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The impact of social responsibility disclosure on the financial performance of Islamic financial institutions

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Abstract

This paper aims to evaluate the extent of Islamic financial institutions' commitment to social responsibility reporting (SRR) requirements in the Kingdom of Bahrain and to examine the influence of this commitment on their financial performance. The study adopts a quantitative content analysis approach. Annual reports from a selected sample of Islamic financial institutions in Bahrain were analyzed for the period 2018–2022. The independent variable social responsibility disclosure was measured based on compliance with the AAOIFI Standard No. 1 (Presentation and Disclosure in Financial Statements), specifically focusing on the disclosures related to the Zakat and Charity Fund and the Qard Fund. Financial performance, the dependent variable, was assessed using Return on Equity (ROE) as the key performance indicator. The results revealed that, on average, institutions demonstrated a 78% compliance rate with SRR requirements, with a standard deviation of 0.12, indicating a relatively high level of social responsibility engagement. However, ROE varied significantly across institutions, ranging from 0.10 to 0.42. Statistical analysis confirmed a significant positive influence of social responsibility disclosure on financial performance. The findings suggest that greater transparency in social responsibility reporting correlates with improved financial outcomes for Islamic financial institutions. While the sector demonstrates commendable compliance with SRR standards, variability in financial performance underscores the potential for further improvements in disclosure practices. Islamic financial institutions are encouraged to enhance the clarity and consistency of their SRR to foster investor and stakeholder trust. Regulatory bodies should strengthen the enforcement of AAOIFI standards to ensure uniform reporting practices. Increased transparency not only enhances institutional credibility but also contributes to better operational performance and attracts sustainable investment.

Keywords: AAOIFI standards, financial performance, Islamic financial institutions (IFIs), return on equity (ROE), social responsibility disclosure (SRD).

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1. Introduction

Social responsibility is the action of a corporate institution to conduct business in a socially and economically responsible manner. In order to realize the concept of social responsibility, organizations need to report their various SR practices [1].

Social responsibility is increasingly relevant in this day and age as it bears much influence on institutions and society. Its importance has become increasingly more noticeable in the face of growing social issues, given that it can help to address community problems and contribute to the well-being of numerous categories of scientific society [2]. If the business of social banking is to succeed for any financial institution, it must have a social purpose and stick to it, underpinning all roles to be played by it [3].

1.1. Research Problem

The problem statement is to assess how the relationship between social disclosures and financial performance drives profitability among Islamic financial institutions. Prior research into this subject has provided conflicting results; some authors claim that the disclosure of CSR requirements affects profit and financial performance positively, while others yield opposite results.

The central research question addressed, therefore, is: "How much of the variation in the financial performance of Islamic banks is explained by social responsibility disclosure?"

1.2. Research Hypotheses

H_{01}: Islamic financial institutions are not complied with the disclosure requirements of social responsibility.

H_{02}: Financial performance is not significantly influenced by social responsibility disclosure compliance by Islamic financial institutions.

1.3. Research Objectives

- To explain the overall structure of accounting disclosure.
- To emphasize the significance of disclosure of social responsibility.
- To measure level of commitment of Islamic banks in Bahrain in disclosure S social responsibility requirements.
- To access the financial performance of Islamic banks in Bahrain with reference to (ROE) as a financial measure.
- Assessing the influence of publicizing social responsibility requirements on the financial performance of Islamic banks in Bahrain

1.4. Significance of the Study

This study is significant in the sense of timeliness. The technological development and industrial progress in the business context have prompted the stakeholders to acquire more information of a social nature in particular, which demonstrates an institution's commitment to the environment and society to develop a broad view of the institution's performance.

Because of the increasing business scope, organizations find themselves having to contend with economic goals, such as profit maximization, and social welfare throughout their operations. This equilibrium represents economic growth that benefits society and strengthens the notion of social responsibility as part of business practices.

1.5. Research Model

Figure 1 illustrates the research model which shows the main variables of the study

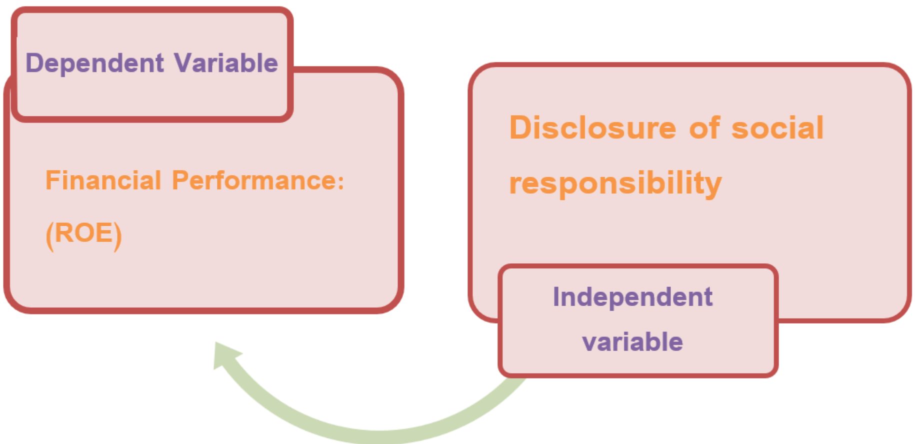

Figure 1.
Research model.

1.6. Research Scope

- Subject Scope: The impact of disclosing social responsibility requirements on the financial performance of Islamic financial institutions listed on the Bahrain Bourse.
- Geographical Scope: Islamic financial institutions listed on the Bahrain Bourse, consisting of eight institutions.
- Time Scope: The study period covers the years 2018 to 2022.

1.7. Research Methodology

1.7.1. Study Method

1. The descriptive approach was utilized to fulfill the objectives of the research to describe with precision concepts pertaining to the accounting disclosure of social responsibility requirements and financial performance of the institutions of analysis.

2. The analytical technique used was the content analysis of the financial reports of the eight Islamic financial institutions in Bahrain to measure their CSR disclosure. The data were analyzed and hypotheses were tested using financial ratios, which were applied in order to evaluate the financial operations of these institutions.

3. The effect of such organizations with transparency in accounting on society was analyzed with the help of quantitative tools, the SPSS software.

1.7.2. Data Sources

1. Primary Sources: The data pertaining to study variables was obtained from the annual reports of Islamic financial institutions operating in Bahrain during the years from 2018 to 2022.

2. Secondary Sources: These are academic theses, published studies, and research papers present in peer-reviewed professional and scientific journals, as well as data and statistics related to the subject addressed in the study.

This study investigates the commitment of Islamic financial institutions in the Kingdom of Bahrain to social responsibility reporting (SRR) standards and examines the impact of this commitment on their financial performance. The analysis focuses on disclosures required by AAOIFI Standard No. 1, specifically related to the Zakat and Charity Fund and the Qard Fund, covering the period from 2018 to 2022. Financial performance is measured using Return on Equity (ROE). Section One presents the general framework of the study, including the introduction, research problem, objectives, significance, hypotheses, research model, and structure. Section Two provides a theoretical and conceptual foundation by reviewing literature on accounting disclosure, social responsibility in Islamic finance, financial performance, and relevant previous studies, along with a background on the selected institutions. Section Three presents the methodology and empirical findings, indicating that the average compliance with SRR standards was 78%, with a standard deviation of 0.12, and that ROE ranged between 0.10 and 0.42. The analysis reveals a significant positive relationship between SRR compliance and financial performance. Section Four concludes with key findings and recommendations, emphasizing the need for greater transparency and adherence to AAOIFI standards to enhance institutional credibility, attract investment, and support sustainable growth.

2. Literature Review

2.1. Theoretical Framework

Corporate Social Responsibility (CSR) has become a pivotal element of business practices, emphasizing the ethical and societal obligations that organizations have towards both the community and the natural world [4]. Financial performance is perceived as the key measure of the success of banks and financial institutions. It is a very important factor in diagnosing a bank's financial position and determining if it can meet short-term and long-term goals. Financial performance is used as a useful interpretation of an organization's capability to carry on its activities (either to continue operations or be forced to terminate) by looking into several indicators. Various proxies are used for the bank's financial performance, such as profitability and liquidity ratios [5-7].

SR accounting is one of the highest levels of accounting evolution. It is commonly acknowledged that there are groups that are concerned with the consequences of the accounting entity. Accountants should thus present financial statements in a manner that is most useful to all members of society. This is consistent with the social welfare orientation in the construction of accounting theory [8].Therefore, there is a growing demand from governments, NGOs, and local communities for transparency and accountability from the economic aspect to include the social effects of the entity's operations [9]. Therefore, we can no longer just insist on economic targets and ignore social targets. It has long been believed that institutions should be responsible to and act on behalf of society in exchange for utilizing society's resources when doing business. Companies are increasingly sensitive to social responsibility, and the accountancy profession has started to give importance to the disclosure of social responsibility for the purpose of satisfying the requirements of different groups of users. Islamic banks are among those that have led the way to bring social responsibility into the process of economic and financial activity in a modern world [10, 11].

In addition, the Islamic bank's social impact is based on Sharia, conduct based on moral and ethical behavior from within a person's faith. Islamic banks do not finance activities or products considered harmful to society. These ethical principles then have a positive effect on society both at the level of morals, social life, and even the economy. The social responsibility disclosure of Islamic banks seems crucial, as Islamic banks seek to improve the well-being of society while achieving the shareholders' objectives. ISB owes societal responsibility to multiple stakeholders [12, 13], as well in line with the social responsibility practices disclosure [14].

2.1.1. Concept of Accounting Disclosure

Disclosure refers to the requirement for companies to periodically release their audited financial statements, where systematic, consistent, and comparable information is needed for users such as investors, shareholders, and creditors. These disclosures are considered the financial reports of the company, which indicate its activity position and financial condition, adding value to the economic decisions that could be based on accurate and reliable information [15, 16].

2.1.2. Concept of Social Responsibility Disclosure (SRD)

- Definition 1: Social disclosures are documents issued by companies that allow stakeholders to evaluate the future plans of companies, the effect the companies have on society, and the readiness of companies to adhere to national regulations and international standards. It also indicates how companies handle and absorb the costs of mitigating harm related to their operations. Social disclosure, therefore, enables external stakeholders to judge the performance of a given organization while also providing cues on its overall economic status [17].
- Definition 2: The disclosure of social responsibility is the provision of information, which, if properly reported and presented, will satisfy the information needs and perspectives of all those affected by an entity's actions, and that the information disclosed also does not mislead. The financial reports that are revealed must possess qualitative properties such as relevance, understandability, comparability, timeliness, and completeness [18].
- Other Definition: It includes the disclosure of financial or non-financial information in the financial statements or footnotes, or in supplemental schedules. This makes the statements useful and dependable so that outside users can rely upon them for decision-making [19].

2.1.3. Importance of Social Responsibility

Corporate social responsibility (CSR) is a crucial aspect of a bank's culture, governance structure, and risk management systems. It is deeply ingrained in the bank's culture, influencing employee behavior and decision-making processes [20, 21].

The community's responsibility is very important for continuing to build bridges between economic actors and the community. Although the focus is on making a profit, the institution should still operate within an ethical framework. The significance of social responsibility can be seen from the perspectives of three major parties:

1. Economic Units (Organizations): For organizations

It improves work culture and strengthens the relationship between management and employees, contributing to employee loyalty.

It enhances the public perception of the organization as well as the perception among consumers and employees. Social responsibility is considered a voluntary action of an organization toward its stakeholders at different levels.

2. For the State

- When businesses take the social responsibility, governments win having less load to carry and more public backing in offering education, healthcare, and social and cultural services.
- It will also lead to lower unemployment, technological innovation and sustainable development.

3. For Society

- Quality of service to the community is raised.

It promotes social solidarity among diverse sections of society [3].

The triple bottom line, also known as the triple performance line, is another foundation of CSR that is essential for the development of sustainability. It is based on balancing three dimensions: ecology, ethics, and economy. Companies that earn profits should consider how they can contribute to the other two elements, which are people and the environment. To conduct more balanced and ecological activities, the TBL concept must be a continuous process. This shows that a company does not just operate for profit but also for the community members. Therefore, CSR can be summarized based on the integration of these two theories as the way in which organizations achieve a balance between the economic environment and society. In this way, they can simultaneously address both shareholders and stakeholders. Moreover, companies distribute economic, social, and political benefits to the groups from which they derive power to survive and grow. Consequently, the importance of socially, environmentally, and ethically responsible behavior by corporations is becoming increasingly recognized within the business sphere [22]. Thus, we can see two studies: one positive and some studies still showing no significant association between CSR and firm reputation. [23].

A. Positive Studies on the Relationship between Disclosure of Social Responsibility and Financial Performance:

- 1-this research empirically investigated the nexus between corporate social responsibility (CSR) and financial performance in India by taking a sample of 28 commercial banks from the Bombay Stock Exchange (15 public sector and 13 private sector) for the period 2016–2017. Performance was measured by profitability and market value, and CSR listed in annual reports was examined through descriptive statistics and regression analyses. It was found that CSR has a significant positive impact on financial performance [24].
- 2-The purpose of this research is to investigate the impact of CSR accounting on profit maximization through a descriptive-analytical approach. One hundred questionnaires were administered, and 89 questionnaires were valid (89% response rate). We performed statistical analysis using SPSS. The findings revealed a positive impact of firm commitment to CSR on profit growth [25].
- 3- In this study, CSR activities were examined to see their relationship to economic performance with both accounting indicators and market indicators. The database included 988 companies in the United States across nine sectors from 2003 to 2015. Multiple regression analysis showed that a positive correlation existed between enhancing financial risk CSR activities and shareholders' return [26].

- 4- In several leading companies, initiatives on the environment can encourage the marketplace with the competitive landscape to reconsider product design, improve the efficiency of operations, and seek out innovative new technologies. In general, the CSR dimension, which is the environmental initiative, consists of environmental policy, environmental impact, environmental performance, and environmental disclosure, and can affect the level of corporate structure [27].

B. Studies Showing No Association between Social Responsibility Disclosure and Financial Performance:

- This paper investigated the effect of the corporate life cycle on the financial performance of non-financial companies listed in the Egyptian Stock Exchange for the period 2015-2018. There is a significant change only in how much companies disclose social information with respect to return on equity (ROE) in decline and in growth phases of a firm's lifecycle, but the relation between CSR and financial performance is positive [28].
- This study used data from 56 firms listed on the Johannesburg Stock Exchange (JSE) during the period from 2011 to 2013. It explored the influence of CSR components (community, environment, governance) on financial performance. Though CSR power had a positive influence on ROA and Tobin's Q, the dimensions separately did not have any influence on staff performance regarding social aspects in the dimensions but received a positive influence from CSR governance to the bank [29].
- The study finds that the level of CSRD among the sample GCC Islamic banks is relatively low, indicating that the issuance of the AAOIFI guidelines on CSRD did not improve the CSRD practice among Islamic banks in GCC countries. The CSRDs are still relatively low compared to studies conducted before the issuance of AAOIFI guidelines. Several studies indicate that Islamic banks are not completely fulfilling their social role in accordance with the prescriptions of Islam. Based on the findings, it appears that Islamic banks are mainly focused on economic incentives rather than religious and social norms [30].

3. Data Collection and Analysis

The population and sample of the study, methods, model for data analysis and results are covered in this section.

The sample of this study comprised the Islamic banks listed on the Bahrain Bourse for the period 2018 to 2022. This sector was chosen because it is an important sector in Bahrain and sufficient financial data is available for its study. The following criteria were used to choose the study sample:

1. Availability of data and material. All data required for the study are available.
2. The banks were not declared bankrupt during the study.
3. Data was available on the bank's website.

Hence, eight institutions were selected as the sample following these criteria as shown in Table 1.

Table 1.
The study sample.

No.	Bank Name
1	Bahrain Islamic Bank
2	Ithmaar Bank
3	Al Baraka Islamic Bank
4	Al Salam Bank
5	Arab Banking Corporation (ABC)
6	Gulf Finance House
7	Khaleeji Commercial Bank
8	Invest

Source: www. Bahrain bourse. Com.

This research used the descriptive approach with analytical statistics by examining the degree of influence of the financial performance of Islamic banking on the disclosure of the social responsibility requirements. The hypotheses were tested using the software SPSS and the intermediates concluded. The competent data were taken from the annual reports of the selected banks in the services industry. These statements were obtained from the banks' official sites and the official website of Established [31].

In terms of the objective variable, that is social responsibility disclosure, of the selected banks, the study derived the elements of the disclosure from AAOIFI Accounting Standard (AAS), No.1 (Presentation and Disclosure of Financial Statements) and adapted it to the specific context of the study sample. Annual reports of the selected banks were examined in order to ascertain to what level of extent the selected bank complied with the mentioned elements of the disclosure. Information was recorded to establish overall disclosure scores for each bank and for individual items on social responsibility. Table 2: Social Responsibility Disclosure Rates in Islamic Financial Institutions. Table 2 shows the social responsibility disclosure Rates in Islamic financial institutions.

Table 2.
Social responsibility disclosure rates in Islamic financial institutions.

Bank	Year	Disclosures							
		Clause 1	**Clause 2**	**Clause 3**	**Clause 4**	**Clause 5**	**Clause 6**	**Clause 7**	**Average**
Bahrain Islamic Bank	2018	0.6	0.8	0.75	1	0.6	0.75	1	0.79
	2019	0.8	0.8	0.75	1	0.8	0.75	1	0.84
	2020	0.8	0.8	0.75	1	0.8	0.75	1	0.84
	2021	0.8	0.8	1	1	0.8	1	1	0.91
	2022	0.8	0.8	1	1	0.8	1	1	0.91
Ithmaar Bank	2018	0.6	0.8	0.75	0.5	0.6	0.75	0.5	0.64
	2019	0.6	0.8	0.75	0.5	0.6	0.75	0.5	0.64
	2020	0.6	0.8	0.75	0.75	0.6	0.75	0.75	0.71
	2021	0.6	1	0.75	0.75	0.6	0.75	0.75	0.74
	2022	0.6	1	0.75	0.75	0.6	0.75	0.75	0.74
Al Baraka Bank	2018	0.8	0.8	0.75	1	0.8	0.75	1	0.84
	2019	0.8	0.8	0.75	1	0.8	0.75	1	0.84
	2020	0.8	0.8	0.75	1	0.8	0.75	1	0.84
	2021	1	1	1	1	1	1	1	1.00
	2022	1	1	1	1	1	1	1	1.00
Al Salam Bank	2018	0.6	0.8	0.5	0.5	0.6	0.5	0.5	0.57
	2019	0.6	0.8	0.5	0.5	0.6	0.5	0.5	0.57
	2020	0.8	0.8	0.5	0.75	0.8	0.5	0.75	0.70
	2021	0.8	0.8	0.5	0.75	0.8	0.5	0.75	0.70
	2022	0.8	0.8	0.5	0.75	0.8	0.5	0.75	0.70
Arab Banking Corporation	2018	0.6	0.8	0.75	0.5	0.6	0.75	0.5	0.64
	2019	0.6	0.8	0.75	0.5	0.6	0.75	0.5	0.64
	2020	0.8	0.8	0.75	0.75	0.8	0.75	0.75	0.77
	2021	0.8	1	1	1	0.8	1	1	0.94
	2022	0.8	1	1	1	0.8	1	1	0.94
Gulf Finance House	2018	0.4	0.8	0.5	0.5	0.4	0.5	0.5	0.51
	2019	0.6	0.8	0.75	0.5	0.6	0.75	0.5	0.64
	2020	0.6	0.8	0.75	0.75	0.6	0.75	0.75	0.71
	2021	0.6	1	0.75	0.75	0.6	0.75	0.75	0.74
	2022	0.8	1	1	1	0.8	1	1	0.94
Khaleeji Commercial Bank	2018	0.6	0.8	0.75	1	0.6	0.75	1	0.79
	2019	0.8	0.8	0.75	1	0.8	0.75	1	0.84
	2020	0.8	0.8	0.75	1	0.8	0.75	1	0.84
	2021	0.8	0.8	1	1	0.8	1	1	0.91
	2022	0.8	0.8	1	1	0.8	1	1	0.91
Invest	2018	0.6	0.8	0.5	0.5	0.6	0.5	0.5	0.57
	2019	0.6	0.8	0.5	0.5	0.6	0.5	0.5	0.57
	2020	0.8	0.8	0.5	0.75	0.8	0.5	0.75	0.70
	2021	0.8	0.8	0.5	0.75	0.8	0.5	0.75	0.70
	2022	0.8	0.8	0.5	0.75	0.8	0.5	0.75	0.70

Note: A score of (1) indicates full compliance with all disclosure elements for that year.

Based on the results in Table 2, a high average rates of social responsibility disclosure exist across all institutions, the first null hypothesis is rejected, and the alternative hypothesis is accepted.

As for the dependent variable, which is financial performance, the study adopted Return on Equity (ROE) as the basis for calculating financial performance across the study period (refer to Table 3). ROE was calculated for each bank and each year by dividing net profit by shareholder equity. The results are as follows:

Table 3.
ROE of sampled banks (2018–2022).

Bank name	Year	ROE
Bahrain Islamic Bank	2018	0.057
	2019	0.049
	2020	0.014
	2021	0.066
	2022	0.067
Ithmaar Bank	2018	0.06
	2019	0.071
	2020	0.105
	2021	0.106
	2022	0.086
Al Baraka Bank	2018	0.044
	2019	0.036
	2020	0.042
	2021	0.055
	2022	0.044
Al Salam Bank	2018	0.164
	2019	0.146
	2020	0.125
	2021	0.126
	2022	0.133
Arab Banking Corporation	2018	0.036
	2019	0.034
	2020	0.06
	2021	0.053
	2022	0.013
Gulf Finance House	2018	0.134
	2019	0.103
	2020	0.419
	2021	0.045
	2022	0.046
Khaleeji Commercial Bank	2018	0.057
	2019	0.049
	2020	0.014
	2021	0.066
	2022	0.067
Invest	2018	0.164
	2019	0.146
	2020	0.125
	2021	0.126
	2022	0.133

Source: www. Bahrain bourse. Com & financial reports.

To verify the objectives of the study and test its hypotheses, the overall disclosure score for each bank was calculated using the following equation [32].

Overall Disclosure Level = Total Disclosed Items / Total Possible Items.

The disclosure level for each item was determined by assigning a value of (1) if the bank disclosed that item in its annual report for any given year of the study, and (0) if the bank did not comply. By summing the values and dividing by the total number of disclosure items, the disclosure percentage was obtained for each bank as presented in Table 4.

Table 4.
Descriptive Statistics for Study Variables.

Disclosure item	Minimum average value	Maximum average value	Mean	Standard deviation
1. Disclosure of the financial period covered by the Zakat and charity funds statement.	0.4	1.0	0.71	0.14
2. Disclosure of whether the bank pays Zakat on behalf of shareholders or collects and distributes it on behalf of investment account holders.	0.8	1.0	0.85	0.09
3. Disclosure of other sources of Zakat and charity fund income.	0.5	1.0	0.76	0.17
4. Disclosure of the distributed and undistributed Zakat and charity amounts at the end of the financial period.	0.5	1.0	0.79	0.21
5. Disclosure of the financial period covered by the loan fund statement.	0.4	1.0	0.76	0.17
6. Disclosure of the loan balance at the beginning and end of the financial period.	0.5	1.0	0.79	0.21
7. Disclosure of loan fund amounts and sources during the financial period and how they were used.	0.5	1.0	0.77	0.18
Average disclosure of social responsibility overall.	0.514	1.0	0.78	0.12
Financial performance (ROE)	0.01	0.42	0.08	0.07

As overall results for all disclosure items, the average disclosure rate reached 78% with a standard deviation of 0.12. This indicates a generally high level of compliance among the banks with social responsibility disclosure standards. However, due to the legal requirements enforced by local regulations, further attention must be paid to ensuring full and transparent disclosure across all required items in annual reports and separate statements. This transparency plays a vital role in enhancing the credibility of reported data and, ultimately, in improving the operational performance of Islamic financial institutions. Figure 2 illustrates the disclosure of social responsibility for the study sample.

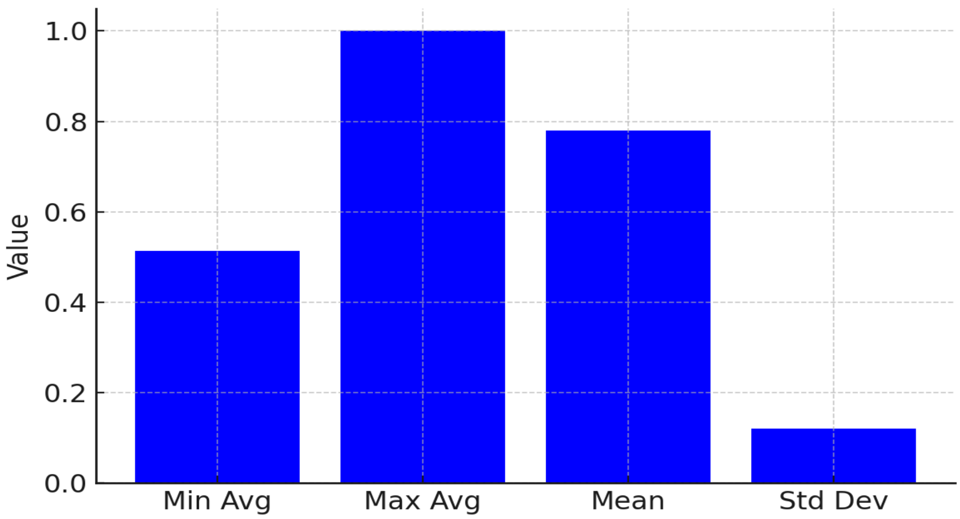

Figure 2.
Disclosure of Social Responsibility for the Study Sample.

Regarding financial performance, according to the Return on Equity (ROE) index, the lowest value is 0.1, with a maximum value of 0.42, a mean of 0.8, and a standard deviation of 0.7. These values reflect the significant variation in the financial performance of the banks under study over the years of analysis, despite all banks operating in the same sector. The results show that the average performance reached 0.8, which necessitates efforts to improve financial performance levels by increasing returns and reducing unnecessary expenses that do not generate income for the bank (see Figure 3).

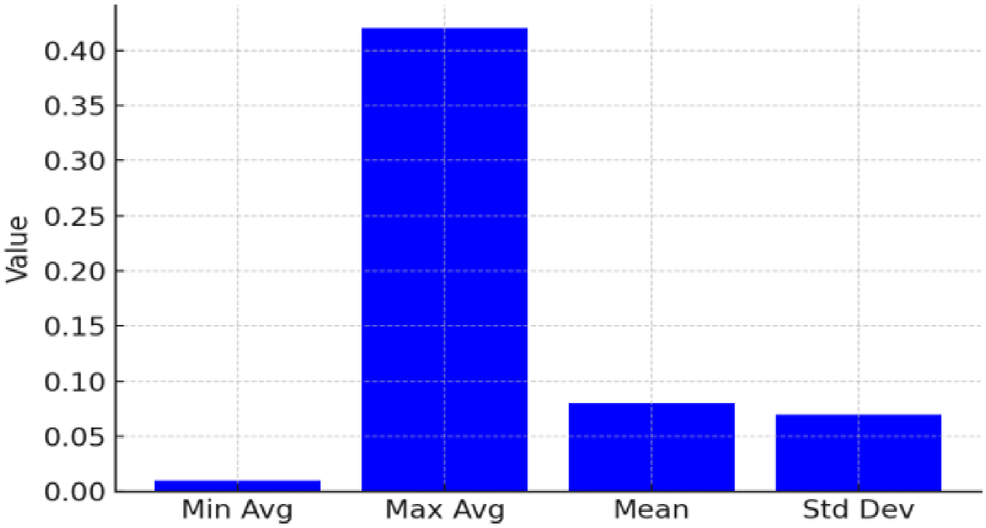

Figure 3.
Financial performance for study sample.

To test correlation, we present Table 5, which refers to the Pearson correlation matrix for the study variables. This table displays the correlation coefficients between the various study variables and indicates the strength of the relationships between them to determine the feasibility of performing regression analysis.

Table 5.
Pearson correlation matrix between social responsibility disclosure and financial performance.

Correlations

		ROE	IV1	IV2	IV3	IV4	IV5	IV6	IV7
ROE	Pearson Correlation	1	-0.337*	-0.228	-0.453**	-0.414**	-0.337*	-0.453**	-0.414**
	Sig. (2-tailed)		0.034	0.156	0.003	0.008	0.034	0.003	0.008
	N	40	40	40	40	40	40	40	40
IV1	Pearson Correlation	-0.337*	1	1.000**	0.999**	1.000**	1.000**	0.999**	1.000**
	Sig. (2-tailed)	0.034		0.000	0.000	0.000	0.000	0.000	0.000
	N	40	43	43	43	43	43	43	43
IV2	Pearson Correlation	-0.228	1.000**	1	0.999**	0.999**	1.000**	0.999**	0.999**
	Sig. (2-tailed)	0.156	0.000		0.000	0.000	0.000	0.000	0.000
	N	40	43	43	43	43	43	43	43
IV3	Pearson Correlation	-0.453**	0.999**	0.999**	1	0.999**	0.999**	1.000**	0.999**
	Sig. (2-tailed)	0.003	0.000	0.000		0.000	0.000	0.000	0.000
	N	40	43	43	43	43	43	43	43
IV4	Pearson Correlation	-0.414**	1.000**	0.999**	0.999**	1	1.000**	0.999**	1.000**
	Sig. (2-tailed)	0.008	0.000	0.000	0.000		0.000	0.000	0.000
	N	40	43	43	43	43	43	43	43
IV5	Pearson Correlation	-0.337*	1.000**	1.000**	0.999**	1.000**	1	0.999**	1.000**
	Sig. (2-tailed)	0.034	0.000	0.000	0.000	0.000		0.000	0.000
	N	40	43	43	43	43	43	43	43
IV6	Pearson Correlation	-0.453**	0.999**	0.999**	1.000**	0.999**	0.999**	1	0.999**
	Sig. (2-tailed)	0.003	0.000	0.000	0.000	0.000	0.000		0.000
	N	40	43	43	43	43	43	43	43
IV7	Pearson Correlation	-0.414**	1.000**	0.999**	0.999**	1.000**	1.000**	0.999**	1
	Sig. (2-tailed)	0.008	0.000	0.000	0.000	0.000	0.000	0.000	
	N	40	43	43	43	43	43	43	43

Note: *. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

The results of the correlation matrix indicate that the correlation coefficient values range between (-0.453) and (-0.228), Therefore, it can be concluded that the relationship between the dimensions of the independent variable and dependent variable (ROE) is moderate and negative. The regression analysis and its coefficients can be summarized as shown in Table 6:

Table 6.
Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.479[a]	0.230	0.209	0.061392
a. Predictors: (Constant), Social Responsibility Disclosure				

As can be seen in Table 6, the findings of multiple linear regression indicate that the predictor variables demonstrated statistical significance with R=0.479 and R^2=0.23. Additionally, Table 7 presents the result of F (1,38) = 11.333, and sig < 0.05. The predictor of financial performance (ROE) was highly accurate based on Social Responsibility Disclosure, with around 23% of the variance in financial performance explained through the regression analysis.

Table 7.
One-way analysis of variance.

ANOVA[a]						
Model.		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.043	1	0.043	11.333	0.002[b]
	Residual	0.143	38	0.004		
	Total	0.186	39			
a. Dependent Variable: ROE						
b. Predictors: (Constant), Social Responsibility Disclosure						

Table 8.
The coefficients.

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	0.282	0.059		4.804	0.000
	Social DESC	-0.255	0.076	-0.479	-3.366	0.002
a. Dependent Variable: ROE						

According to the Beta coefficients present in Table 8, social disclosure was a significant predictor of Return on Equity (ROE) with t(39) = -3.366 and p < 0.05, which means the second null hypothesis is rejected and the alternative hypothesis is accepted.[34]

These results are also entirely consistent with some studies such as: "Determinants of Profitability: Evidence from Indonesian Firms." Paleni et al. [33] which show a high degree of acceptance of commitment to the disclosure of social responsibility in countries where these studies were conducted. The results are also consistent with another study *"The Connection Between CSR Leadership and CSR Culture with CSR Performance,"*[34] which found a positive relationship between social and financial performance.

Furthermore, these results fit and correspond with another study "The impact of corporate social responsibility disclosure on financial performance: evidence from the GCC Islamic banking sector" Platonova et al. [35], which examined the relationship between CSR and GCC Islamic bank financial performance using 2000-2014 data. Based on the six dimensions of CSRD composite measures developed, the study reported a significant positive relationship between CSRDs with the Islamic banks and their future financial performance, suggesting that current CSR activities carried out by Islamic banks in the GCC could have a long-term impact on the financial performance of these banks. The influence of CSRD on firm value can be understood based on agency theory. Finally, this study is consistent with another study, "The Impact of Corporate Social Responsibility (CSR) on Islamic Banking Performance in Malaysia**''**[36]**, which** concluded that CSR's elements, which are environment, community, and marketplace have significant impacts on banks' financial performance.

Nevertheless, the present study is contradicted with some studies: "Effect of Disclosure of social Responsibility Activities on total return on assets of Saudi Industrial Companies" [32] which found that there was no significant impact of social responsibility activities on return on assets in the Saudi Banks, which might be attributed to less focus on social responsibility disclosure. They also differ from another study, "*When and How is Corporate Social Responsibility Profitable?"* [37] that did not find support for an association between corporate social responsibility and performance.

4. Conclusions and Recommendations

This section presents a summary of the findings of the study and provides recommendations to improve the extent of social responsibility disclosure and the performance of Islamic financial institutions as follows:

4.1. Conclusions

- The lowest average disclosure level observed was 40% and the highest was 100%, suggesting that participating Islamic financial institutions have a strong intention to adhere to Islamic accounting standards in the area of social responsibility.
- And the grand average of all social responsibility disclosure items was 78% and a standard deviation of 0.12. This suggests an overall strong commitment among the surveyed Islamic banks for social responsibility disclosure.

- Despite all such business activities in the same sector, financial performance (ROE) differed significantly across the sampled institutions during the study period. The lowest and highest values for ROE were 0.1 and 0.42, respectively.
- There is a significant relationship between the compliance level of S.R disclosure and the performance of IFIs.

4.2. Recommendations

1) Promote Islamic financial institutions to be more focused and transparent in the disclosure of their social responsibilities, in order to enhance investors' and clients' loyalty.
2) Promote the regulation of Islamic financial institutions by encouraging it to be employed to their full extent in line with the Islamic accounting standards, particularly in the area of social responsibility disclosures.
3) Highlight the need for transparent social responsibility reporting in the annual reports of Islamic banks, due to the dual impact of data reliability and enhancement of operational performance to attract investments and increase returns.
4) Focus on optimizing levels of financial performance vis-à-vis returns, elimination of unnecessary costs, and diversification regarding sources of financing and investment; these will be necessary to maximize net income and sustain operational dividends.
5) Advocate for awareness workshops to be conducted to instill some understanding of the essence of the social responsibility that the private sector, such as Islamic banks, should exhibit towards the environment and to society.
6) Carry out future studies related to the impact of social responsibility disclosure in banks with other coefficients.
7) The Strategic Recommendations for (IFIs) are to integrate SRD into core governance, linking it to Sharia supervisory boards' oversight.
8) Adopt global Islamic finance CSR standards (e.g., AAOIFI, IFSB) to enhance credibility.
9) Focus on materiality and disclose what truly matters to stakeholders (e.g., poverty alleviation, green financing).

In conclusion, this research recommends further studies to deepen the understanding of the relationship between social responsibility disclosure (SRD) and the performance of Islamic financial institutions (IFIs). Future research directions may include standardization, as the lack of unified CSR metrics poses a challenge for accurate cross-institutional comparisons. Causality versus correlation, where more longitudinal studies are needed to determine whether SRD directly leads to improved financial performance or merely reflects the practices of well-managed institutions. Additionally, the impact of digitization and fintech should be explored, particularly how digital CSR reporting tools (such as ESG fintech platforms) influence stakeholder perceptions and trust in IFIs.

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