is :

**$H_3$: Institutional ownership has a significant effect on sustainability reports.**

**The Influence of Sharia Compliance on the Ratio of Interest Payable to Total Assets, the Ratio of Unhalal Income to Total Income , and Institutional Ownership on Sustainability Report**

Companies that apply sharia principles will disclose sustainability reports to attract public attention to the company (Haditya, 2014). Research by Dewling and Plefler (2015) and Chartri and Ghozali (2017) shows that sharia compliance with interest debt on total assets has an effect on sustainability reports. Another sharia principle must ensure that the ratio of total interest income and non-halal income does not exceed 10% of total business income and other income. Research by Othman (2019) and Hanlon, M. (2017) shows that sharia compliance with non-halal income on total income has a positive influence on sustainability report disclosure. Apart from that , to monitor sustainability reports well, efficient corporate governance is needed. The share ownership structure is part of external supervision in corporate governance. By using the voting power of shareholders in voting, this ownership structure is expected to be able to monitor the disclosure of sustainability reports to protect the interests of stakeholders, especially in the context of sustainability reporting . Large institutional ownership can increase investor control over the company so that large share ownership by institutions can be one of the reasons for disclosures made by the company. It is hoped that the disclosure of the sustainability report can reduce the information asymmetry that occurs between agents and principals. Research conducted by Sellami et al (2019) and Susadi and Kholmi (2021) explains that institutional shareholders are actually increasingly demanding information related to sustainability and are putting pressure on companies so that they continue to build the credibility and transparency of their sustainability report information. Based on that matter hence the hypothesis in study This is :

**$H_4$: Sharia compliance in the ratio of interest debt to total assets, the ratio of non-halal income to total income , and institutional ownership have a significant effect on the sustainability report.**

## RESEARCH METHODS

Study This carried out at the included companies in index Sharia shares in the Indonesian capital market. Population in study This is companies listed on the Jakarta Islamic Index (JII) on the Indonesia Stock Exchange (BEI). Deep sample study This determined with use purposive sampling method with criteria as following :

| No | Sample Criteria | Amount |
|---|---|---|
| 1. | The company is listed on the Jakarta Islamic Index 30 (JII 30) and publishes report annual during 2021-2023 period | 90 |
| 2. | Didn't reveal ownership institutional in report annual 2021-2023 period | (21) |
| 3. | Do not use GRI index 2021 in disclose sustainability reports and can accessible during 2021-2023 period | (6) |
| **Total Sample** | | **63** |

This study uses three variables, sharia compliance and ownership institutional as variable independence and sustainability as variable dependent. Indicator Sharia compliance is used is interest-bearing debt ratio on total assets and ratios non - halal income on total income. Data used in the form of secondary data collected with technique documentation obtained from report company in the form of annual reports and sustainability reports from each company website.

Study This use method quantitative with technique Data analysis includes is analysis statistics descriptive, test assumptions classics and analysis multiple linear regression, with utilize SPSS 28 software as statistic data processor. Statistics descriptive consist are mean, and standard deviation of each variable. Test of classical assumption for ensure that underlying assumptions use multiple linear regression test technique can fulfilled consisting of from the normality test, multicollinearity test, and heteroscedasticity test. Analysis multiple linear regression used as testing purposeful hypothesis for knowing whether variable independent (X) is influential significant to variable dependent (Y).

**Testing Hypothesis**

Study This aim For test influence Sharia compliance with proxied sustainability reports with dimensions economic , dimensions social and dimensional environment and measured with index disclosure . Guidelines Reporting Sustainability from the Global Reporting Initiative (GRI) standard 2021 is used as base calculation score index disclosure of sustainability reports. Data analyzed with analysis statistics descriptive , test assumptions classics and analysis multiple linear regression For test hypothesis ,

Hypothesis testing in study This done with time series regression with use SPSS 26 software assistance. Analysis model linear regression is used are :

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Information:

Y = Sustainability Report; $X_1$=Interest-bearing Debt Ratio to Total Assets; $X_2$=Ratio Non - Halal Income to Total Income; $X_3$=Ownership institutional; a=Constant value; β= Coefficient Regression; ε = Disturbance's error

## RESULTS AND DISCUSSION

The following table displays the results of descriptive statistical analysis used to evaluate the level of CSR *(Corporate Social Responsibility) disclosure* by companies listed on the Indonesia Stock Exchange, including the Jakarta Islamic Index group.

**Table 1. Descriptive Statistics of CSR Disclosures**

| | **JII Sample** |
|---|---|
| Average | 57% |
| Minimum | 0% |
| Maximum | 100% |
| Standard Deviation | 30% |

Source: Processed Data (2024)

Table 1 shows that the average level of social responsibility (CSR) disclosure in Indonesia is still considered standard (57%). This figure shows that on average the companies sampled in this study only disclosed 84 items out of the 117 items that should have been carried out and disclosed according to GRI. Regarding the diversity of levels of CSR disclosure, the sample standard deviation shows that companies registered with JII have a fairly low level of variation in disclosure. There were three highest disclosure scores during the observation period, achieved by PT Medikaloka Hermina, PT Mitra Keluarga Karyasehat, and PT Timah with a total of 117 disclosure items (100%) or it could be said that these three companies had disclosed all CSR items on the GRI index. Standard. However, on the other hand, there are still two companies that do not disclose their CSR items at all, namely PT Medikaloka Hermina and PT Mitra Keluarga Karyasehat in 2021. Based on the sampling process, 63 samples were obtained that met the criteria. Descriptive statistical tests obtained the following results:

**Table 2. Descriptive Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| Substainability Report (Y) | 0.6225 | 0.23699 | 63 |
| Interest Bearing Debt Ratio to Total Assets ($X_1$) | 0.2068 | 0.18490 | 63 |
| Ratio of Non-Halal Income to Total Income ($X_2$) | 0.0067 | 0.00783 | 63 |
| Institutional Ownership ($X_3$) | 0.6700 | 0.16912 | 63 |

Source: SPSS 28 Test Results (2024)

**Table 3. F Test Results (ANOVA)**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 0.774 | 3 | 0.258 | 5,622 | 0.002 |
| | Residual | 2,708 | 59 | 0.046 | | |
| | Total | 3,482 | 62 | | | |

Source: SPSS 28 Test Results (2024)

The conclusion that can be drawn from the table above is that the significance is 0.002, which has a value below 5%. This means that $H_a$ is accepted but $H_0$ is rejected. Therefore, the regression model in this research is appropriate for testing the independent variable and the dependent variable.

**Table 4. T Test Results**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 0.878 | 0.128 | | 6,858 | 0.00 |
| | Interest-Bearing Debt to Total Assets ($X_1$) | -0.585 | 0.150 | -0.457 | -3,893 | 0.00 |
| | Non-Halal Income to Total Income ($X_2$) | -0.031 | 3,612 | -0.001 | -0.009 | 0.99 |
| | Institutional Ownership ($X_3$) | -0.201 | 0.165 | -0.143 | -1,222 | 0.23 |

Source: SPSS 28 Test Results (2024)

Based on the information above, if the sig value < 0.05 or the t-count value > t-table, then there is an influence of variable X on variable Y. Conversely, if the sig value > 0.05 or the t-count value < t-table, then there is no influence of variable X on variable Y. So it can be concluded as follows:

a. The meaning of the information above is that the regression coefficient of the Interest Bearing Debt variable on Total Assets ($X_1$) is 0.00, and its significance is smaller than 0.05, which means that Sharia Compliance on the Interest Bearing Debt indicator on Total Assets has a negative and significant effect on disclosure. sustainability report.
b. The meaning of the information above is that the regression coefficient for the variable Non-Halal Income on Total Income ($X_2$) is 0.99, and its significance is greater than 0.05, which means that the size of Sharia Compliance on the Non-Halal Income indicator on Total Income is not has a significant effect on sustainability report disclosure.
c. The meaning of the information above is that the regression coefficient for the Institutional Ownership variable ($X_3$) is 0.23, and its significance is greater than 0.05, which means that the size of Sharia Compliance in the Institutional Ownership indicator does not have a significant effect on sustainability report disclosure.

**Table 5. Coefficient of Determination Results**

| **Model Summary [b]** | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | 0.472 | 0.222 | 0.183 | 0.21424 |

Source: SPSS 28 Test Results (2024)

The conclusion that can be drawn is based on table 5, namely where the value of adjusted R square is 18%. The aim is to only get an explanation of 18% of the selected independent variables regarding the dependent variable, the rest of which is influenced by other variables not listed in this research.

**The Influence of Sharia Compliance on the Ratio of Interest-Bearing Debt to Total Assets on Sustainability Report Disclosure**

This research provides results that show that Sharia Compliance in the Ratio of Interest-Bearing Debt to Total Assets to *Substainability Report* has a significance value of 0.00 < 0.05. This implies that $H_1$ is accepted, which means that there is acceptance of the first hypothesis which is suspected of a negative and significant influence between the Ratio of Interest-Bearing Debt to Total Assets on *the Substainability Report.* Sharia compliance has the potential to encourage management to disclose *a Substainability Report* . However, this is not in line with the research of Nuraeni et al. (2024) that the fluctuating interest-bearing ratio on total assets does not have a direct influence on the disclosure of *the Substainability Report* , because there are still several companies that have high and low interest debt with relatively the same sustainability disclosure.

**The Effect of Sharia Compliance on the Ratio of Non-Halal Income to Total Income on Sustainability Report Disclosure**

The results of data analysis show that the ratio of non-halal income to total income to *the substainability report* based on table 4 has a significance value of 0.99 > 0.05. This indicates that $H_2$ is rejected, meaning that there is rejection of the second hypothesis which is suspected of a negative and significant influence between the Ratio of Non-Halal Income on Total Income ($X_2$) and the Sustainability Report (Y). This is in line with research by Nuraeni et al. (2024) that fluctuating illicit income does not have a tendency to disclose *Substainability Reports* because there are still some companies that have illicit income that fluctuates from year to year, but it has no effect at all on the amount of *substainability disclosure.*

**The Influence of Institutional Ownership on Sustainability Report Disclosure**

Statistically, data analysis shows that based on table 4, the direct influence of Institutional Ownership ($X_3$) on the Sustainability Report (Y) has a significance value of 0.23 > 0.05. These results imply that $H_3$ is rejected, meaning that there is rejection of the third hypothesis which indicates a positive and significant influence between Institutional Ownership ($X_3$) and Sustainability Report (Y). According to Septi Ludianah et al. (2022) institutional ownership can be used to improve the monitoring process, which in turn is expected to encourage management to disclose *the Sustainability Report.* However, the results of this research indicate that institutional ownership does not significantly influence *Sustainability Report disclosure* .

The results of this study support the findings of Sujatnika et al. (2023) , which shows that high institutional ownership tends to be profit-oriented, which can hinder monitoring and control of management's opportunistic behavior. The impact is that management tends to reduce major costs, including the costs required to disclose *the Sustainability Report* , with the aim of increasing company profits.

**The Influence of Sharia Compliance on the Ratio of Interest-Bearing Debt to Total Assets, the Ratio of Non-Halal Income to Total Income and Institutional Ownership on Sustainability Report Disclosures**

The results of data analysis based on table 3 simultaneously have a direct influence on *the Substainability Report* , which shows a significance value of 0.002 < 0.05. This means that $H_4$ is accepted, which indicates that there is acceptance of the fourth hypothesis which is suspected to be the ratio of interest-bearing debt to total assets, the ratio of non-halal income to total income and institutional ownership. has a significant effect on *the Substainability Report.* These three aspects simultaneously have great potential to influence the disclosure of *the Substainability Report.*

## CONCLUSION

Based on the results of the analysis of the influence of sharia compliance and institutional ownership on *Sustainability Report disclosure* in companies listed on the Jakarta Islamic Index (JII), it can be concluded that the aspect of sharia compliance in the Ratio of Interest-Bearing Debt to Total Assets has a negative and significant effect on *Substainability Report disclosure* , which indicates that The lower the interest-bearing debt a company has, the greater the level of *Substainability Report disclosure.* Meanwhile, in the aspect of sharia compliance, the ratio of non-halal income to total income and institutional ownership does not have a significant effect on the disclosure of *the Substainability Report* . Meanwhile, these three variables simultaneously have a significant effect on the disclosure of *the Substainability Report* .

This research is not free from limitations. This research only uses two indicators of sharia compliance and institutional ownership, so the suggestion for future researchers is to add indicators of sharia compliance both on a national and international basis. Thus, the author suggests that future researchers expand the scope of independent variables that influence sustainability report disclosure, such as company financial performance, implementation of *Good Corporate Governance* and other factors that can influence *Sustainability Report disclosure* in sharia-based companies.

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