THE EFFECT OF GOOD CORPORATE GOVERNANCE ON ISLAMIC COMPREHENSIVENESS INFORMATION DISCLOSURE OF SUSTAINABILITY REPORT MODERATED BY COMPANY SIZE AND AGE

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PREFACE

Alhamdulillahirobbil 'alamin, all praise and thanks always prayed to Allah SWT who always give grace and guidance. Prayers and peace always delivered to the Prophet Muhammad Shallallahu 'Alaihi wa Sallam. This undergraduate thesis entitled **"The Effect of Good Corporate Governance on Islamic Comprehensiveness Information Disclosure of Sustainability Report Moderated by Company Size and Age"** as partial fulfillments of the requirement for Bachelor Degree of Accounting at Airlangga University could be finished. I would like to express my deepest gratitude to all the people who helped and encouraged me during my undergraduate study:

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ABSTRACT

This study investigate the effect of good corporate governance on Islamic comprehensiveness information disclosure by considering company size and company age as moderating variable. This research used Indonesian Shariah banks as the research object. The objective of this research are: (1) to investigate the effect of good corporate governance on Islamic comprehensiveness information disclosure of sustainability report; (2) to investigate the effect of company size on the effect of good corporate governance on Islamic comprehensiveness information disclosure of sustainability report; (3) to investigate the effect of company age on the effect of good corporate governance on Islamic comprehensiveness information disclosure of sustainability report. The proxies for good corporate governance index are based on assessment for Good Governance for Shariah Business Guideline issued by National Committee for Governance Policy (KNKG). The Islamic comprehensiveness information disclosure index is developed and conducted by cross checking between the Islamic sustainability information disclosed in the annual reports and the disclosure items developed by the researcher based on items disclosure required by AAOIFI and previous research Maali et al. (2003) and Sembiring (2005). The company size were measured by using confirmatory factor analysis and company age were measured by using the number of years the company had been in operation. The data technique analysis used to test the hypotheses is Moderated Regression Analysis. The findings show that good corporate governance has positive significant effect on Islamic comprehensiveness information disclosure. The first hypothesis H1 was accepted. The higher of good corporate governance quality will improve Islamic informative disclosure. The second hypothesis H2 was rejected. The result testing indicates that company size didn't moderate the effect of good corporate governance on Islamic comprehensiveness information disclosure. The result indicates that company size has positive significant effect on Islamic comprehensiveness information disclosure. The third hypothesis H3 was rejected. Company age neither have significant effect on Islamic comprehensiveness information disclosure nor moderate the effect of good corporate governance on Islamic comprehensiveness information disclosure.

Keywords: good corporate governance, Islamic comprehensiveness information disclosure, company size, company age.

TABLE OF CONTENT

Conformity i

Declaration of Examination ii

Declaration of Legitimacy iii

Declaration of Originality iv

Preface v

Abstract vii

Table of Content viii

List of Table xii

List of Figure xii

List of Appendix xii

I. Introduction 1

1.1. Research Background 1

1.2. Problem Formulation 7

1.3. Research Objective 7

1.4. Research Contribution 8

1.5. Research Systematic 9

II. Literature Review 11

2.1. Theoretical Review 11

2.1.1. Agency Theory 11

2.1.2. Legitimation Theory 13

2.1.3. Variable in The Research 15

2.1.3.1. Good Corporate Governance 15

2.1.3.1.1. Definition of Good Corporate Governance 15

2.1.3.1.2. Corporate Governance in Islamic Perspective 16

2.1.3.1.3. Measurement of Good Corporate Governance 18

2.1.3.2. Islamic Comprehensiveness Information Disclosure 18

2.1.3.2.1. Sustainability Development and Triple Bottom Line Concept ... 18

2.1.3.2.2. The Nature of Islamic Disclosure in Sustainability Report 21

2.1.3.2.3. The Measurement of Comprehensiveness Disclosure 23

2.1.3.3. Company Size 23

2.1.3.4. Company Age 24

2.2. Previous Research 24

2.3. Conceptual Framework 31

2.4. Formulation of Hypothesis 34

2.4.1. Good Corporate Governance on Islamic Comprehensiveness Information Disclosure 34

2.4.2. Company Size 35

2.4.3. Company Age 36

III. Research Methodology 38

3.1. Research Approach 38

3.2. Identification of Variables 38

3.3. Operational Definition and Measurement 39

3.3.1. Islamic Comprehensiveness Information Disclosure of Sustainability Report 39

3.3.2. Good Corporate Governance 40

3.3.3. Company Size 41

3.3.4. Company Age 41

3.4. Type and Source of Data 42

3.5. Data Collection Method 42

3.6. Research Population and Sampling Method 42

3.6.1. Research Population 42

3.6.2. Research Sample 42

3.7. Data Analysis Technique 43

3.7.1. Hypothesis Testing 44

3.7.1.1. Confirmatory Factor Analysis (CFA) 44

3.7.1.2. Regression Analysis 45

3.7.1.3. Classical Assumption Testing 46

3.7.2. Criteria of Hypothesis Testing 48

IV. Result and Discussion 50

4.1. Description of Research's Object 50

4.2. Description of the Research's Result 51

4.2.1. Confirmatory Factor Analysis Result for Company Size 51

4.2.2. Descriptive Statistic 52

4.3. Classical Assumption Test 54

4.3.1. Multicollinearity Testing 54

4.3.2. Normality Testing 55

4.3.3. Autocorrelation Testing 55

4.3.4. Heteroscedasticity Testing 56

4.4. Analysis of Hypothesis Testing 57

4.5. Discussion of the Result 62

4.5.1. The effect of good corporate governance on Islamic comprehensiveness information disclosure 62

4.5.2. The effect of company size on islamic comprehensiveness information disclosure 64

4.5.3. The effect of company age on the relationship of good corporate governance on islamic comprehensiveness information disclosure 67

V. Conclusion and Suggestion 69

5.1. Conclusion 69

5.2. Limitation of the Research 70

5.3. Suggestion for the Next Research 71

5.4. Implication of the Research 72

References 74

Appendix xiv

LIST OF TABLE

Table 2.1. Summary of Previous Research 28

Table 3.1. Sample Composition Summary 43

Table 3.2. Typology of Specification Variables 49

Table 3.3. Categorization by comparison of coefficient significant of α_4, α_8, α_{11} and α_{15} 49

Table 4.1. Confirmatory analysis factor of company size 52

Table 4.2. Result of Descriptive Analysis 53

Table 4.3. Multicollinear Test 54

Table 4.4. Normality Test 55

Table 4.5. Durbin-Watson Test Result 56

Table 4.6. White Test 57

Table 4.7. Result of Moderated Regression 58

Table 4.8. Summary of Model Hypothesis 2 and 3 68

LIST OF FIGURE

Figure 2.1. Conceptual Framework 33

LIST OF APPENDIX

Appendix A. Sample of the Research xiv

Appendix B. Items Disclosures for Islamic Sustainability Report xv

Appendix C. Shariah Business Governance Guideline xvi

Appendix D. Raw Data of Employees Number, Total Assets, Total Revenues, GCG Index, ICID Index xvii

Appendix E. Result of Company Size Comfirmatory Factor Analysis xx

Appendix F. Descriptive Statistic xxii

Appendix G. SPSS Output for H1 X → Y xxiii

Appendix H. SPSS Output for H2 model 2a X + Z1 → Y xxv

Appendix I. SPSS Output for H2 model 2b X + Z1 + X*Z1 → Y xxvii

Appendix J. SPSS Output for H3 model 3a X + Z2 → Y xxx

Appendix K. SPSS Output for H3 model 3b X + Z2 + X*Z2 → Y xxxii

Appendix L. SPSS Output for White Test xxxv

CHAPTER I

INTRODUCTION

1.1. Research Background

Islamic finance has a significant global improvement growth in the last two decades. The total asset of Islamic finance expanded from US$137 billion in 1996 to US$1,3 trillion in 2011 (The Financial Express, 2011). A survey from Bahrain Monetary Agency in 2004 showed that the Shariah banking as Islamic finance industry increased significantly from 176 in 1997 to 267 in 2004 operated in 60 countries around the world.

Indonesia, dominated by moslem citizen, has started Islamic or Shariah banking industry since 1992. Now data from Infobanknews, Indonesia has eleven Shariah banks which have total asset of Rp.161,5 trillion for banking industry in 2012 contributing 1,83% of global Islamic industry total asset.

Indonesia Shariah banking is well growing from year to year. Data from Indonesian Association of Islamic Bank (Asbisindo) stated that the average growth of Indonesia Shariah banks is about 49,21% per year, four times than conventional banking. But based on Infobanknews analysis, several problems caused unoptimal growth represented by the market share (based on total assets) per 2012 which is 4,1% compared to national banking overall. Less innovation of Shariah bank products caused the difficulties in expanding market share. The market target of Shariah banks are moslem and non-moslem. In other side, based on Institution of Indonesia Bank Development (LPPI), only 30% of human resources understood the Shariah bank term and its product awareness. By the potential asset of about 195 million moslem citizen in Indonesia, Shariah bank should be potential market for common people. Shariah bank should build good image in citizenship.

To improve their reputation and performance and to ensure their business sustainability, sustainability reporting plays significant role for monitoring the enviromental and social performance improvement based on market approach through tripple bottom line: people, planet and profit (Ballou et al., 2006). They can be sustainable in global business environment which is more dinamic, competitive and complex.

Sustainability reporting has become increasingly common issue in recently years. It consists of the practice for corporate accountability process in measuring and disclosing performance towards sustainable goals to stakeholders. Global Reporting Index (GRI) survey in 2011 said that 65 percent said the top reason for reporting on their sustainability performance was improving internal processes. PwC 15th annual global CEO survey said that half of CEO’s says they’re making changes to improve corporate reputations and rebuild public trust.

In 2011, National Center for Sustainability Reporting stated that 34 companies in Indonesia make sustainability reports based Global Reporting Initiative (GRI) standards. Sustainability report should consist financial, social responsibility and enviroment disclosure. According to Htay et al. (2012), information disclosure in sustainability report is essential to signal the performance of the corporation, to reduce the information asymmetry, to clarify the conflict of interests between the shareholders and the management, and to make corporate insiders accountable.

Actually, studies of accounting and accountability based on Islamic perspective have been established since 25 years ago. However, Western cultural value still dominated the business environment around the world and affected the Islamic societies. It resulted in difficulties for Islamic business to apply the accounting and reporting recommendations of the normative studies because the Western framework may not be suitable for Islamic business needs because the most pertinent information items based on Islamic perspective is often lacking. Islamic business can report their activities informations to advise the *Umma* (Islamic community) about their operations, show the compliance with Shariah, help Muslims in performing the religious duty such payment of Zakah.

Retrieving that Shariah bank is a financial institution which emphasized trust principal of *Umma* (Islamic community) to improve their performance. To build reputations and Shariah rule compliance, it need the implementation of good corporate governance (GCG) concept as the most possible alternative. It is mainly about accountability and transparency. It is how the enterprise presents itself transparently to the wider world outside the organisation – to shareholders, potential investors, employees, regulators and other interest groups with a legimate interest in its affairs. Good corporate governance rules are also strict enough to reduce managerial slack and thereby induce innovation (Aghion et al., 1999). Managers are motivated to innovate as means of reducing the risk of bankruptcy.

There are five main components required in the concept of good corporate governance: transparency, accountability, responsibility, independency and fairness (KNKG, 2009). The application of the principles of good corporate governance consistently proven to improve the quality of financial reporting and can also be a barrier to performance engineering activities that result in the financial statements which do not reflect the fundamental value of the company.

Many theories like agency theory and many corporate guidelines mutually agree that having good corporate governance system will strengthen the internal control procedures of the corporations and will enhance the disclosure information about the performance of the corporation (Apostolos and Konstantinos, 2009) in Htay et al. (2011). Therefore one of the important aspect of the good corporate governance is the disclosure information in the annual reports. According to Basel committee on banking supervision (2005) in Htay et al. (2011), information disclosure is important as it is the heart of corporate governance.

GCG implementation in Indonesia, all stakeholders participated including the National Committee on Corporate Governance which beginning in 2005 converted into national development policy Governance Committee have issued corporate governance guidelines in March 2001 which is expected to contribute to the activities of the company including an attempt disclose sustainability reporting and company performance.

Shariah businesses that have future prospects also requires good corporate governance as a business component in running their activities. Shariah should be executed as a manifestation of worship or good deeds based pious charity which requiring adherence to spiritual principles and operational. In 2011, National Commitee of Governance Policy (in Indonesia called KNKG) has already issued a Shariah Governance Guideline for supporting GCG implementation in Shariah businesses.

The research about relationship between good governance and sustainability reporting on Shariah banks generally performed in countries outside, and there only a few research have been similar in Indonesia such Iswati (2007) and Htay et al. (2012). Both of them found that there are positive relationship between good corporate governance and Islamic sustainability report as voluntary disclosure.

Given the Shariah banking industry in Indonesia is growing quite rapidly, coupled with the issue of social reporting disclosure practices, the researcher are motivated to identify how the good corporate governance practices in Shariah banks affect its Islamic disclosure sustainability report.

The first motivation to execute this research is expanding previous research about the relationship between corporate governance and sustainability report. Different with the previous researcher (Htay et al., 2012; Amoozesh, 2012) which didn't included company size and company age variables in their research, this research involved the company size and company age as moderating variables in determining the relationship between corporate governance. Additional factor that can influence the complexity in corporate governance process and motivate to disclose information in sustainability report are ignored in previous researches.

Company size play role to the practice of corporate governance and the extent of informational disclosure. Larger companies may tend to disclose more information than smaller companies in their annual reports due to their competitive cost advantage (Lobo and Zhou, 2001). In this research, company size as moderating variable will be measured using confirmatory analysis factor to combaining 3 kinds of different indicators (total asset, total revenue and number of employees).

Second motivation, the author exercises different proxies to measure corporate governance and sustainability report based on Islamic perspective. Instead of Htay et al. (2012) and Kharis and Suhardjanto (2012) which used individual proxies (ownership structure, board composition, and audit commitee), this study use Shariah Business Governance Guideline issued by National Commitee of Governance Policy (KNKG) to develop good corporate governance index. This guidelines are set for corporate governance based Islamic perspective so that it is more appropriate to be used in this research. The measurement of Islamic comprehensiveness information disclosure index is based on AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) proxies and expanded by adopting from Maali et al. (2003) and Sembiring (2005) proxies.

Based on the above background, business sustainability is expected to be implemented through the Shariah governance to eliminate the tendency of business conduct that justifies any means to gain and achieve goals in accordance with the standards and guidelines of good governance of Islamic finance. Therefore this research is titled **"The Effect of Good Corporate Governance on Islamic Comprehensiveness Information Disclosure of Sustainability Report Moderated by Company Size and Age"**.

1.2. Problem Formulation

From the explanation above, there are three formulation of problem discussed in this research:

1. Does the Good Corporate Governance affect the Islamic Comprehensiveness Information Disclosure of Sustainability Report?
2. Does the Company Size moderate the effect of Good Corporate Governance on Islamic Comprehensiveness Information Disclosure of Sustainability Report?
3. Does the Company Age moderate the effect of Good Corporate Governance on Islamic Comprehensiveness Information Disclosure of Sustainability Report?

1.3. Research Objective

The research objectives of this research are

1. To investigate whether the Good Corporate Governance affect the Islamic Comprehensiveness Information Disclosure of Sustainability Report or not.
2. To investigate whether company size moderate the effect of Good Corporate Governance on Islamic Comprehensiveness Information Disclosure of Sustainability Report or not.
3. To investigate whether company age moderate the effect of Good Corporate Governance on Islamic Comprehensiveness Information Disclosure of Sustainability Report or not.

1.4. Research Contributions

There are some contributions from this research, such as:

1. Contribution of Theory.

   This research will enhance the theory of corporate governance and sustainability reporting among Islamic perspective. It explained the phenomenon of corporate governance impact on Islamic Comprehensiveness Information Disclosure of Sustainability Report found in this research. In this research, the author expands by involving company size and company age which can affect the corporate governance process.

2. Contribution of Empirical.

   The results of the research will give the information to the corporations that corporate governance can be considered as one of an important factor that enhance the mandatory or voluntary disclosure. It also can be used as reference for the advance research by the next reseacher in the same field.

3. Contribution of policy.

   This result will contribute for policy maker to arrange and issue policies related to the corporate governance or Islamic sustainability report guidelines for instance Bank of Indonesia so that every Shariah financial and non-financial institution can apply the same standard level of corporate governance implementation or Islamic sustainability report.

1.5. Research Systematic

This research is systematicly compiled in the following order:

CHAPTER I: INTRODUCTION

This part of thesis explained the research background of this research, problem formulation which construct what this research discussed about and also the motivation for research why to choose topic for this research.

CHAPTER II: THEORETICAL REVIEW

This section contains of theories used to support topic dissusion and examine the developed hypothesis. In this part also discussed the conceptual framework and explained about previous researches related to this topic to construct hypothesis appropriate with this topic.

CHAPTER III: RESEARCH METHODOLOGY

This chapter explained the method approached used in this research, operational definition of variables and measurement, sample and also the data analysis technique to examine the hypothesis which determine the validity of result of research.

CHAPTER IV: RESULTS AND ANALYSIS

In this section, the description of the result will be explained together with research data, model analysis, interpretation, hypothesis testing and discussion.

CHAPTER V: CONCLUSION AND SUGGESTION

This part contains summary of research conclusion including the research limitation and suggestion for the next research.

CHAPTER II

LITERATURE REVIEW

2.1. Theoritical Review

2.1.1. Agency Theory

This theory states that an agency relationship arises when one party (the principal) hire another party (the agent) to perform some service in its behalf which involves delegating some decision making authority to the agent (Jensen and Meckling, 1976). It is about the relation between the owners of economic resources (principal) and managers (agents) that take care of the use and control of these resources.

Managers as agents who performing their duties possess the obligation to maximize the welfare of the owners of the firm (the principal) in both the short and long term in order to maintain the company's sutainability development. On the other hand, managers also have an interest to maximize their own welfare. The difference of purpose between the principal and agent and the separation of ownership and control of companies will cause managers to act not in accordance with the wishes of the principal.

Jensen and Meckling (1976) argue that agency theory also explains why accounting report would be provided voluntarily to creditors and stakeholders, and why independent auditors would be engaged by management to testify to the accuracy and correctness of such reports. As corporate agents, managers might be expected to have an interest in providing credible and reliable information to users by mandatory report or even voluntary report. From this argument, it seems that managers have been willing to incur costs to improve comprehensiveness information disclosed before they should meet regulations requirement.

Moreover, agency theory also concerned about information asymmetric. Managers have more comprehensive informations about corporate internal and external conditions than shareholders, investors and other stakeholders. They have duties to inform about corporate conditions to shareholders. However, the information disclosed sometimes are not reflected the real conditions. This condition called as asymmetric information (Hendriksen and Van Breda, 2001:834).

Agency theory makes two specific contributions to organizational thinking (Clarke, 2004:84). First, agency theory is the treatment of information. Information is regarded as a commodity. It had a cost and can be purchased. As the implication, organizations can invest in information systems in order to control agent opportunism. Second contribution is risk implications. Organization are assumed to face uncertainty in the future. The future may bring prosperity, bankcuptcy, and some intermediate outcome and that future is only partially controlled by organization members which can damage business sustainability. Enviromental effects such as government regulation, emergence of new competitor and social issues. Uncertainty is viewed in terms of risk or reward tradeoffs.

One of management mechanism which is based on agency theory is corporate governance. The application of the concept of corporate governance is expected to provide confidence for the agent (management) to manage the wealth of the owners (shareholders), and the owners became more confident that the agency will not make a fraud that minimize conflicts of interest and to minimize agency costs. Blair (1996:97) states:

> Managers are supposed to be the „agents' of a corporations's „owners', but managers must be monitored and institutional arrangements must provide some checks and balances to make sure they do not make abuse their power. The cost resulting from manager misusing their position, as well of the cost of monitoring and diciplining them to try to prevent abuse, have been called „agency cost'.

2.1.2. Legitimacy Theory

Legitimacy theory explains that firms operating in the external environment changes constantly and trying to convince them that their behavior is in accordance with the limits and norms of society (Brown and Deegan, 1998). Legitimacy theory focuses on the interaction between the company and the community (Ulman, 1985). Activities of the company should have a social value that is consistent with community values. When the values owned by companies different with the values of society, the legitimacy of the company will be in a position of awry.

The implementation of legitimacy in businesses can be into form such a social and environmental reporting company. By disclosing sustainability reporting (financial, social, environment), it is expected the company will gain social legitimacy and maximize long-term financial strength (Kiroyan, 2006) in Sayekti and Wondabio (2007).

Entities have sustainability and environmental as part of their primary mission to create legitimacy. The effect practices of social and environmental reporting can be understood as a response to the need for business to generate legitimacy. Legitimacy theory posits that organisations continually seek to ensure that they operate within the bounds and norms of their respective societies. In adopting a legitimacy theory perspective, a company would voluntarily report on activities if management perceived that those activities were expected by the communities in which it operates (Deegan, 2002).

In addition, ongoing disclosure be one way to show the company's good performance to the public and investors. With disclosure, the company will get a good image and recognition, the company is also responsible for the stakeholders, so the company will have attraction in capital investment. This is supported by the idea that legitimacy is often built and maintained using symbolic actions that make up the company image in the public eye (Michelon and Parbonetti, 2003).

Organizational legitimacy has link with social and environmental reporting as generalised, perception or assumption and socially constructed (Suchman, 1995). First, organizational legitimacy is generalized. The processes by which corporations seek to create, increase or maintain perceived legitimacy are essential elements in exploring corporate behaviour and corporate communication in relation to society and the environment (Phillipe, 2006). Second, corporates accountability to multiple parties is particularly evident with regards to social and environmental concerns as perception. The process of legitimacy, therefore, is often seen as involving the “management” of these stakeholder groups or individuals. Last, organisational legitimacy is “socially constructed”. It can be seen as a discursive product, achieved and maintained through social dialogue (Boje et al., 2004).

2.1.3. Variable In The Research

2.1.3.1. Good Corporate Governance

2.1.3.1.1. Definition of Good Corporate Governance

Good governance is considered abstract and indeterminable (Alam, 2009) in Naqvi et al. (2011). Even corporate is complex, the social scientists and institutions interpretation stated that good governance mainly defined as participation of all stakeholders in society including political system, leadership, decision making, rule of law and justice, transparency in policies and procedures, equity assurance, problems responsiveness, effectiveness and efficiency performance, unbiased accountability and a stable economy (Taylor, 2000).

Good corporate governance is related to be free and independent from corruption, fraud and other irregularities. This concept is further not limited to the governments of countries. It is difficult to determine the parameters that represents good governance, usually the primary determinant of good governance is the institutional infrastructure or organizational structure. Leadership and political structure are considered secondary (Alam et al., 2010) in Naqvi et al. (2011). Literature further considers the institutional infrastructure a prerequisite for all other determinants of good governance in a society (Roy and Tisdell, 1998). Although, this limitation of concept perception is varies, the literature on corporate governance does not contain a holistic view of all the sources that contribute to its understanding.

Organization for Economic Co-operation and Development (OECD) defined corporate governance as the following :

> Corporate governance is the system by which the business operations are directed and controlled. The corporate governance structure spesifies the distribution of the right and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders.

From the definition above, the objective of corporate governance is controlling and directing corporate to distribute the stakeholders to improve the value added for the stakeholders.

2.1.3.1.2. Corporate Governance in Islamic Perspective

A business in Islamic perspective guided by spiritual value and ethical will create competitive and sustainable business by resulted market dicipline which derived from good governance culture (KNKG, 2011). Corporate governance has been exist in Islamic view concept as the guidance to lead society. Islam is a complete code of life that not only provides firm guidelines about good governance; it further contributes various examples of good governance (Naqvi et al., 2011).

Shariah governance is simply the alignment of corporate governance according to the Islamic principles. Specifically, Shariah governance is the set of institutional and organizational arrangements, policies, processes, procedures rules, regulations and laws which leads the organization towards Shariah compliance (Minhas, 2012).

Accomodative regulatory and supervisory framework for effective Shariah governance are imperative for Islamic finance. Comprehensive Shariah governance system is based on 4 pillars (Minhas, 2012) :

1. Management and Supervision as proper policies and systems provider could determine the provision of adequate resources, system procedures, infrastructure and code of ethics for acceptance of business and its legitimacy according to Shariah governance.
2. Shariah Advisory Board, interpret Shariah issues for Shariah interpretations, ruling, fatwas, product development, review of business process and agreements.
3. Shariah Compliance and Review, ensure compliance and to develop a Shariah non-compliance risk awareness culture in the organization.
4. Transparency and Disclosure, material impact on the cost of capital, reputation, investors' decision and stock prices. Timely and correct information allows management to take corrective actions and future decisions which may ultimately affect their business, profitability, competition growth and sustainability.

In the enforcement of Good Governance for Shariah Business (GGSB), National Committee of Governance Policy (KNKG) has developed the guidance for shariah business good governance. Based on four unitary nature of the prophets and apostles (Shidiq, Amanah, Fathonah, Tabligh), GGSB principles can be derived which is in line with good corporate governance principles are generally applied in the business world: transparency, accountability, responsibility, independence and fairness.

2.1.3.1.3. Measurement of Good Corporate Governance

The measurement of good corporate governance usually using ownership structure, proportion of independent directors on the board (Eng and Mak, 2003) and the existence of an audit committee on the board (Ho and Wong, 2001) as measurement single proxies.

Another method is using corporate governance ratings such CGPI (Corporate Governance Perception Index). It is more comprehensive measurement of good corporate governance quality. This measurement is exist because no single corporate governance variable is sufficient to evaluate the quality of corporate governance structures of company and an individual or combination of several corporate governance variables approach can create measurement errors (Larcker et al., 2007).

2.1.3.2. Islamic Comprehensiveness Information Disclosure of Sustainability Reporting

2.1.3.2.1. Sustainability Development and Triple Bottom Line Concept

Sustainable development focuses on incorporating a forward thinking approach by businesses toward shearing up world sustainability. To create a company whose mission is true sustainability, all related individuals need to have a better understanding of what "sustainability" term.

The increase of pressure both internal and external stakeholders proponents of business argument for sustainability reporting to issue a report which is enhancement of the dislosing firm's reputation (Ballou et al., 2006). Sustainability report can be a tool to meet the company's obligations in reporting its performance in Triple Bottom Line (TBL) including economic, social, enviroment. An approach to measurement of sustainability is by using Triple Bottom Line accounting (Elkington, 1997:38).

Sustainability reports produced by companies in Indonesia is very visible that they are still more eloquently exposes the economic line than the other two lines. It is possible that inequality because the other two had just adopted, but it is likely that the economic line is still a major consideration in business decisions also can not be ignored (Steelman and Jorge, 2006).

As a means to ensure corporate accountability, sustainability reports must ensure that data is available in the report is completely valid. To that end, the truth by a third-party verification will be greatly appreciated by all stakeholders. Sustainability report is basically a self-reporting or reporting by the first, but not close themselves off from the second party verification, as well as the third party is considered independent, competent and credible.

Triple Bottom Line is a method to disclose stakeholders knowledge based on three main focuses of TBL: people, planet, and profit (Global Reporting

Initiative, 2006). This type of reporting establishes principles by which a company should operate to concentrate on the total effect of their actions.

TBL relates with social and ecological agreement between the community and businesses. In presenting information about the company's impact on issues impacting sustainability, there will be both positive and negative items that emerge. It involves additional reporting to incorporate additional information in the reports provided to better communicate with stakeholders.

TBL reporting can improve relationship between stakeholder such employees, customers, investors, shareholders and customers. The following points below are common advantage of TBL reporting including (Group of 100 Incorporated, 2003):

1. Enhancement of reputation and brand
2. Securing a social license to operate
3. Attraction and retention of high calibre employees
4. Improved access to investors
5. Reduced risk profile
6. Identification of potential cost savings
7. Increased scope for innovation
8. Aligning stakeholder needs with management focus
9. Creation of a sound basis for stakeholder dialogue

2.1.3.2.2. The Nature of Islamic Disclosure in Sustainability Report

The Islamic perspective of disclosure comprises of two general requirements: full disclosure and social accountability (Haniffa, 2002). The concept of social accountability is related to the principle of full disclosure with the objective to serve the public interest. One of the way in providing full disclosure based on Islamic perspectif is by ISR (Islamic Social Reporting). ISR is an extension of social reporting which encompasses not only a broader expectation of the society with regard to companies' role in the economy but also on spiritual perspective (Haniffa, 2002).

Based on Haniffa (2002), Islamic disclosure concerns with issues related to the well-being of the society pertaining to interest and unfair trading practices such as income distributions (known as zakat) and serves a mechanism in improving transparency of business activities and conforming to the spiritual needs of the Muslim decision. Such concern is consistent to the stakeholders' theory whereby management provides information to users so as to maintain company's success.

According to this concept, businesses are assumed that they will continue their activities for indefinite period of time and therefore their accountants assumed the acquisition for any fixed asset as cost not as expense of during that period. Based on Islamic perspective, only Allah will exist indifinitely, so this concept is not acceptable in Islamic accounting. However, we have possibility to avoid this conflict if we say that only Allah who is final and permanent existance and a business organization will continue indefinitely if only Allah wishes. Islam emphasizes the continuity of business activities because they are the source of Zakat. Therefore business must continue to pay Zakat every year.

Shariah businesses are required to deal in various aspects of their activities and also with several parties includeing employees, customers society. Based on Shariah perspective, there are several concepts to discuss social relations such accountability social justice and ownership. From these concepts, Shariah business needs to show its business entities's compliance with Shariah and also to assist stakeholders in making appropriate decisions through Islamic Reporting.

Muslims are responsible for their actions and must take into account this responsibility towards the society in where they live because their actions affect society. It provides us an opportunities to explore the nature and extent the sustainability reporting by Islamic banks.

Shariah businesses should disclose all information about their operations because in the Islamic context, the Muslim societies (Ummah) have the right to know how organisation could affect them and comply the requirements of Shariah of whether the objectives set out has been achieved. One of the ways to provide full disclosure in the context of Islam is by Islamic Social Reporting (ISR). "And cover not the truth with falsehood, nor conceal the truth when you know" (Quran, 2:42).

Shariah banks are required to follow accounting and reporting standard based on the ruling of its Shariah Supervisory Board, as well as other accounting and reporting guidelines such kinds of rules set by the AAOIFI. Muslim researchers nowadays place a great concern on the disclosure of financial indicators and a system that considers justice, fairness, and ethical practices in the capitalistic practice (Sofyan, 2003).

2.1.3.2.3. The Measurement of Comprehensiveness Disclosure

The comprehensiveness of disclosure can be measured by using disclosure index. Disclosure index assumed the amount of disclosure as an efficient proxy of its informative capacity (Botosan, 1997). Disclosure checklist has been developed by Meek, Robert and Grey (1995) and it was used to examine voluntary disclosure in developed countries.

2.1.3.3. Company Size

Company size is a scale which can be classified large and small companies in a variety of ways, including: total assets, log size, value of the stock market price, etc. Based on the total assets of the firm, it is just categorized into 3 types: large firm, medium-sized firm and small firm (Suwito and Herawaty, 2005).

Company size can be measured by using total assets, sales and number of employees. First, company size can be measured by number of employee. The size of firms is described in terms of “the number of employees” (Ketokivi and Schroeder, 2004). Company size can be measured through total assets (Waddock and Graves, 1997). Size of the firm can be measured by using annual sales of the firm (Ruf et al., 2001).

2.1.3.4. Company Age

Since firms are organizations that can be restructured as needs evolve, there is no a prior reason why they should age. In fact, as they mature, firms should be able to learn. They can learn by doing or by investing in research and development; they can hire human capital and train their employees; and they can learn from other firms in the same and in other industries. Firm age can be used to evaluate the strength and weakness during implementation of good corporate governance process. Firm age is defined as the number of years the company has been operated. The age of firms was measured by the number of years the company had been in operation (Ainuddin et al., 2007).

2.2. Previous Research Result

1) Htay et al. (2012)

This study investigates the impact of corporate governance on social and environmental information disclosure of Malaysian listed banks by using a panel data analysis. Board leadership structure, board composition, board size, director ownership, institutional ownership and block ownership are used as governance proxies. The result show that smaller board size, higher percentage of independent directors (1%) on the board, higher board size (1%), higher percentage of director ownership, lower institutional and lower block ownership (5%) have higher information disclosure.

This study focuses on the main corporate governance variables such board leadership structure, board composition, board size. It would be interesting if it is extended by observing other corporate governance variables such as board meeting frequency, which represents board activeness and the independence of audit committee, which represents its effectiveness.

2) Iswati (2007)

This qualitative study concern to the relationship of good corporate governance and accounting information quality. This study used Shariah banking as object because of its specific activities in social function development. This research noticed that implementation of good corporate governance in Shariah banking is expected to be able to transparent, accountable, auditable in providing financial report accounting information for internal and external users.

3) Amoozesh et al. (2012)

This research has been conducted to analyze the relationship between quality of corporate governance and disclosure quality in Iran due to few research regarding the effects of corporate governance system quality on the quality of information disclosure. 80 active companies from Tehran stock exchange market have been chosen during the year 2006 to 2009. Corporate governance quality has been considered as independent variable and disclosure quality as dependent variable. Pearson correlation coefficient and linear regression have been used to test the relationship between these two variables. The results show that the company strategic quality has a positive effect on the companies' disclosure quality, which means that whenever the methods and works of the corporate governance system improved and strengthen there is more accuracy in disclosure by the companies.

4) Haniffa and Cooke (2005)

This research's aim is to increase understanding of the potential effects of culture and corporate governance on social disclosures. The ethnic background of directors and shareholders is used as a proxy for culture. Corporate governance characteristics include board composition, multiple directorships and type of shareholders. The dependent variable, disclosure in annual reports of Malaysian corporations, is measured by an index score as well as in terms of number of words. This results indicate a significant relationship between corporate social disclosure and boards dominated by Malay directors, boards dominated by executive directors, chair with multiple directorships and foreign share ownership. Four of the control variables (size, profitability, multiple listing and type of industry) were significantly related to corporate social disclosure with the exception of gearing.

5) Michelon and Parbonetti (2003)

This research examines the relationship of board composition, leadership and structure on sustainability disclosure. It investigates the relationship between different characteristics of the board and sustainability disclosures. It examines the disclosures of 57 Dow Jones Sustainability Index (DJSI) companies and of a control group of companies matched on country, industry and size belonging to the Dow Jones Global Index (World1) for year 2003. Multivariate regression were used to analysis the hypothesis models. The result stated that there is a positive association between community influentials and sustainability disclosure. The presence of a CSR committee or CSR director moderately significant affect disclosure of social information. There is a positive association between community influentials and sustainability disclosure.

6) Kharis and Suhardjanto (2012)

This research proposed to examine corporate governance and mandatory disclosures compliance of Indonesian BUMN (Badan Usaha Milik Negara). The dependent variable is the compliance of mandatory disclosure. The independent variable is BOC size, Independent commisioner proportion, BOC meeting frequency, BOC educational backgound, Audit commitee size, Independent audit commitee proportion, Audit commitee meeting frequency. Under purposive sampling, secondary data of 48 annual report year 2005-2010 of BUMN in Indonesian Stock Exchange were selected. This research used multiple regression analysis and resulted that corporate governance affected the level of mandatory disclosure compliance through the number of board and educational background of director. Others variables were not good predictors for level of mandatory disclosure compliance.

Table 2.1.
Summary of Previous Research

No.	Researcher (Year)	Title	Variables	Sample	Analysis Method	Result
1.	Htay et al. (2012)	Impact of Corporate Governance on Social and Environmental Information Disclosure of Malaysian Listed Banks: Panel Data Analysis	Dependent variable: social and environmental information disclosure. Independent: board leadership structure, board composition, board size, director ownership, institutional ownership and block ownership.	Twelve listed companies from 1996 until 2005. 120 observations dropped to 108 observations.	Panel data analysis	Smaller board size, higher percentage of independent directors (1%) on the board, higher board size (1%), higher percentage of director ownership, lower institutional and lower block ownership (5%) have higher information disclosure
2.	Iswati (2007)	Good Corporate Governance sebagai Pemicu Kualitas Informasi Akuntansi pada Bank Syariah di Indonesia	-	-	Qualitative Analysis	Shariah banks which implemented good corporate governance are expected to produce the transparent, accountable, auditable accounting information quality
3.	Amoozesh et al. (2012)	Evaluation of Relationship Between Disclosure Quality and Corporate Governance Quality in Tehran Stock Exchange	Dependent variable: Disclosure quality. Independent variable: corporate governance quality.	80 active companies from Tehran stock exchange market have been chosen during the year 2006 to 2009	Linear regression	The company strategic quality has a positive effect on the companies' disclosure quality, which means that whenever the methods and works of the corporate governance system improved and strengthen there is more accuracy in disclosure

4.	Haniffa and Cooke (2005)	The Impact of Culture and Governance on Corporate Social Reporting	Dependent variable: corporate social disclosure. Independent variable: BOD, finance directors, shareholder, non-executive director, multiple directorship, foreign shareholder. Control variable: size, profitability, multiple leasing, industry type.	160 companies non-financial companies listed on the main board of the KLSE in 1996	Multiple regression	There is significant relationship between corporate social disclosure and boards dominated by Malay directors, boards dominated by executive directors, chair with multiple directorships and foreign share ownership
5.	Michelon and Parbonetti (2003)	The Effect of Corporate Governance on Sustainability Disclosure	Dependent variable: corporate sustainability disclosure. Independent variable: independent director, ceo duality, influential member, CSR, CSR Commitee, BOD, reputation. Control variable: profitability, size, leverage, market risk, age, listing status, country of origin, industry type.	57 Dow Jones Sustainability Index (DJSI) Companies in 2003	Ordinary Least Square	Positive association between community influentials and sustainability disclosure. Moderately significant effect of the presence of a CSR committee or CSR director and disclosure of social information.

6.	Kharis and Suhardjanto (2012)	Corporate Governance dan Ketaatan Pengungkapan Wajib Pada Badan Usaha Milik Negara	Dependent: Compliance of Mandatory Disclosure Independent: BOC size, Independent commisioner proportion, BOC meeting frequency, BOC educational backgound, Audit commitee size, Independent audit commitee proportion, Audit commitee meeting frequency.	Non-financial state-owned companies listed in BEI from 2005-2010.	Multiple Regression	BOC meeting frequency and audit commitee educational background has a significant impact on the level of mandatory disclosure.

Source: Written

2.1. Conceptual Framework

Based on the literature review explained above, these research attempt to know whether good corporate governance has effect on Islamic comprehensiveness information disclosure in sustainability report. The independent variable is good corporate governance. Islamic comprehensiveness information disclosure are used as dependent variable. The moderating variables, company size and company ages, are used to examine whether these variables have significant role to the relationship of independent variable on dependent variable.

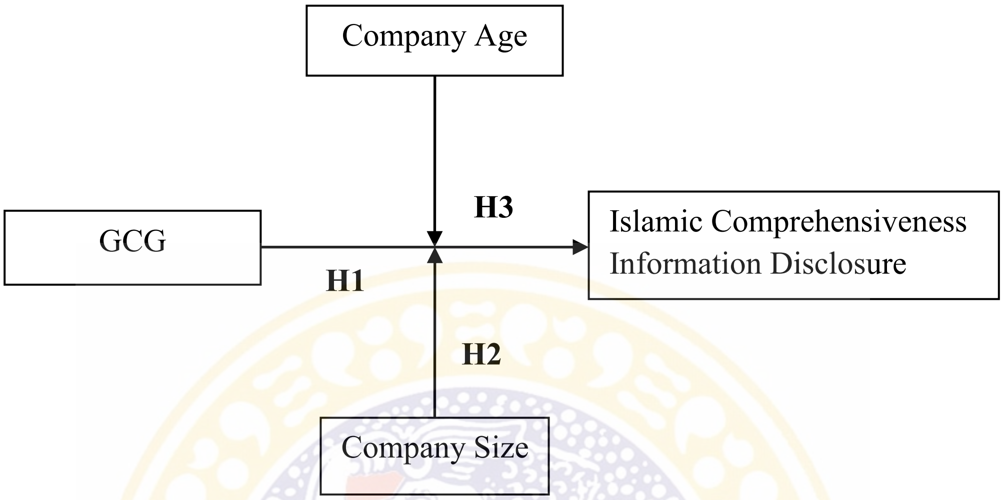
Agency cost resulted from the asymmetry information between managers as agents and owners of the firm as the principal in decision making authority to maximize the welfare of the owners of the firm can be reduced by implementation of good corporate governance. One of the best ways to reduce this cost is implementing the good corporate governance (Judge et al., 2003). Moreover, the empirical evidence shows that there is relationship between good corporate governance with information disclosure. Companies with high governance quality are more likely to disclose information. Disclosure is an integral part of the corporate governance because it shows the extent of how good corporate governance is (Patel et al., 2002).

One factor which can influence the process of good corporate governance implementation is company size. The effect of company size on political cost influence the implementation of good corporate governance. Increasing the size of firm, the political costs increase too and the political costs decrease by decreasing the size of firm (Emadzadeh et al., 2012). Moreover, company size also affect the level of informational disclosures. The relationship between company size (total assets) and the amount of disclosure were positive, and statistically significant (Zare et al., 2011). Based on these empirical evidence, the researcher expect that company size can strengthen the effect of good governance on Islamic comprehensiveness information disclosure.

The quality for implementation of good corporate governance can not be separated by how long the company have been operated. The number of years the company incorporated determine its experiences in managing and controlling their activities. Older firm is more likely to have better corporate governance because they have longer experiences. The empirical evidence shows that firm age affects ownership and capital structure, multiplies growth opportunities, increases media exposure, and demands different corporate governance structures (Loderer and Waelchli, 2010). The role of age on good corporate governance represented in how strong the company can be sustainable in their industry. Sustainability report as a tool to meet the company's obligations in reporting their performance in triple bottom line can be a representation of good corporate governance implementation to maintain company’s sustainability. By these empirical evidence, this research expect that company age strengthen the effect of good corporate governance on Islamic comprehensiveness information disclosure.

Figure 2.1.

Conceptual Framework



2.3. Formulation of Hypothesis

2.4.1. Good Corporate Governance on Islamic Comprehensiveness Information Disclosure

Agency theory explain the existance of conflict of interest between manager as agent and shareholders as principal. According to Jensen and Meckling (1976), the separation of ownership and control can incur agency cost. It can be reduced through the implementation of good corporate governance. One of the best ways to reduce this cost is implementing the good corporate governance (Judge et al., 2003). Good corporate governance rules are also strict enough to reduce managerial slack and thereby induce innovation (Aghion et al., 1999). Managers are motivated to innovate as means of reducing the risk of bankruptcy.

Qualified and comprehensive disclosed information in corporate report is very important because it will give optimum benefits for reader in making decision. Companies with high governance quality are more likely to disclose information. Good governance play role to reduce agency cost which provide provide confidence for the agent to manage company resources. If the company's activities are managed well, the management will be confident to disclose informations through the sustainability report as a media for communication with stakeholders.

Disclosure is an integral part of the corporate governance because it shows the extent of how good corporate governance is (Patel et al., 2002). Moreover, Htay et al. (2012) stated that there is a positive effect of corporate governance on social and environmental information disclosure. Another research, study of 250

Australian firms rated in the 2002 Horwath Corporate Governance Report find that better-governed firms do make more informative disclosure (Beekes and Brown, 2006).

H1 : Good corporate governance affect Islamic comprehensiveness information disclosure.

2.4.2. Company Size

Managers as shareholder's agent should consider cases that may effect on their firm affected by tax, specific regulations and the information about political costs. As resulted from previous research, political cost can be affected by the size of company. By increasing the size of firm, the political costs increase too and the political costs decrease by decreasing the size of firm (Emadzadeh et al., 2012).

Higher political cost resulted from larger company affect its corporate governance. Effect of firm size on the quality of corporate governance is still ambiguous (Klapper and Love, 2003). The first opinion states that larger firms more likely to have agency problems so that require a more better corporate governance mechanisms. An alternative explain that other small companies might be having a better opportunities to grow, so it will require greater external funding. The magnitude of the need for external funding will increase the need for good governance corporate mechanism.

Durnev and Kim (2005) describes the relationship of firm size and corporate governance from different perspective. They argued that large companies tend to attract attention and scrutiny from the public, so it will encourage companies to implement corporate governance structure better.

Company size also affect the level of informational disclosures. Legitimacy theory suggests that larger companies have to respond with more disclosures to have a greater impact on social expectations because they have more stakeholders than small companies. Large companies are tend to have more informational disclosure in their report. Larger companies may tend to disclose more information than smaller companies in their annual reports due to their competitive cost advantage (Lobo and Zhou, 2001). Hence, small companies disclose less information than large companies.

As the explanation above, the company size play role to the practice of good corporate governance and the information disclosure. Larger companies are tend to have better good coporate governance. Larger companies also have more stakeholders who need informations by disclosures on sustainability report. Therefore, company size may strengthen the effect of good corporate governance on Islamic comprehensiveness information disclosure.

H2 : The larger Indonesia Shariah banks strengthen the effect of good corporate governance on Islamic comprehensiveness information comprehensiveness disclosure.

2.4.3. Company Age

Firm age is defined as the number of years the company has been incorporated. The extent of a firm's disclosure may be influenced by its age, with age proxying for the form's stage of development and growth (Owusu-Ansah, 1998). Owusu-Ansah (1998) argued three points for firm's age. First, younger companies may faced competitive disadvantage if they disclose certain items such as information on research expenditure, capital expenditure, and product development. Second, the cost and the ease of gathering, processing, and disseminating required information. These costs are likely to be covered by younger company than older ones. Last, situation that lack of younger companies' track record to rely on for public disclosure may have less information to disclose or less rich disclosures.

Firm age also has relation with corporate governance. Older firm is more likely to have better corporate governance because they have longer experiences in managing and controlling their activities. Firm age affects ownership and capital structure, multiplies growth opportunities, increases media exposure, and demands different corporate governance structures (Loderer and Waelchli, 2010).

Older companies have longer experiences in controling and managing their activities which is core of the good corporate governance concept. Companies are tend to informed their performance improvement as the result from their management activities by disclosures on sustainability report year by year in line with the increase of their age.

H3 : The older Indonesia Shariah banks strengthen the effect of good corporate governance on Islamic comprehensiveness information comprehensiveness disclosure.

CHAPTER III

RESEARCH METODOLOGY

3.1. Research Approach

This research method used quantitative approach emphasizing on hypothesis testing. Data used should be measurable and generate generalizable conclusion. Objective data are resulted from empirical observations and measurements. Validity and reliability of scores on instruments, additional standards for making knowledge claims, lead to meaningful interpretations of data (Cresswell, 2003:18).

3.2. Identification of Variables

The variables in this research consist of dependent, independent, and moderating variables as below mentioned:

1. Dependent Variable

Based on Cresswell (2003:107), dependent variables are variable that depend on the independent variables; they are he outcomes or results of he influence of the independent variables. Other names for dependent variable are criterion, outcome, and effete variables. Islamic Comprehensiveness Information Disclosure of Sustainability Report were used as dependent variable in this research and symbolized as Y.

2. Independent Variable

Cresswell (2003:107) explain that independent variables are variables that (probably) cause, influence, or affect outcomes. They are also called treatment, manipulated, antecedent, or predictor variables. This research used Good Corporate Governance (GCG) as independent variable which symbolized as X.

3. Moderating Variable

Moderating variables "stand between" the independent and dependent variable, and they mediate the effect of the independent variable on the dependent variable (Cresswell, 2003:108). Company size (Z_1) and company age (Z_2) were used in this research as moderating variables in order to know whether it moderate the relationship of independent variable on dependent variable.

3.3. Operational Definition and Measurement

3.3.1. Islamic Comprehensiveness Information Disclosure of Sustainability Report

This research used the Islamic Comprehensiveness Information Disclosure of Sustainability Report as dependent variable which is defined as representation of three pillars constitute sustainble development and "good life" (hayat tayebah) including environmental, social and economic (fasad) (Al-Jayyousi, 2012) using a disclosure checklist.

The level of Islamic Comprehensiveness Information Disclosure of Sustainability Report of the sample firms in this research was measured using disclosure index. A total of 10 Shariah banks in Indonesia were identified in compliance with voluntary disclosure items provided by these banks. Because of disability of AAOIFI to disclose the holistic items related with CSR, these items were compared with items required by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) modified from previous researches Maali et al. (2003) and Sembiring (2005) (Appendix B).

3.3.2. Good Corporate Governance

Independent variable in this research is Good Corporate Governance. Good Corporate Governance is defined as the degree that a company possesses and meets the common governance standard set by authorities (Lokman, 2011).

In this research, corporate governance quality was measured by using corporate governance indexes or ratings referred to Beekes and Brown (2006). The good corporate governance is measured as the total score as its quality index obtained by cross checking the compliance of corporate governance information disclosed in GCG report or annual reports of Shariah banks with Shariah Business Governance Guideline of assessment issued by National Committee of Governance Policy (KNKG) (Appendix C). These research assessed Indonesia Shariah banks compliance with 11 elements that should be disclosed in GCG report. The total score of the the guidance component is used to capture the bank's corporate governance quality. The higher the score, the better is the bank's corporate governnace quality.

3.3.3. Company Size

Company size is a scale in which companies can be classified as big or small in several ways (Suwito and Herawaty, 2005). How to determine the large or small firm are based on measurement method. There are several measurement for company size according previous research. First, company size can be measured by number of employee. the size of firms is described in terms of “the number of employees” (Ketokivi and Schroeder, 2004). Its measurement used natural log of number of employee for company size. Second, company size can be measured through total assets (Moore, 2001). Its measurement is logarithm of each Shariah banks total assets. And the last, it can be measured by using annual sales of the firm (Moore, 2001). Because the samples are service companies, it can use logarithm of companies total revenue in certain year to measure company size. According to these previous researches, we composited number of employees, total asset and total revenue by confirmatory factor analysis to decide the company size index. The higher index means larger company size.

3.3.4. Company Age

Firm age is defined as the number of years the company has been operated. The age of firms was measured by the number of years the company had been in operation (Morgan et al., 2004). To measure company age, this research used the firm’s age during operational starting years until 2011. The higher its value means older of company age.

3.4. Type and Source of Data

Data used in this research is secondary data, consist of:

1. Shariah banks in Indonesia under authority of Bank of Indonesia.
2. Annual Report of Shariah banks in Indonesia in periode 2005-2011. It obtained from banks' website.
3. GCG report of Shariah banks in Indonesia in periode 2005-2011 obtained from banks' website.

3.5. Data Collection Method

Observational studies were used to collect the data for this research. From these data collection methods, we obtained annual report and GCG report from Shariah banks website in Indonesia.

3.6. Research Population and Sampling Method

3.6.1. Research Population

The population of this research are all Indonesian Shariah Banks authorized by Bank of Indonesia. These companies have different character with conventional banks. Due to the limitation of population size, the sample taken for this research will represent all of the population.

3.6.2. Research Sample

This research used purposive sampling method which taken samples based on the following citeria:

1. Authorized Shariah banks which issued annual report and GCG report from 2005-2011.
2. Independent Shariah banks which is not business line of their parents company.

The total sample include the 10 Shariah banks in Indonesia with total number of 35 observations. However, one of observations need to be dropped due to unavailability of data. The final data is 34 observations. There is a significant event during the 7-years of the sample period. That is the release of Good Governance for Shariah Business Guidance Concept by National Committee of Governance Policy in 2011 become a guideline for good governance implementation based on Shariah perspective.

Table. 3.1.
Data Composition Summary

Year	Number Banks issued	
	Annual Report	**GCG Report**
2005	2	2
2006	2	2
2007	3	3
2008	3	3
2009	5	5
2010	10	10
2011	9	9
Total	34	34

Source: Processed

3.7. Data Analysis Technique

This research used Moderated Regression Analysis to analyze the data by using SPSS version 17. The following below are steps of data analysis:

1. Construct the research hypothesis and regression analysis model to analyze the effect of independent variable on dependent variable and the role of moderating variable to this relationship.
2. Calculate the dependent, independent and moderating variables using each of measurement method. Company size and company age are calculated using data from annual report during years of 2005-2011. Good Corporate Governance and Islamic Comprehensiveness Information Disclosure are given dummy code based on required items for good corporate governance implementation and islamic sustainability report and calculate the composite index.
3. Describe the profile of sample companies. Conduct the measurement method for each of variables to present range, minimum, maximum, means, standards deviations, and variance values.
4. Conduct the classical assumption testing including multicollinearity, normality, autocorrelation and heteroscedasticity to fulfill the basic assumptions.
5. Hypothesis and Regression Analysis. Moderated Regression Analysis (MRA) is used to test the multiple regression model.

3.7.1. Hypothesis Testing

3.7.1.1. Confirmatory Factor Analysis (CFA)

Company size as moderating variable will be measured by conducted the confirmatory factor analysis (CFA). The objective of confirmatory analysis factor is data summarization and data reduction (Ghozali, 2011:393). CFA will examine whether the three indicators (Number of Employees, Total Assets, Total Revenue) are truly constructual indicators for company size variable. Ghozali (2011:394) stated that its criterias are the value of KMO (Kaiser-Meyer-Olkin) ≥ 0,5; the Eigen value > 1; anti image > 0,5; the loading factor is above 0,5.

3.7.1.2. Regression Analysis

The regression analysis models for this research are as follow:

Model (1) : $Y = \alpha_0 + \alpha_1 X + e$

Model (2a) : $Y = \alpha_2 + \alpha_3 X + \alpha_4 Z_1 + e$

Model (2b) : $Y = \alpha_5 + \alpha_6 X + \alpha_7 Z_1 + \alpha_8 X.Z_1 + e$

Model (3a) : $Y = \alpha_9 + \alpha_{10} X + \alpha_{11} Z_2 + e$

Model (3b) : $Y = \alpha_{12} + \alpha_{13} X + \alpha_{14} Z_2 + \alpha_{15} X.Z_2 + e$

Remarks:

Y	=	Islamic Comprehensiveness Infomation Disclosure
X	=	Good Corporate Governance
Z_1	=	Company Size
Z_2	=	Company Age
$\alpha_0, \alpha_2, \alpha_5, \alpha_9, \alpha_{12}$	=	Constanta
$\alpha_1, \alpha_3, \alpha_4, \alpha_6, \alpha_7, \alpha_8, \alpha_{10}, \alpha_{11}, \alpha_{13}, \alpha_{14}, \alpha_{15}$	=	Coefficients of regressions
e	=	Standard error

3.7.1.3. Classic Assumption Testing

The three classical assumptions that should be checked before test the hypothesis are as follow:

1. Multicollinearity Testing

This test aims to test whether the regression model found correlations between the independent variables. In regression models, correlation should not be exist between the independent variables (Ghozali, 2011:105). A way to detect the presence or absence of multicollinearity in the model can see the tolerance value or the variance inflation factor and see his opponent. In general, the cut off is used to indicate the presence of multicollinearity are VIF $\geq$ 10 or tolerance $\leq$ 0,10.

2. Normality Testing

Parametric tests are built based on normal distribution. In measuring whether our research data has normal distribution or not, we need to conduct normal distribution testing that these data can be used in parametrical statistic (Nisfiannoor, 2009:4). Testing of normal distribution can be conducted by statistical analysis. This test need the value of skewness and kurtosis from unstandardized residual regression model to compute the Z statistical for skewness and kurtosis with the Z table (Ghozali, 2011:163), with the formula as follow:

$$Zskewness = \frac{Skewness}{\sqrt{6/_N}}$$

$$Zkurtosis = \frac{Kurtosis}{\sqrt{24/_N}}$$

with N is number of observations.

In this test, the researcher use 0,01 level of significance with the Z table 2,58. If the Z statistic more than Z table, the model is normally distributed.

3. Autocorrelation Testing

Autocorrelation testing is held to know whether there is any mistake of disturbing variables in period *t* with mistake in period *t-1*. The good regression model should not have autocorrelation (Nisfiannoor, 2009:92). The way to detect the existance of autocorrelation is using Durbin-Watson (DW) Statistic. The result is compared with the table of Durbin-Watson at 0,01 level of significance. If the Durbin-Watson Statistic between DW Table and 4-DW Table, the model will not contain autocorrelation.

4. Heteroscedasticity Testing

Heteroscedasticity conduct the classical assumption test whether inconsistency of variance and residual exist from one observation to others. If the variance from residual from one observation to others consistent, it is called homocedasticity and vice versa (Ghozali, 2011:139). One way to detect heteroscedasticity is by using White's test. In this test, the regression of the squares of the residual is run on the variables suspected of causing heteroscedasticity, their square, and cross products. From this regression result, we will obtain R^2 to compute c^2 where $c^2 = n \times R^2$ (Gujarati, 2003:413). If the c^2 statistic less than c^2 table, there are no heteroscedasticity (Ghazali, 2011:143).

3.7.2. Criteria of Hypothesis Testing

The significant t value of α for each of regression model will be given cut off maximum point at 10%. If the t value of α is (maximum) smaller than 10% means that significant effect exists. When the significance of t value is less than 10%, the hypothesis will be accepted. Hypothesis H1, H2 and H3 will be tested using coefficient significant of α_1 (Model 1), α_4 (Model 2a) and α_8 (Model 2b), α_{11} (Model 3a) and α_{15} (Model 3b).

The coefficient significance of α_1 will be examined to test whether corporate governance affect toward Islamic sustainability reporting. The effect of company size as moderating variable will be tested by comparing α_4 (Model 2a) with α_8 (Model 2b). The other moderating variable, company age, will be tested by comparing the coefficient significant of α_{11} (Model 3a) with α_{15} (Model 3b).

A typology of specification variable and hence moderator variables can be developed by using two dimensions or characteristics. First, classification can be based on the relationship with the criterion variable, that is, whether the spesification variables are or are not related to the criterion variable. The second dimension is whether the specification variable interacts with the predictor variable (Sharma et al., 1981).

Table 3.2.
Typology of Specification Variables

	Related to criterion and / or predictor	**Not related to criterion and predictor**
No interaction with predictor	Independent	Moderator (Homologizer)
Interaction with predictor variable	Moderator (Quasi Moderator)	Moderator (Pure Moderator)

Source: (Sharma et al., 1981)

Types of moderating variable can be concluded by comparing coefficient significant of α_4 (Model 2a) with α_8 (Model 2b) and α_{11} (Model 3a) with α_{15} (Model 3b). The following table outlines the categorization process based on the significance of the values found for α_4, α_8, α_{11} and α_{15}.

Table 3.3.
Categorization by comparison of coefficient significant of α_4, α_8, α_{11} and α_{15}.

Types of Moderator	Model A (2a, 3a)	Model B (2b, 3b)
Independent	Significant	Not significant
Moderator (Homologizer)	Not significant	Not significant
Moderator (Quasi Moderator)	Significant	Significant
Moderator (Pure Moderator)	Not significant	Significant

Source: (Sharma et al., 1981)

CHAPTER IV

RESULT and DISCUSSION

4.1. Description of Research's Object

This research used 10 General Shariah banks in Indonesia which are authorized by Directorate of Islamic Banking Bank of Indonesia. These banks are taken from various starter operational. The data were obtained from 2005 until 2011 and provide information which is needed in this research. The total data is 34 observations stated in appendix A.

General Shariah banks were chosen as research object because they are a potential industry of financial institution which operated based on Islamic perspective. These banks appeared to minimize even negate the element of usury in the banking world. History of Shariah banks begin to exist when the enactment of Law No. 7 of 1992 on banking. At that time, the term was still using „profit sharing bank' to refer to the bank which is based on Islamic principles.

Shariah banks need different standard issued with conventional banks for their operational and reporting. Therefore, this research used Good Governance for Shariah Business Guideline issued by National Commitee on Governance Policy (KNKG) whihc based on Islamic perspective and guideline for Islamic reporting based on AAOIFI.

4.2. Description of the Research's Result

4.2.1. Confirmatory Factor Analysis Result for Company Size

Company size variable were composited by using confirmatory factor analysis based on three indicators which is number of employees, total assets and total revenues to be a single index. KMO and Bartlett's Test using three indicators is 0,688 in the significance of 0,0001. Since the value of KMO and Bartlett's Test is above 0,5 and the significance is below 0,05 the analysis should be executed.

The proxy which has anti-image and communalities above 0,5 and loading factor (component matrix) above 0,5 should be used as a confirmatory factor analysis for company size. Based on the result of confirmatory factor analysis, those three indicators has anti-image and communalities above 0,5 and loading factor above 0,5. Therefore, company size is constructed by three indicators for instance number of employees, total asset and total revenue. The value of communalitiy of number of employees is 0,897 means that 89,7% of variance in the beta could be explained by the constructed factor. Total asset and total revenue have communality value 0,952 and 0,977 means that 95,2% and 97,7% it variance could be explained by the constructed factor.

Table 4.1.
Confirmatory Factor Analysis of Company Size

Factor	Indicator	Anti-Image	Communalities	Loading Factor
1	Number of Employees	0,836	0,897	0,947
	Total Asset	0,664	0,952	0,976
	Total Revenue	0,615	0,977	0,988
	KMO-MSA = 0,688 Significance = 0,0001			

Source: Appendix D

4.2.2. Descriptive Statistic

Descriptive statistic analysis explain the maximum, minimum, mean and standard deviation of the four variable including *Islamic Comprehensiveness Information Disclosure* (Y), *Good Corporate Governance* (X), *Company Size* (Z_1), and *Company Age* (Z_2) in this research.

Based on the descriptive statistic result, the mean of Islamic Comprehensiveness Information Disclosure (Y) for 34 observation during 2005-2011 is 0,700368. By this result, almost 53% of Islamic Comprehensiveness Information Disclosure indexes are above the mean. When the value of Islamic Comprehensiveness Information Disclosure close to 1,00 means that company has high Islamic Comprehensiveness Information Disclosure.

Good corporate governance has the highest index 1,00 and the lowest index 0,318. The higher index means the higher of good corporate governance quality.

In addition the mean of 34 observation is 0,701865 and standard deviation 0,1603627.

Company size as a moderating variable has the highest value 1,7251 and the lowest value -2,1431. The higher amount represent the larger of company size. The large company size is caused by high number of employee, high total asset and high total revenue. Based on the mean of company size 0,000000 59% of 34 observations are above 0,000000. The standard deviation is 1,0000000.

The second moderating variable is company age which has maximum value 20 and minimum value 1. The standard deviation is 6,020. This high standard deviation shows that the wide variance of company age during observation period which minimum value is 1 for Victoria Syariah, BNI Syariah, BJB Syariah and BCA Syariah. The highest value is 20 for Muamalat.

Table 4.2.
Result of Descriptive Analysis

Variable	Minimum	Maximum	Mean	Std. Deviation
Islamic Comprehensiveness Information Disclosure (Y)	0,375	0,9375	0,700368	0,1799486
Good Corporate Governance (X)	0,318	1,00	0,701865	0,1603627
Company Size (Z_1)	-2,1431	1,7251	0,000000	1,0000000
Company Age (Z_2)	1	20	7,38	6,020

Source: Appendix E

4.3. Classical Assumption Test

4.3.1. Multicollinearity Testing

A way to detect the presence or absence of multicollinearity in the model can see the tolerance value or the variance inflation factor and see his opponent. In general, the cut off is used to indicate the presence of multicollinearity are VIF ≥ 10 or tolerance ≤ 0,10.

Table 4.3.
Multicollinearity Test

Model	Variables	Collinearity Statistic	
		Tolerance	VIF
1	X	1,00	1,00
2a	X	0,961	1,04
	Z1	0,961	1,04
2b	X	0,956	1,046
	Z1	0,033	30,314
	X*Z1	0,033	30,437
3a	X	0,967	1,035
	Z2	0,967	1,035
3b	X	0,362	2,766
	Z2	0,039	25,691
	X*Z2	0,034	29,778

Source: Appendix F-J

There is no indication of multicollinearity for model 1, 2a, and 3a. Multicollinearity exists in model 2b and 3b because in this model there is clearly interaction between variable good corporate governance, company size and company age.

4.3.2. Normality Testing

Normality test is intended to detect whether any existance of abnormal distribution of residual value among the sample. Residual value should be normally distributed to ensure the validity of statistic test. The assumption of normality is tested using statistical analysis of Zskewness and Zkurtosis. If the value of Skewness and Kurtosis closer to 0 indicates that the data were normally distributed. When the value of Zskewness and Zkurtosis statistic (+) < Ztable or Zskewness and Zkurtosis statistic (-) > Ztable, the model is normally distributed.

Table 4.4.
Normality Test

Model	Zskewness	Zkurtosis	Ztable	Decision
1	-1,405	-0,777	-2,58	Normally Distributed
2a	-0,926	-0,056	-2,58	Normally Distributed
2b	-1,028	-0,201	-2,58	Normally Distributed
3a	-0,881	-0,671	-2,58	Normally Distributed
3b	-0,852	-0,8	-2,58	Normally Distributed

Source: Appendix F-J

Based on the table above, the value of Zskewness and Zkurtosis statistic are higher than Ztable which means that each model has normal distribution.

4.3.3. Autocorrelation Testing

Sequentially over time of observation in the research sometimes correlated with others called as autocorrelation. Autocorrelation exists when the residual value of each sample is correlated with others. Good regression model should be free from autocorrelation. This research use Durbin-Watson test to detect autocorrelation existance.

Table 4.5.
Durbin-Watson Test Result

Model	**1**	**2a**	**2b**	**3a**	**3b**
Durbin-Watson Statistic	1,910	1,899	1,933	1,888	1,945
Critical value (dU≤DW≤4-dU)	1,299≤DW ≤2,701	1,364≤DW ≤2,636	1,435≤DW ≤2,565	1,364≤DW ≤2,636	1,435≤DW ≤2,565
Decision	Non-autocorrelation	Non-autocorrelation	Non-autocorrelation	Non-autocorrelation	Non-autocorrelation

Source: Appendix F-J

Based on the result above, all of regression models DW values are in the middle of critical value which represent that five models in this research are free from autocorrelation.

4.3.4. Heteroscedasticity Testing

Heteroscedasticity exist when there is variance inequality of residual value among observations. The good regression model should be free from heteroscedasticity. This research used White's test to detect heteroscedasticity. A regression of the squares of residuals is run on the variables suspected causing heteroscedasticity, their squares and the their crossproducts. If c^2 statistic ≤ c^2 table, where $c^2 = (n \times R^2)$.

Table 4.6.
White Test

Model	R squared	N	Value of Chi-square	Chi-square table	Decision
1	0,05	34	1,7	6,64	No heterocedasticity
2a	0,111	34	3,774	9,21	No heterocedasticity
2b	0,147	34	4,998	11,35	No heterocedasticity
3a	0,174	34	5,916	9,21	No heterocedasticity
3b	0,179	34	6,086	11,35	No heterocedasticity

Source: Appendix K

Based on the table result above, the entire models have the c^2 statistic value lower than the value of c^2 table. It means that those models didn't contain heteroscedasticity.

4.4. Analysis of Hypothesis Testing

This following result explain about the regression result of H1 and moderated regression of H2 and H3 using Islamic Comprehensiveness Information Disclosure (Y), Good Corporate Governance (X), Company Size (Z_1) and Company Age (Z_2).

Table 4.7.
Result of Moderated Regression

Independent Variable		Dependent Variable: Islamic Comprehensiveness Information Disclosure (Y)				
		Model 1	**Model 2a**	**Model 2b**	**Model 3a**	**Model 3b**
Constant		0,205	0,246	0,248	0,189	0,258
Good Corporate Governance (X)	Coefficient	0,706	0,648	0,636	0,665	0,571
	t-value	4,581	4,304	4,224	4,316	2,238
	Significance	0,000*	0,000*	0,000*	0,000*	0,033**
Company Size (Z_1)	Coefficient		0,048	-0,086		
	t-value		1,986	-0,661		
	Significance		0,056***	0,513		
$X*Z_1$	Coefficient			0,186		
	t-value			1,048		
	Significance			0,303		
Company Age (Z_2)	Coefficient				0,006	-0,003
	t-value				1,455	-0,167
	Significance				0,156	0,869
$X*Z_2$	Coefficient					0,012
	t-value					0,464
	Significance					0,646
F_{value}		20,986	13,430	9,347	11,917	7,816
Sig.		0,000	0,000	0,000	0,000	0,001
R_{Square}		0,377	0,430	0,431	0,398	0,383

*significance at α 1% **significance at α 5% ***significance at α 10%

Source: Appendix F-J

From the analysis using SPSS, the result for regression models are:

Model 1 : $Y = 0{,}205 + 0{,}706X + e$

Model 2a : $Y = 0{,}246 + 0{,}648X + 0{,}048Z_1 + e$

Model 2b : $Y = 0{,}248 + 0{,}636X - 0{,}086Z_1 + 0{,}186X{*}Z_1 + e$

Model 3a : $Y = 0{,}189 + 0{,}665X + 0{,}006Z_2 + e$

Model 3b : $Y = 0{,}258 + 0{,}571X - 0{,}003Z_1 + 0{,}012X{*}Z_2 + e$

Model 1 has constant value 0,205 which means if the good corporate governance has no effect, the islamic comprehensiveness information disclosure index will be 0,205. The coefficient value 0,706 of good corporate governance (X) represents that when it increase one scale, the islamic comprehensiveness information disclosure (Y) index will increase 0,706. This model has R_{Square} 0,377. It shows that the changes of the islamic comprehensiveness information disclosure (Y) index is 37,7% affected by good corporate governance (X) variable and the rest of 62,3% affected by other variables outside of this model. The probability of t test for this model is 0,000 which means that good corporate governance (X) has positive significant effect on the islamic comprehensiveness information disclosure (Y) at the level of significant 0,01.

Model 2a has good corporate governance and company size as independent variables. The constant is 0,246 which means when the good corporate governance and company size has no effect in this model, the islamic comprehensiveness information disclosure index will be 0,246. Good corporate governance (X) has coefficient 0,648 which shows that when it increase one scale, the islamic comprehensiveness information disclosure index will increase 0,648 in terms of the other variable unchanging. Meanwhile, the company size has coefficient 0,048. It means when it increase one scale, the the islamic comprehensiveness information disclosure increase 0,048 with the other variable has a fixed value. The significance value of good corporate governance is 0,000 which is less than α 0,01. Based on R_{Square}, the value of islamic comprehensiveness information disclosure affected 43,00% by good corporate governance and company size. The rest of 57,00% affected by the other variables outside this model. In this model, good corporate governance has probability t value 0,000 at the level of significance 1% and the company size has probability t value 0,056 at the level of significance 10%. Therefore, both good corporate governance and company size have positive significant effect on islamic comprehensiveness information disclosure.

In model 2b, the interaction between good corporate governance and company size were include to test the moderating variable. This model has a constant of 0,248 by the meaning when the good corporate governance and other variable are zero, the islamic comprehensiveness information disclosure is 0,248. The coefficient of company size is -0,086 which shows when it increase one scale the value of islamic comprehensiveness information disclosure decrease 0,086 in terms of the other variables are fixed. The interaction between good corporate governance and company size has coefficient of 0,186 by meaning when it increase one scale and the other variables fixed, the islamic comprehensiveness information disclosure increase 0,186. This model has 0,431 R_{Square} which shows that islamic comprehensiveness information disclosure is affected 43,1% by the variables in this model and the rest of 56,9% affected by other variables outside. The probability t value of good corporate governance is 0,000 at the level of significance 1% but both company size and the interaction of good corporate governance with company size have probability t value 0,513 and 0,303 more than α 0,1 which prove that both of them have no significant effect on islamic comprehensiveness information disclosure.

In model 3a, good corporate governance and company age were used as independent variables. Good corporate governance has probability t value 0,000 at the level of significance 1% and the company age has probability t value 0,156 more than α 0,1. Therefore, good corporate governance has significant partially effect on islamic comprehensiveness information disclosure but company age has no significant partially effect on it.

In model 3b, the interaction between good corporate governance and company age were include to test the moderating variable. The constant for this model is 0,258 by meaning when the variables in this model has no effect, the value of islamic comprehensiveness information disclosure is 0,258. This model has 0,383 R_{Square} which shows that islamic comprehensiveness information disclosure is affected 38,3% by the variables of good corporate governance, company size and the interaction between them, and the rest of 61,7% affected by other variables outside. The probability t value of good corporate governance is 0,033 at the level of significance 10% but both company age and the interaction of good corporate governance with company age have probability t value 0,869 and 0,646 more than α 0,1 which prove that both of them have no significant effect on islamic comprehensiveness information disclosure.

Based on the significance of the coefficient of company size (Z_1) in model 2a and non significance of coefficient of interaction variable of good corporate governance and company size ($X*Z_1$) in model 2b, it can be concluded that company size is an independent variable. Moreover, the non significance of the coefficient of company age (Z_2) in model 3a and non significance of coefficient of interaction variable of good corporate governance and company age (X*Z2) in model 3b, it indicates that company age is a moderating variable categorized as homologizer moderator.

From the model 1 to model 3b analysis, all of models have the value of significant F less than or equal to 0,01. It could be concluded that all of those models are significant simultaneously. The independent variable (X), independent variable (Z_1) and the interaction variable ($X*Z_2$) has simultaneously significant effect on islamic comprehensiveness information disclosure.

4.5. Discussion of the Result

4.5.1. The effect of good corporate governance on islamic comprehensiveness information disclosure

Model 1 were used to test the first hypothesis. This model has probability of t value 0,000 which means that the good corporate governance (X) has positive significant effect on Islamic comprehensiveness information disclosure (Y). This result support the hypothesis based on agency theory. Agency theory explain that an agency relationship arises when one party (the principal) hire another party (the agent) to perform some service in its behalf which involves delegating some decision making authority to the agent (Jensen and Meckling, 1976).

This theory clarify when managers as agents have decision making authority, they should perform their duties possess the obligation to maximize the welfare of the owners of the firm (the principal) in both the short and long term in order to maintain the company's sutainability development.

Agency theory also explains why accounting report would be provided voluntarily to creditors and stakeholders, and why independent auditors would be engaged by management to testify to the accuracy and correctness of such reports (Jensen and Meckling, 1976). This theory clarify that managers are expected to have an interest in providing credible and reliable information to users by mandatory report or even voluntary report to improve comprehensiveness information disclosed before they are reguired by to do so by regulations.

The agents (management) need good corporate governance to provide confidence in managing the wealth of the owners (shareholders), and the owners became more confident that the agency will not make a fraud that minimize conflicts of interest and to minimize agency costs. One of the best ways to reduce this cost is implementing the good corporate governance (Judge et al., 2003).

Through the implementation of good corporate governance, the managers as agents have confidence in providing credible and reliable information to users by mandatory report or even voluntary report related to decision making authority in maximizing the welfare of the owners of the firm (the principal) in both the short and long term in order to maintain the company's sutainability development.

Beekes and Brown (2006) found that better-governed firms do make more informative disclosure.

This hypothesis result clarify the result of Htay et al. (2012) research which stated that there is a positive effect of corporate governance on social and environmental information disclosure which are parts of sustainability report. Companies with high governance quality are more likely to disclose information. Disclosure is an integral part of the corporate governance because it shows the extent of how good corporate governance is (Patel et al., 2002).

The Shariah banks which has good implementation of corporate governance will improve Islamic comprehensiveness information disclosure to maintain the company's sutainability development short term and long term.

4.5.2. The effect of company size on islamic comprehensiveness information disclosure

Hypothesis 2 were tested using model 2a and 2b. Model 2a tested the significance of company size as independent variable and model 2b tested the significance of interaction between good corporate governance and Islamic comprehensiveness information disclosure with company size assumed as moderating variable. The probability of t value of company size variable in model 2a is 0,056 at level of significance 10% and the probability of t value of interaction between good corporate governance with company size is 0,303 more than maximum level of significance 10%. It indicates that company size has positive significant effect on islamic comprehensiveness information disclosure.

Therefore, we rejected hypothesis 2 which stated that company size strengthen the effect of good corporate governance on Islamic comprehensiveness information disclosure.

Emadzadeh et al. (2012) stated that increasing the size of firm, the political costs increase too and the political costs decrease by decreasing the size of firm. This is supported by Durnev and Kim (2005) which stated that large companies tend to attract attention and scrutiny from the public, so it will encourage companies to implement corporate governance structure better. By the larger size of the firm, it is expected to affect the relationship of good corporate governance on disclosure.

However, Klapper and Love (2003) argued that effect of firm size on the quality of corporate governance is still ambiguous. First, larger firms more likely to have agency problems so it more better corporate governance mechanisms. Second, small companies have a better growth opportunities, so it need greater external funding which will increase the need for good governance corporate mechanism. This research resulted that company size didn’t strengthen the effect of good corporate governance on Islamic comprehensiveness information disclosure. It is proved by several banks which has different level of good corporate governance implementation with different company size resulted different level of Islamic comprehensiveness information disclosure which is not significant with company size changes. In this case, the role of company size on the effect of good corporate governance on Islamic comprehensiveness information discosure is different between one company to others. It is influenced by the corporate culture, policy and strategy of each company.

In line with this research result, the empirical results show that larger companies may tend to disclose more information than smaller companies in their annual reports due to their competitive cost advantage (Lobo and Zhou, 2001). Based on legitimacy theory, larger companies have more stakeholders. It means that the company's responsibility to give the information is more spreaded to various stakeholders. Based on the significance coefficient of company size (Z_1) in model 2a and the non significance coefficient of interaction between good corporate governance with company size variable (X*Z1) as moderating variable on the effect of good corporate governance on Islamic comprehensiveness information disclosure in model 2b, it indicates that company size is only significant as an independent variable not as moderating variable. Since banking industry is required to implement the overall corporate governance as mandated by PBI 11/33/PBI/2009 about Good Corporate Governance Implementation for Syariah General Bank and Shariah Business Unit regardless of the size of companies both large and small, the size of the company does not affect the effect of good corporate governance on Islamic comprehensiveness information disclosure. Company size affects disclosure directly or classified as independent variable. The larger company size will tend to have more Islamic information disclosure in the sustainability report.

4.5.3. The effect of company age on the relationship of good corporate governance on islamic comprehensiveness information disclosure

The third hypothesis were tested using model 3a and 3b. In model 3a, the significance of t value for company age is 0,869 more than α 0,1. The interaction between good corporate governance with company age has significance of t value 0,646. Both of them are more than α 0,1 which means that company age is classified as homologizer moderating variable.

Homologizer modifies the strength of the relationships among constructs through an error term. It affects the strength of the relationship through "partitioning the total sample into homogeneous subgroups with respect to the error variance" (Sharma et al., 1981). In other words, it reduces the error term and increases the amount of explained variance. Based on (Sharma et al., 1981), Two reasons of different relationship strength. First, the measurement error caused by survey instrument, such as Likert-type scales, may not be suitable for every sub-group of the population. Second, different sub-groups may have lack of correlation to predictor variables that is believed happen in this study.

This research used the number of years the company had been in operation as indicator for company age. The empirical evidence shows that older firm is more likely to have better corporate governance because they have longer experiences in managing and controlling their activities (Loderer and Waelchli, 2010). Moreover, the extent of a firm's disclosure may be influenced by its age, with age proxying for the form's stage of development and growth (Owusu-Ansah, 1998). This research has different result with empirical result. It resulted that company age didn't strengthen the effect of good corporate governance on Islamic comprehensiveness information disclosure because there are several older companies with lower of good corporate governance implementation and lower Islamic comprehensiveness information disclosure compared with younger company. The other younger companies has higher good corporate governance implementation and higher Islamic information disclosure level.

Since banking industry is required to issue sustainability report as mandated in Article 66 Point 2 of Law No. 40 year 2007, it should issue sustainability report which consists of financial, social responsibility and enviroment disclosure regardless of the company age. And also as mandated by PBI No. 11/33/PBI/2009 about Good Corporate Governance Implementation for Syariah General Bank and Shariah Business Unit, Shariah banks should implement the overall corporate governance regardless of the company age both older or younger, the company age does not strengthen the effect of corporate governance on Islamic information disclosure.

Table 4.8.
Summary of Model Hypothesis 2 and 3

Coefficient Significant		**Result**	**Conclusion**
Company Size	2a (α_4)	Significant	Independent Variable
	2b (α_8)	Not Significant	
Company Age	3a (α_{11})	Not Significant	Homologizer
	3b (α_{15})	Not Significant	

Source: Processed

CHAPTER V

CONCLUSION

5.1. Conclusion

Based on the result and discussion, this research concludes that:

1. The result shows that there is positive effect of good corporate governance on Islamic comprehensiveness information disclosure which means the higher level of good corporate governance implementation level will improve the Islamic comprehensiveness information disclosure level. This result support the hypothesis H1 based on agency theory and the result from Htay et al. (2012). The managers as agents will have confidence in providing credible and reliable information to users by voluntary or mandatory reporting related to decision making authority in maximizing the welfare of the owners of the firm (the principal) in both the short and long term in order to maintain the company's sutainability development.
2. The hypothesis H2 was rejected because larger company size didn't strengthen the effect of good corporate governance on Islamic comprehensiveness information disclosure. Banking industry is required to implement the overall corporate governance as mandated by PBI No. 11/33/PBI/2009 about Good Corporate Governance Implementation for Syariah General Bank and Shariah Business Unit regardless of the size of companies both large and small. That's why larger company size didn't improve the positive significant effect of good corporate governance on

Islamic comprehensiveness information disclosure. However, company size has positive significant effect on Islamic comprehensiveness information disclosure. Regarding legitimacy theory, larger companies have more stakeholders. It means that the company's responsibility to give the information is more spreaded to various stakeholders. The larger companies, the higher level of Islamic comprehensiveness information disclosure.

3. The hypothesis H3 was rejected. Company age neither have significant effect on the effect of good corporate governance on Islamic comprehensiveness information disclosure nor have significant effect on Islamic comprehensiveness information disclosure. The result conclude that company age is classified as homologizer that that modifies the strength of the relationships among constructs through an error term. Banking industry is mandated to issue sustainability report which consists of financial, social responsibility and environment disclosure regardless of the company age. It is also mandated to implement the overall corporate governance regardless of the company age both older or younger.

5.2. Limitation of The Research

There are several limitation of this research as well:

1. This research is limited to small sample size since this study focuses on ten Shariah companies whose main business activity is banking business.
2. The measurement of Islamic comprehensiveness information disclosure checklist to generate index based on modified AAOIFI with previous

research expected disclosure items and the measurement for GCG index based on KNKG's Shariah Business Governance Standard are too subjective. This measurement didn't have absolute directions how to macth the contents of Islamic disclosure in annual sustainability report with the expected disclosure modified from AAOIFI, Maali et al., and Sembiring. Likewise, the measurement of GCG cross checking didn't have valid directions.

5.3. Suggestion for The Next Research

This research could be improved by:

1. Extension of the research samples in a different Islamic industry sector would be an interesting extension of this research. Future research could include either non-financial sector or cross sector using companies listed on JII (Jakarta Islamic Index).
2. Future research should consider on the directions of Islamic comprehensiveness information disclosure checklist and GCG cross checking by weighting in on financial analysts or investor's questionnaires evaluations for the importance of information in both Islamic and GCG expected disclosure guidelines.

5.4. Implication of The Research

1. Theoretical

   Extend the issues of good corporate governance effect on Islamic comprehensiveness information disclosure by including company size which has significant effect on Islamic comprehensiveness information disclosure and company age which modifies the strength of the relationships among good corporate governance effect on Islamic comprehensiveness information disclosure through partitioning the total sample into homogeneous subgroups with respect to the error variance.

2. Practical

   a. Acknowledge the reader that Islamic comprehensiveness information disclosure in sustainability report can be improved by improvement of good corporate governance in order to improve reputation and performance in the course of Shariah business products and brand awareness development.

   b. Give the information to the management of Shariah business that the improvement of their sustainability report based on Islamic perspective is affected by the quality of good corporate governance implemented. By the improved dislosures of sustainability report, they can improve the reputation and performance in the course of products and brand awareness.

   c. Suggest the standard setter of good corporate governance such the National Committee for Governance Policy (KNKG) to improved the guidelines of Shariah Business Governance Guideline and the Indonesian

Institute for Corporate Governance (IICG) to develop the guideline of good corporate governance assessment for Shariah business focus. By developing standard of good corporate governance guidelines assessment for Shariah business focus, every company operated based on Islamic perspective can apply the same degree of good corporate governance implementation

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Appendix A. List of Samples

Name of Shari'ah Banks	Starting Operational Date	Availability of Annual Report and GCG report
PT. Bank Mega Syariah	25 Agustus 2004	2007-2011 (5 years)
PT. Bank Panin Syariah	2 Desember 2009	2010-2011 (2 years)
PT. Bank BCA Syariah	5 April 2010	2010-2011 (2 years)
PT. Bank BJB Syariah	6 Mei 2010	2010 (1 year)
PT. Bank Muamalat Indonesia	1 Mei 1992	2005-2011 (7 years)
PT. Bank BNI Syariah	19 Juni 2010	2010-2011 (2 years)
PT. Bank BRISyariah	17 November 2008	2009-2011 (3 years)
PT. Bank Syariah Mandiri	1 November 1999	2005-2011 (7 years)
PT. Bank Syariah Bukopin	27 Oktober 2008	2009-2011 (3 years)
PT. Bank Victoria Syariah	1 April 2010	2010-2011 (2 years)
Total Observations		34 data

Appendix B. Items Disclosures for Islamic Sustainability Report

No.	Items to be Disclosed	Requirements
1.	Report of Sharia Supervisory Board.	AAOIFI
2.	Nature of unlawful transactions, its amount of revenue or expenses from these transactions and how the bank disposed, or intends to dispose.	
3.	Statement of sources and uses of Zakah	
4.	The balance of the Zakah fund, and reasons for nondistribution.	
5.	The amount due in respect of shares and deposits.	
6.	The Sharia Board's opinion regarding validity of computation.	
7.	Sources of funds allocated to Quard, amounts given to beneficiaries and social purposes for which the funds were given.	
8.	The nature of charitable and social activities financed, amount spent, sources of funds used to finance these activities.	
9.	Ownership and trust.	Maali *et al* (2003)
10.	Charitable and social activities.	
11.	Employees.	
12.	Late repayments and insolvent client.	
13.	Environment.	Sembiring (2005)
14.	Energy	
15.	Product	
16.	Society Involvement	

Appendix C. Shariah Business Governance Guideline by KNKG

No.	Indicators
1.	Structure and mechanism of the Board of Commissioners, which include : a. Board Commissioners of Name (Independent and Non-Independent). b. A description of the function and mechanism of the Board of Commissioners. c. The number of meetings held by the Board of Commissioners, and the attendance of each member of the Board of Commissioners meeting. d. Mechanisms and criteria for self assessment on the performance of each member of the Board of Commissioners. e. A description of the committees supporting the Board of Commissioners.
2.	Structure and mechanism of the Sharia Supervisory Board, which include : a. Sharia Supervisory Board Name. b. The number of meetings held by the Sharia Supervisory Board, as well as the attendance of each member at the meeting. c. Mechanisms and criteria for self assessment on the performance of each member of the Sharia Supervisory Board.
3.	Structure and mechanism of the Board of Directors, which include : a. Name, position and function of each Directors. b. A brief explanation on the mechanism of action of Directors, including the mechanisms of decision-making and delegation mechanisms. c. The number of meetings held by the Board of Directors, as well as the attendance of each member of the Board of Directors in a meeting. d. Mechanisms and criteria for evaluating the performance of the members of the Board of Directors. e. Statement on the effectiveness of the internal control system covering risk management and control systems and internal audit.
4.	Other important information relating to the application of GGSB and should be disclosed in the report include the application of GGSB : a. Vision, Mission and Corporate Values b. Controlling Stockholder c. Investors based profit and lost sharing. d. Policies and amount of remuneration for the Board of Commissioners, the Sharia Supervisory Board and Board of Directors. e. Transactions with parties who have a conflict of interest. f. The results of appraisal GGSB application, reported in the annual general meeting. g. Extraordinary events that have been experienced by the company and may affect the performance of the company. h. Payment of zakat and implementation of corporate social responsibility. i. implementation of the function as the receiver and distributor other social fund in the form of zakat, infaq, charity and waqf

Appendix D. Raw Data of Employees Number, Total Assets, Total Revenues, GCG Index, ICID Index

No.	Banks	Number of Employees						
		2005	2006	2007	2008	2009	2010	2011
1.	Mega Syariah	-	-	230	2.943	4.926	5.302	6.655
2.	Panin Syariah	-	-	-	-	-	81	120
3.	BCA Syariah	-	-	-	-	-	215	315
4.	BJB Syariah	-	-	-	-	-	286	-
5.	Muamalat	2.042	2.244	2.158	1.936	2.097	2.965	3.696
6.	BNI Syariah	-	-	-	-	-	888	1.350
7.	BRI Syariah	-	-	-	-	1.433	3.594	4.497
8.	Mandiri Syariah	2.127	2.032	2.228	2.547	4.544	7.902	11.788
9.	Bukopin Syariah	-	-	-	-	515	445	492
10.	Victoria Syariah	-	-	-	-	-	122	318

No.	Banks	Total Assets (in million rupiah)						
		2005	2006	2007	2008	2009	2010	2011
1.	Mega Syariah	-	-	2.561.804	3.096.203	4.365.596	4.637.730	5.564.662
2.	Panin Syariah	-	-	-	-	-	458.713	1.017.000
3.	BCA Syariah	-	-	-	-	-	874.630	1.217.100
4.	BJB Syariah	-	-	-	-	-	1.930.469	-
5.	Muamalat	7.427.050	8.370.590	10.569.078	12.596.715	16.027.180	21.400.793	32.479.510
6.	BNI Syariah	-	-	-	-	-	6.394.924	8.466.887
7.	BRI Syariah	-	-	-	-	3.178.386	6.860.000	11.200.820
8.	Mandiri Syariah	8.272.965	9.554.967	12.885.391	17.065.938	22.037.000	32.482.000	48.671.950
9.	Bukopin Syariah	-	-	-	-	1.974.947	2.193.952	2.730.026
10.	Victoria Syariah	-	-	-	-	-	336.676	642.026

No.	Banks	Total Revenue (in million rupiah)						
		2005	2006	2007	2008	2009	2010	2011
1.	Mega Syariah	-	-	397.589	367.309	548.230	971.497	982.670
2.	Panin Syariah	-	-	-	-	-	21.368	74.890
3.	BCA Syariah	-	-	-	-	-	49.970	61.100
4.	BJB Syariah	-	-	-	-	-	129.005	-
5.	Muamalat	864.780	1.141.480	1.283.186	1.468.033	1.748.300	1.887.839	2.674.530
6.	BNI Syariah	-	-	-	-	-	417.661	786.639
7.	BRI Syariah	-	-	-	-	261.474	734.310	1.141.770
8.	Mandiri Syariah	959.114	1.079.545	1.407.193	2.037.375	2.418.000	2.768.000	4.853.018
9.	Bukopin Syariah	-	-	-	-	131.417	223.155	245.305
10.	Victoria Syariah	-	-	-	-	-	24.772	73.682

No.	Banks	Corporate Governance Assessment Index (%)						
		2005	2006	2007	2008	2009	2010	2011
1.	Mega Syariah	-	-	54,5	63,6	72,7	86,4	81,8
2.	Panin Syariah	-	-	-	-	-	59,1	81,8
3.	BCA Syariah	-	-	-	-	-	81,8	59,1
4.	BJB Syariah	-	-	-	-	-	31,8	-
5.	Muamalat	68,2	54,54	54,5	81,8	72,7	100	86,4
6.	BNI Syariah	-	-	-	-	-	81,8	86,4
7.	BRI Syariah	-	-	-	-	77,3	77,3	68,2
8.	Mandiri Syariah	36,4	31,8	59,1	72,7	81,8	86,4	77,3
9.	Bukopin Syariah	-	-	-	-	72,7	68,2	63,6
10.	Victoria Syariah	-	-	-	-	-	68,2	86,4

No.	Banks	Islamic Comprehensiveness Information Disclosure Index (%)						
		2005	2006	2007	2008	2009	2010	2011
1.	Mega Syariah	-	-	37,50	81,25	56,25	56,25	87,50
2.	Panin Syariah	-	-	-	-	-	43,75	50,00
3.	BCA Syariah	-	-	-	-	-	81,25	87,50
4.	BJB Syariah	-	-	-	-	-	43,75	-
5.	Muamalat	50,00	68,75	62,50	81,25	81,25	93,75	93,75
6.	BNI Syariah	-	-	-	-	-	81,25	93,75
7.	BRI Syariah	-	-	-	-	68,75	50,00	81,25
8.	Mandiri Syariah	37,50	37,50	75,00	81,25	93,75	87,50	87,50
9.	Bukopin Syariah	-	-	-	-	68,75	75,00	75,00
10.	Victoria Syariah	-	-	-	-	-	68,75	62,50

Appendix E. Result of Company Size Confirmatory Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.688
Bartlett's Test of Sphericity	Approx. Chi-Square	148.824
	df	3
	Sig.	.000

Anti-image Matrices

		Number of Employees	Total Assets (in million rupiah)	Total Revenue (in million rupiah)
Anti-image Covariance	Number of Employees	.187	.016	-.041
	Total Assets (in million rupiah)	.016	.044	-.035
	Total Revenue (in million rupiah)	-.041	-.035	.033
Anti-image Correlation	Number of Employees	.836[a]	.174	-.524
	Total Assets (in million rupiah)	.174	.664[a]	-.911
	Total Revenue (in million rupiah)	-.524	-.911	.615[a]

a. Measures of Sampling Adequacy(MSA)

Component Matrix[a]

	Component 1
Number of Employees	.947
Total Assets (in million rupiah)	.976
Total Revenue (in million rupiah)	.988

Extraction Method: Principal Component Analysis.

Anti-image Matrices

		Number of Employees	Total Assets (in million rupiah)	Total Revenue (in million rupiah)
Anti-image Covariance	Number of Employees	.187	.016	-.041
	Total Assets (in million rupiah)	.016	.044	-.035
	Total Revenue (in million rupiah)	-.041	-.035	.033
Anti-image Correlation	Number of Employees	.836[a]	.174	-.524
	Total Assets (in million rupiah)	.174	.664[a]	-.911
	Total Revenue (in million rupiah)	-.524	-.911	.615[a]

a. 1 components extracted.

Appendix F. Descriptive Statistic

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Islamic Comprehensiveness Information Disclosure (%)	34	.3750	.9375	.700368	.1799486
Good Corporate Governance (%)	34	.3180	1.0000	.701865	.1603627
Company Age (years)	34	1	20	7.38	6.020
Company Size	34	-2.1431	1.7251	.000000	1.0000000
Valid N (listwise)	34				

Appendix G. SPSS Output for H1 X → Y

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Good Corporate Governance (%)[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Islamic Comprehensiveness Information Disclosure (%)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.629[a]	.396	.377	.1420117	1.910

a. Predictors: (Constant), Good Corporate Governance (%)

b. Dependent Variable: Islamic Comprehensiveness Information Disclosure (%)

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.423	1	.423	20.986	.000[a]
	Residual	.645	32	.020		
	Total	1.069	33			

a. Predictors: (Constant), Good Corporate Governance (%)

b. Dependent Variable: Islamic Comprehensiveness Information Disclosure (%)

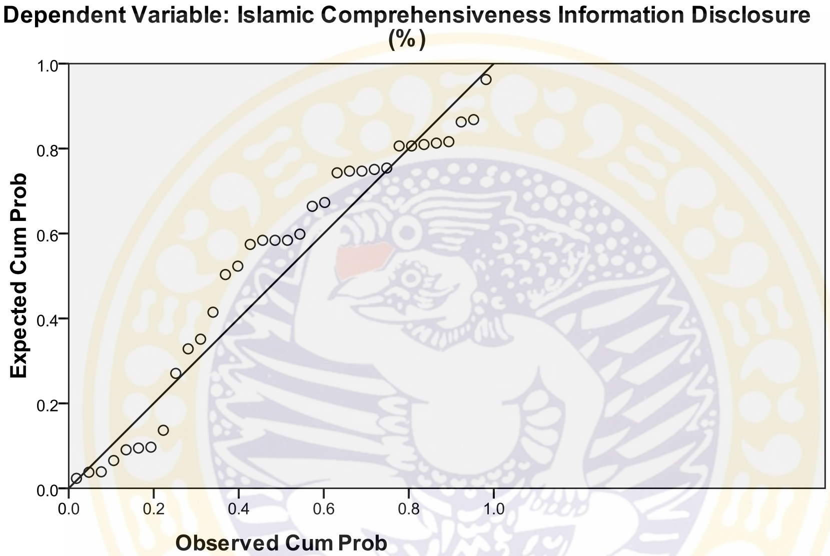
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.205	.111		1.846	.074		
	Good Corporate Governance (%)	.706	.154	.629	4.581	.000	1.000	1.000

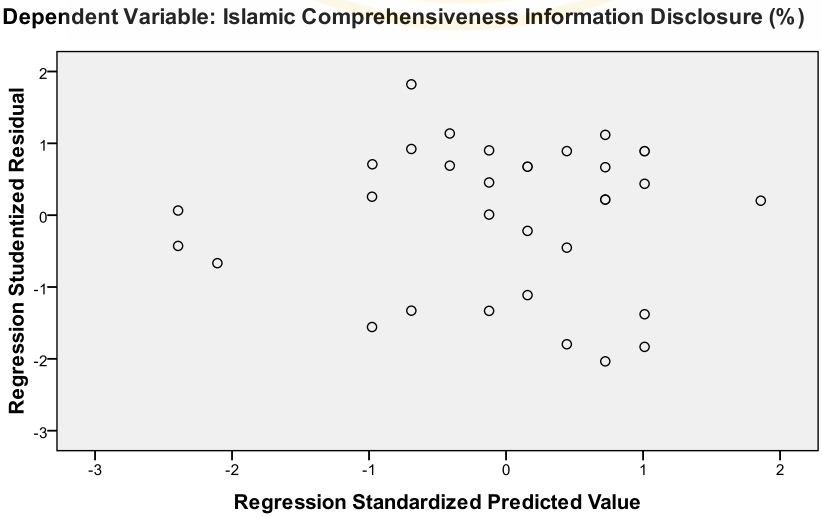
Descriptive Statistics

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Unstandardized Residual	34	-.590	.403	-.653	.788
Valid N (listwise)	34				

Normal P-P Plot of Regression Standardized Residual



Scatterplot



Appendix H. SPSS Output for H2 model 2a X + Z1 → Y

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	Company Size, Good Corporate Governance (%)[a]	.	Enter

a. All requested variables entered.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.681[a]	.464	.430	.1358998	1.899

a. Predictors: (Constant), Company Size, Good Corporate Governance (%)

b. Dependent Variable: Islamic Comprehensiveness Information Disclosure (%)

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.496	2	.248	13.430	.000[a]
	Residual	.573	31	.018		
	Total	1.069	33			

a. Predictors: (Constant), Company Size, Good Corporate Governance (%)

b. Dependent Variable: Islamic Comprehensiveness Information Disclosure (%)

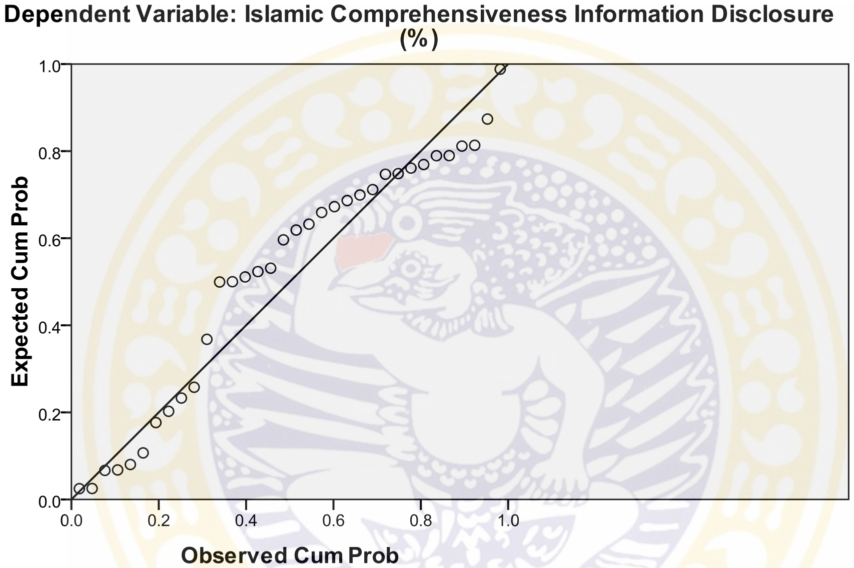
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.246	.108		2.274	.030		
	Good Corporate Governance (%)	.648	.150	.577	4.304	.000	.961	1.040
	Company Size	.048	.024	.266	1.986	.056	.961	1.040

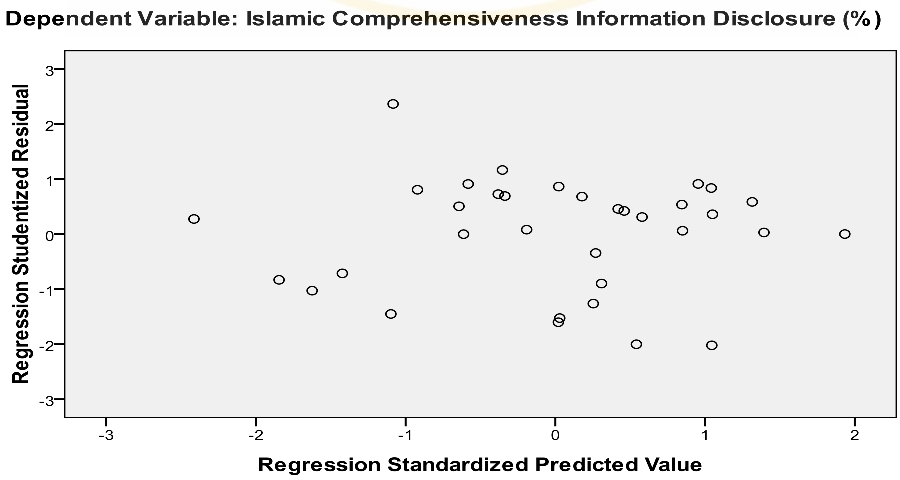
Descriptive Statistics

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Unstandardized Residual	34	-.389	.403	-.047	.788
Valid N (listwise)	34				

Normal P-P Plot of Regression Standardized Residual



Scatterplot



Appendix I. SPSS Output for H2 model 2b X + Z1 + X*Z1 → Y

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	GCG multiplied by CZ, Good Corporate Governance (%), Company Size[a]	.	Enter

a. All requested variables entered.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.695[a]	.483	.431	.1356856	1.933

a. Predictors: (Constant), GCG multiplied by CZ, Good Corporate Governance (%), Company Size

b. Dependent Variable: Islamic Comprehensiveness Information Disclosure (%)

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.516	3	.172	9.347	.000[a]
	Residual	.552	30	.018		
	Total	1.069	33			

a. Predictors: (Constant), GCG multiplied by CZ, Good Corporate Governance (%), Company Size

b. Dependent Variable: Islamic Comprehensiveness Information Disclosure (%)

Coefficients[a]

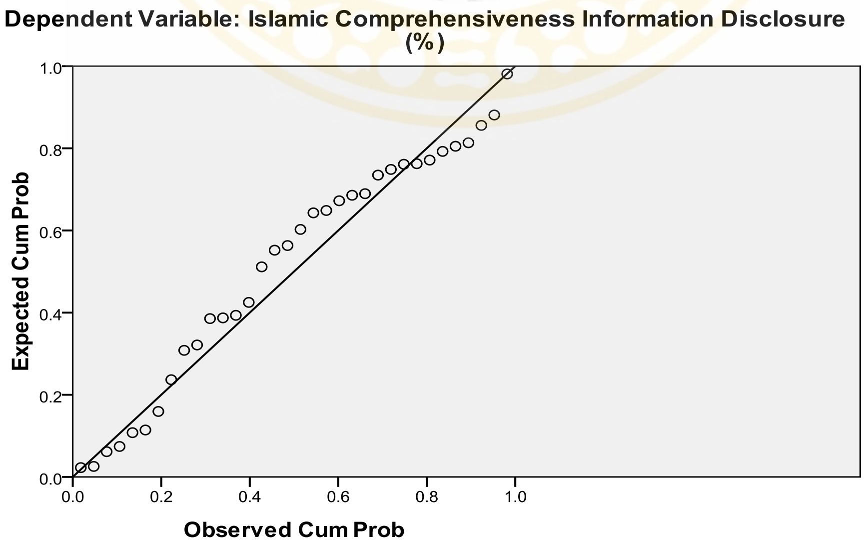
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.248	.108		2.298	.029		
	Good Corporate Governance (%)	.636	.151	.567	4.224	.000	.956	1.046
	Company Size	-.086	.130	-.478	-.661	.513	.033	30.314
	GCG multiplied by CZ	.186	.178	.759	1.048	.303	.033	30.437

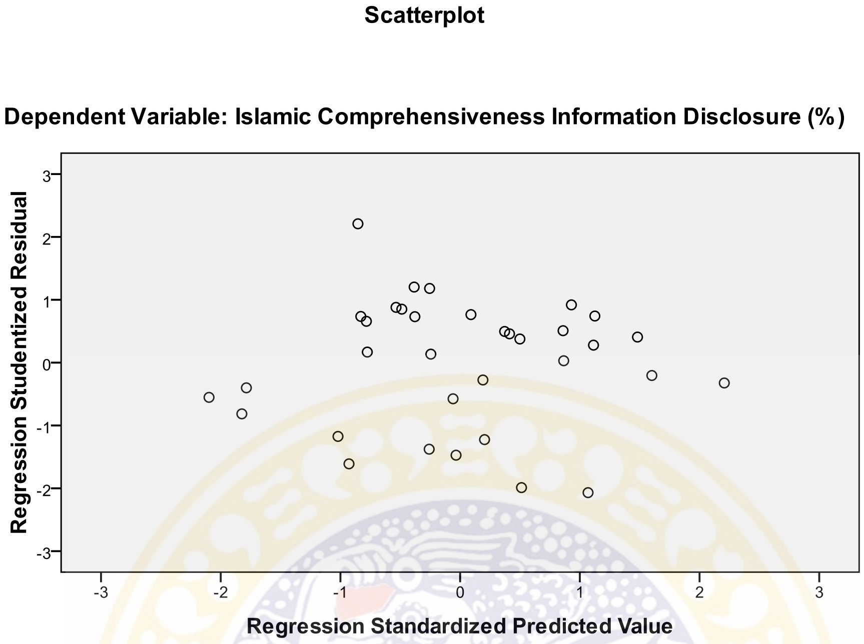
a. Dependent Variable: Islamic Comprehensiveness Information Disclosure (%)

Descriptive Statistics

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Unstandardized Residual	34	-.432	.403	-.169	.788
Valid N (listwise)	34				

Normal P-P Plot of Regression Standardized Residual




Scatterplot
Dependent Variable: Islamic Comprehensiveness Information Disclosure (%)
Regression Studentized Residual
Regression Standardized Predicted Value
3
2
1
0
-1
-2
-3

Appendix J. SPSS Output for H3 model 3a X + Z2 → Y

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	Company Age (years), Good Corporate Governance (%)[a]	.	Enter

a. All requested variables entered.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.659[a]	.435	.398	.1395981	1.888

a. Predictors: (Constant), Company Age (years), Good Corporate Governance (%)

b. Dependent Variable: Islamic Comprehensiveness Information Disclosure (%)

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.464	2	.232	11.917	.000[a]
	Residual	.604	31	.019		
	Total	1.069	33			

a. Predictors: (Constant), Company Age (years), Good Corporate Governance (%)

b. Dependent Variable: Islamic Comprehensiveness Information Disclosure (%)

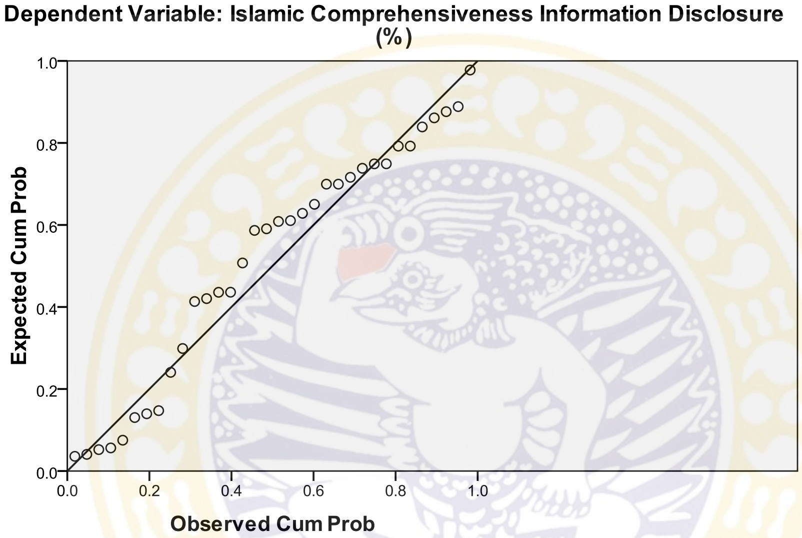
Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.189	.110		1.729	.094		
	Good Corporate Governance (%)	.665	.154	.593	4.316	.000	.967	1.035
	Company Age (years)	.006	.004	.200	1.455	.156	.967	1.035

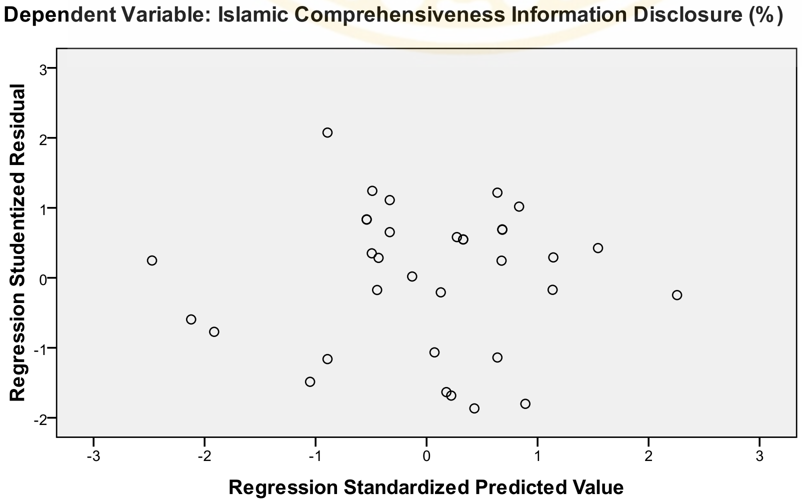
Descriptive Statistics

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Unstandardized Residual	34	-.370	.403	-.564	.788
Valid N (listwise)	34				

Normal P-P Plot of Regression Standardized Residual



Scatterplot



Appendix K. SPSS Output for H3 model 3b X + Z2 + X*Z2 → Y

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	GCG multiplied by CA, Good Corporate Governance (%), Company Age (years)[a]	.	Enter

a. All requested variables entered.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.662[a]	.439	.383	.1413984	1.945

a. Predictors: (Constant), GCG multiplied by CA, Good Corporate Governance (%), Company Age (years)

b. Dependent Variable: Islamic Comprehensiveness Information Disclosure (%)

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.469	3	.156	7.816	.001[a]
	Residual	.600	30	.020		
	Total	1.069	33			

a. Predictors: (Constant), GCG multiplied by CA, Good Corporate Governance (%), Company Age (years)

b. Dependent Variable: Islamic Comprehensiveness Information Disclosure (%)

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	.258	.185		1.397	.173		
	Good Corporate Governance (%)	.571	.255	.509	2.238	.033	.362	2.766
	Company Age (years)	-.003	.021	-.116	-.167	.869	.039	25.691
	GCG multiplied by CA	.012	.027	.347	.464	.646	.034	29.778

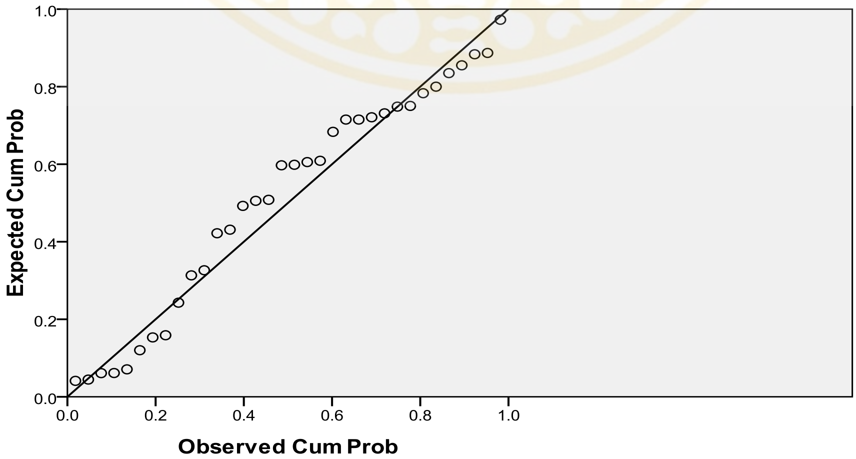
a. Dependent Variable: Islamic Comprehensiveness Information Disclosure (%)

Descriptive Statistics

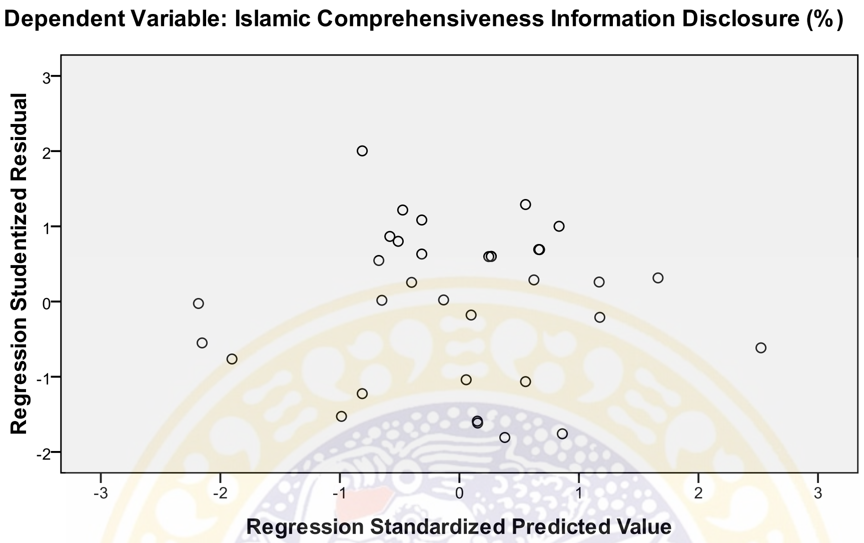
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Unstandardized Residual	34	-.358	.403	-.672	.788
Valid N (listwise)	34				

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: Islamic Comprehensiveness Information Disclosure (%)



Scatterplot



Appendix L. SPSS Output for White Test

Model Summary (Model 1)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.225[a]	.050	-.011	.02181

a. Predictors: (Constant), GCGSQUARE, Good Corporate Governance (%)

Model Summary (Model 2a)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.334[a]	.111	-.047	.02339

a. Predictors: (Constant), GCG multiplied by CZ, Good Corporate Governance (%), CZSQUARE, Company Size, GCGSQUARE

Model Summary (Model 2b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.384[a]	.147	-.042	.02184

a. Predictors: (Constant), GCG.CZ.GCG.CZ, GCG multiplied by CZ, Good Corporate Governance (%), CZSQUARE, GCGSQUARE, Company Size

Model Summary (Model 3a)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.417[a]	.174	.026	.02064

a. Predictors: (Constant), GCG multiplied by CA, Good Corporate Governance (%), CASQUARE, Company Age (years), GCGSQUARE

Model Summary (Model 3b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.424[a]	.179	-.003	.02006

a. Predictors: (Constant), GCG.CA.GCG.CA, Good Corporate Governance (%), Company Age (years), CASQUARE, GCGSQUARE, GCG multiplied by CA