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Determination of the Probability of the Manufacturing Industry Listed on the Indonesian Sharia Stock Index with Exchange Rate as A Moderation Variable

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Abstract

The manufacturing industry in Indonesia contributes greatly to gross domestic product and employment, so investment needs to be increased. The era of globalization during the COVID-19 pandemic brought major changes to the world economy. Profitability is one of the main indicators used by investors in investing. The population in Indonesia, which is predominantly Muslim, prioritizes investing in industries that apply sharia principles. For this reason, this study aims to determine the factors that influence the profitability of the manufacturing industry listed on the Indonesian Sharia Stock Index with the exchange rate as a moderating variable. The study used the panel data regression method, with a sample of 30 companies, which were obtained using the purposive sampling method, from manufacturing industry companies listed on the Indonesian Sharia Stock Index in 2013-2020. As for the results, Islamic Social Reporting and Total Assets Turn Offer have a positive effect and significantly to Return on Equity, while COVID-19 has a negative and significant effect on Return on Equity. However, the Current Ratio and Debt to Equity Ratio with the exchange rate as a moderating variable have no effect on Return on Equity

Keywords: Return on Equity, Islamic Social Reporting, Total Assets Turn Offer, Current Ratio, Exchange Rate, COVID-19

Introduction

The digital era has brought major changes to the global economic order and has an impact on the increasingly dynamic national economy (Wardhono, Nasir, Aprilia, Putra, & Zebua, 2022). This phenomenon is anticipated by the government in Indonesia by planning fundamentally in the long term. The government implemented a strategy by shifting the structure of the economy from the agricultural sector to the industrial and service sectors (Todaro, & Smith, (2012). The industrial sector is still the mainstay sector for the government in supporting the success of development (Basri, SKarimi, Zulkifli, (2020). In developing this sector, the government is not only concentrating on how to solve problems, but at the same time overcoming the national economy.This is due to the large multiplier effect of the industrial sector on increasing people's welfare (Afrimadona, Darmastuti, & Kurniwan, A. (2019).

Growth Gross Domestic Product in Indonesia in 2013-2020 averaged 4.21 percent, with Gross Domestic Product growth in the manufacturing industry sector of 4 percent. The highest Gross Domestic Product growth occurred in 2013 of 5.56 percent, while the manufacturing industry occurred in 2014 by 5.61 percent.The manufacturing industry contributed to Gross Domestic Product averaged 18.97 percent, with the highest contribution in 2015 of 19.15 percent. However, with the COVID-19 Pandemic in 2020, all of them experienced a significant decline. This situation resulted in the lowest condition of Gross Domestic Product growth to -2.07 percent, with the growth of the Manufacturing Industry Gross Domestic Product to -2.52 percent, resulting in the contribution of the manufacturing industry sector to Gross Domestic Product to only 18 .72 percent

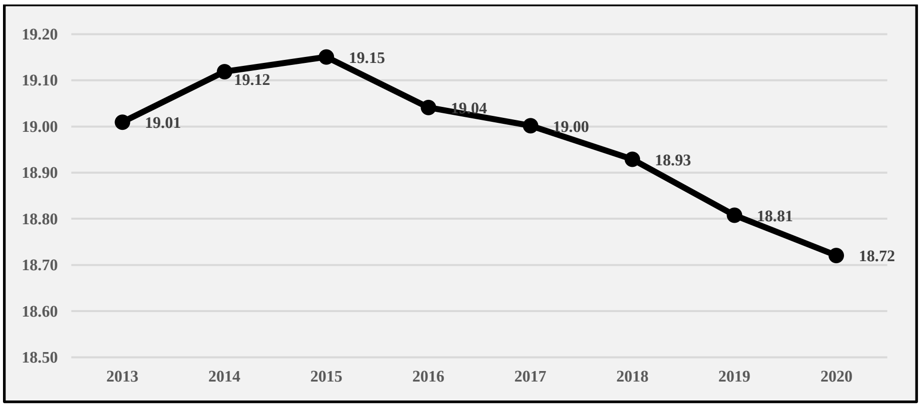

Figure 1. *Contribution of the GDP of the Manufacturing Industry to the Indonesian GDP in 2013-2020 (Rp. Trilliun)*
Source: Badan Pusat Statistik, 2021

In 2013-2015, the manufacturing industry has increased its contribution to Indonesia's Gross Domestic Product. However, in 2015-2020 this sector experienced a significant decline. This has resulted in many people thinking that Indonesia has experienced deindustrialization (Winardi, Priyarsono, Siregar, & Kustanto, 2019). In fact, Indonesia actually did not experience it. All of this is reflected in Indonesia's increasing global competitiveness, which is indicated by the value of the *Manufacturing Value Added* (MVA) share which continues to increase, from 165 US$ Billions in 2013 to 213 US$ Billions in 2019, but with the COVID-19 Pandemic in 2020 resulted in a decrease of 211 US $ Billions. This resulted in Indonesia's average MVA in 2013-2020 being US$ 191.5 Billion. This industry was also strengthened by the average *Prompt Manufacturing Index* (PMI) in 2013-2020 of 49.09. *Prompt Manufacturing Index* is a measurable description of the conditions of the manufacturing sector, which can be seen from various indices such as production, orders, speed of receipt of goods, volume of finished goods inventory, and number of workers (Mosbah et al., 2018, IHS Markit, 2021).

Indonesia, with good manufacturing industry potential, needs to optimize its capacity, by increasing productivity and efficiency (Sugiharti, Purwono, Primanthi, & Padilla, 2017). For this reason, in implementing sustainable development, the government needs to prioritize planning development in the manufacturing industry sector in an integrated manner (Tay, Lee, Hamid, & Ahmad, 2018). The government is more focused on manufacturing industries that have high productivity and competitiveness (Sima, Gheorghe, Subić, & Nancu, 2020). This industry is a priority scale because it contributes greatly to employment (Lowe, 2012). However, in an effort to develop this sector, large funds are needed, so to increase investment, supporting institutions are needed that can collect funds from the public (Soeharjoto, Tribudhi, Yusran, Hariyanti, & Salma, 2021). Communities in Indonesia who are predominantly Muslim in their economic activities also apply sharia principles (Nugroho, Utami, Doktorlina, Soekapdjo, & Husnadi, 2017). This makes the development of the Islamic economy more rapid (Soekapdjo, Nugroho, Badawi, & Utami, 2018). For this reason, the Government adopted a policy by providing conventional and Islamic capital market institutions (Soeharjoto, Miyasto, & Mariyanti, 2021). The potential for the Islamic capital market is enormous, prompting the government to develop this capital market to attract investors in Indonesia, which is predominantly Muslim.

In the era of globalization, business competition in the manufacturing industry sector is getting tighter. For this reason, in order for the business to survive, companies need to have good financial performance (Korkmaz, & Korkmaz, 2017). The management in using the capital obtained from internal and external parties needs to be done wisely. This policy is necessary to attract investors, because in investing investors will consider the company's ability to be able to provide compensation for the capital it has invested (Listyarti, & Suryani, 2014). The measure often used by investors in assessing the success of management is profitability (Myšková, & Hájek, 2017).

The rapidly growing world economy has an impact on increasing public demands for company transparency in accounting information (Ferdiansyah, & Anthonius, 2016). At this time, in submitting reports, companies are not only concentrating on the needs of management and capital owners, but also on employees, consumers, and society (Wilburn, & Wilburn, 2014). All of this is disclosed by the company in the form of Corporate Social Responsibility (Susanto, 2018). This approach is based on the need for a company to build a harmonious relationship with the community and its environment (Muliati, Mohammad, & Mayapada, 2019). However, with the increasingly widespread development of the Islamic economy in Indonesia, companies also need to carry out CSR development, especially by providing reports in the form of sharia with a corporate dimension. This need is due to the limitations of conventional reporting in the form of Corporate Social Responsibility, so that reporting using sharia principles is developed in the form of Islamic Social Reporting (Haniffa, 2002). All of this is inseparable from the encouragement of the community who want to fully apply sharia principles, by making social reporting that is sharia (Rama, & Meliawati, 2014). Islamic Social Reporting, can accommodate the expectations of the community for companies, which not only report on the company's role in the economy, but also from a spiritual perspective. In Islamic

Social Reporting, it also places an emphasis on social justice, which is related to reporting on the environment, minority rights and employees (Fitria, & Hartanti, 2010). Now, the application of Islamic Social Reporting from companies has become an important factor to support the performance and attention of investors.

The COVID-19 pandemic is a big challenge for the national economy. This condition has resulted in as many as 6.9 million of the workforce experiencing unemployment and as many as 3.5 million employees being laid off. Even though at the same time there was an increase in the workforce by 3 million people. This figure has reached 5 percent of Indonesia's population, so the government needs to carefully prepare its economy, in order to absorb labor from the new workforce that grows every year. The existence of this pandemic can be used as a momentum for the government to review the economic policies that have been implemented so far, so as to accelerate the national economic recovery.

The existence of the manufacturing industry for Indonesia is very important to support the success of sustainable development. For this reason, the government accommodates the development of this industry by establishing an Islamic capital market. However, investors in investing consider the performance of the industry. Good performance can optimize company profitability. In reality, besides being influenced by internal factors, company profitability is also influenced by external factors, in the form of macroeconomic conditions and the COVID-19 pandemic. The rapidly growing sharia economy in Indonesia has made people increasingly aware of the importance of transparency in disclosing company accounting information in carrying out sharia principles. For this reason, it is necessary to study the factors that influence the profitability of manufacturing industry companies listed on the Indonesian Sharia Stock Index with the exchange rate as a moderating variable.

Literature Review

Globalization brings major changes to human life. This, makes the company in making policies pay attention to market conditions. For that, the company applies Stakeholders Theory. This theory is important for business actors to do because in carrying out their business the company does not only become an entity that only cares about its own company, but also needs to provide benefits to stakeholders (Freeman, Harrison, & Zyglidopoulos, 2018). This is because stakeholders are increasingly aware of their rights, especially due to the popularity of sustainable development goals. The assumption used in this theory is that the larger the company grows, the more interested the public is in paying attention to the condition of the company, so that the company needs to demonstrate broad accountability and responsibility and not be limited to shareholders. This theory is in accordance with the existence of the manufacturing industry, because of its efforts to provide positive and negative externalities to society. The application of this theory will further increase the desire of companies in an effort to reduce negative externalities, so that their business is in line with the goals of sustainable development goals. This will accelerate the creation of sustainable development.

The manufacturing industry can increase market trust by applying legitimacy theory. This policy needs to be implemented because legitimacy theory assumes that the company's value system must be in line with the social value system (Mousa, & Hassan, 2015). This has an impact on the stronger the company's desire to align the values nherent in the company following the norms prevailing in society, so that the company's existence becomes part of the system. This condition will make the community and the company more emotionally attached.

Not all of the information owned by the manufacturing industry is known by the public. For this reason, so that there is no information imbalance that can harm the company, the community needs to obtain positive information from the company (Arkelof, 1970). Companies when transacting with the public, should be able to obtain a lot of information about consumers (adverse

selection) (Scott, 2009). For this reason, in minimizing asymmetric information, companies apply signaling theory. Companies that provide a lot of information about the quality of their products are a positive signal for society (Arkelof, 1970). The importance of applying this theory in companies, makes the theory develop into a basic equilibrium signaling model. As for how companies that have superior performance, will send a signal to the market by using financial information. (Spence, 1973). This makes managers more motivated to disclose the information they have, so as to reduce the occurrence of asymmetric

information.

In the digital era, all parties are aware that they need to collaborate with various parties. This is in accordance with the concept of Sharia Enterprise Theory (SET). This theory reveals that economic power is no longer in one hand, but in many hands, namely stakeholders (Triwiyono, 2011). The basis used in this theory is in accordance with sharia values which also prohibit wealth from being only in certain circles, in order to provide values of justice, truth, trust, honesty and accountability. This theory explains that God is the main source, so that something that is owned by stakeholders is a mandate from God, and they must be responsible for using it in accordance with the method and purpose set by God, in order to get God's blessing. The mandate carried out brings grace to all nature. This theory introduces corporate responsibility, especially to God vertically and expands it with horizontal accountability to humans, the environment and nature. Sharia Enterprise Theory (SET) teaches the need for the presentation of value-added reports from companies, which are useful for providing information to stakeholders, regarding to whom the added value obtained has been distributed.

Companies in Indonesia in their business are applied conventionally and sharia. This also occurs in the manufacturing industry. However, the development of sharia-based businesses is experiencing rapid development, because it is in accordance with market needs. For this reason, in an effort to fulfill a form of accountability from an Islamic economic perspective, companies make social responsibility reporting in accordance with Sharia principles. All of this is due to the inappropriateness of corporate social responsibility reporting in conventional systems, which only

focus on material and moral aspects (Haniffa, 2002). In sharia principles, Islamic Social Reporting (ISR) is applied, which, in addition to material and moral aspects, also includes spiritual aspects. In the disclosure of Islamic Social Reporting (ISR), there are five themes reported, namely the theme of funding and investment, products and services, employees, society, and the environment (Haniffa, 2002). Then, it developed again by adding a theme of disclosure, in the form of corporate governance (Othman, Thani, & Ghani, 2009).

Companies generally inform their financial conditions in the form of Liquidity Ratio reports, Leverage Ratios, Activity Ratios, Profitability Ratios, and market value ratios (Horne, & Wachowicz, 2009). In this study, using the usual financial statements and can be used by companies to determine the condition of the company, so it does not use the market value ratio. The Liquidity Ratio uses the Current Ratio, the Leverage Ratio uses the Debt to Equity Ratio, the Activity Ratio uses Asset Turn Over, and the Profitability Ratio uses Return on Equity.

In the digital era, the world is experiencing changes faster, so that the turmoil that is happening in the world will soon affect domestic conditions. This has an impact on the macro economy in Indonesia, especially the exchange rate. Besides that, the existence of the COVID-19 pandemic has had a significant impact on the economy, thus affecting the performance of

manufacturing industry companies. For this reason, the current manufacturing industry in obtaining profitability is not only influenced by internal factors but also heavily influenced by external factors in the form of exchange rates and the COVID-19 pandemic.

Previous Research

Several researchers have conducted research on profitability as a proxy for Return on

Equity, but most of it is influenced by the company's internal side. However, in reality,

external factors play a major role in influencing company profitability. Research by Pratiwi, Barnas, Tripuspitorini (2021), with the finding that the Current Ratio has a positive effect on Return on Equity. Hantono's research (2015), Current Ratio has a negative effect on Return on Equity. Research by Rahmah, & Asnawi (2019), Current Ratio has no effect on Return on Equity. Research by Pongrangga, Dzulkirom, & Saifi (2015), with the finding that Total Asset Turnover has a positive effect on return on equity. Hendawati's research (2017), Total Asset Turnover has no effect on return on equity. Research by Hendawati (2017), it was found that the Debt to Equity Ratio has a positive effect on Return on Equity. Research by Nada, & Hasanuh (2021), the Debt to Equity Ratio has a negative effect on Return on Equity. Research by Juandi, Djamereng, & Budiandriani, (2019), Debt to Equity Ratio has no effect on Return on Equity. Research by Idrus (2018), results that the exchange rate has a negative effect on Return on Equity. Perwitasari's research (2019), it was found that Islamic Social Responsibility has a positive effect on Return on Equity. Lowardi and Abdi's research (2021), with the finding that the COVID-19 Pandemic has a negative effect on Return on Equity.

Hypothesis

Effect of Current Ratio on Return on Equity

The Current Ratio is used as an indicator of a company's ability to meet its maturing short-term obligations (Wertheim & Robinson, 1993). Research by Pratiwi, Barnas, Tripuspitorini (2021), Current Ratio has a positive effect on Return on Equity. Companies that have a high level of liquidity will minimize the risk of company failure in fulfilling short-term financial obligations to creditors, and vice versa. Companies that have high liquidity indicate good company conditions and are able to produce to meet consumer needs, so that they can increase company profits. H_1: Current Ratio has a positive and significant effect on Return on Equity.

The Effect of Total Assets Turn Over on Return on Equity

Total Assets Turn Over is used to measure the effectiveness of total assets owned by a company to generate sales or to measure how much the amount of sales generated from each fund invested in total assets (Horne & Wachowicz, 2009) . Pongrangga, Dzulkirom, & Saifi's research (2015), Total Asset Turnover has a positive effect on return on equity. A good company can effectively use its assets to generate high sales, thereby increasing the company's profitability. The hypothesis: H_2: Total Assets Turn Over has a positive and significant effect on Return on Equity.

Effect of Debt to Equity Ratio on Return on Equity with the exchange rate as a moderating variable. The Debt to Equity Ratio is used to find out how well a company is managing its debt portion (Said, 2013). A large Debt to Equity Ratio can result in greater financial risk, because the capital owned is unable to cover its debts, eventually resulting in reduced investor confidence and reduced intention to invest, thereby reducing company profitability (Sukmawardini & Ardiansari, 2018). A depreciating exchange rate will further exacerbate the company's burden to finance debt obligations and will increase production costs, so that it will decrease production, which will have an impact on reducing company profitability (Karakus & Bozkurt, 2017). Research by Nada, & Hasanuh (2021), the Debt to Equity Ratio has a negative effect on Return on Equity. Research by Idrus (2018), the exchange rate has a negative effect on Return on Equity. So, the exchange rate as a moderating variable can strengthen or weaken the negative effect of the Debt to Equity Ratio on company profitability. The hypothesis H_3: Debt to Equity Ratio has a negative and significant effect on Return on Equity with the exchange rate as a moderating variable.

The Effect of ISR on Return on Equity

In signaling theory it is revealed that companies that disclose information will bring about change for market participants. If this information is a good signal for stakeholders, there will be a change in trading volume. Announcement of Islamic Social Reporting information gives a positive signal because it has implemented Sharia Entrepreneur Theory, legitimacy theory and stakeholder theory. This is because the company has good prospects in the future, thus the market will react which can be reflected in changes in trading volume which result in an increase in company profitability. Perwitasari's research (2019), Islamic Social Responsibility has a positive effect on Return on Equity. So, by obtaining information from companies that have implemented sharia principles, it will increase the enthusiasm of the community in developing and using their products, thereby increasing the company's Return on Equity. The hypothesis is H_4: Islamic Social Reporting has a positive and significant effect on Return on Equity.

Effect of COVID-19 on Return on Equity

The COVID-19 pandemic has brought major changes to the world and national economy. This condition, as a result of limited community activities resulted in a decrease in income and production, so that the company's profitability decreased. Lowardi and Abdi's research (2021), with the finding that the COVID-19 pandemic has a negative effect on Return on Equity. So, the existence of the COVID-19 pandemic will reduce Return on Equity. The hypothesis$_{\text{COVID}}$-19 has a negative and significant effect on Return on Equity.

Research Method

This research is a quantitative study using panel data regression method. The dependent variable uses Return on Equity, and the independent variable uses Current Ratio, Total Assets Turn Over, Debt to Equity Ratio, Islamic Social Reporting, and the exchange rate as a moderating variable. Islamic Social Reporting uses six indicator themes, namely

funding and investment, products and services, employees, society, environment, corporate governance. A total of 43 indicators are used, with details of funding and investment using 6 indicators, products and services using 4 indicators, employees using 10 indicators, community using 11 indicators, environment using 7 indicators, corporate governance using 5 indicators. However, COVID-19 was used as a dummy variable. The sample of manufacturing industry companies used was 30 companies, by taking samples using the purposive sampling method from manufacturing industry companies listed on the Indonesian Sharia Stock Index in 2013-2020. The regression model used in this study is:

ROEit = α0 + α1 CRit + α2 TATOit + α3 DER*ERit + α4 ISRit + α5 COVID-19 +εit
Keterangan

ROE = Return on Equity.
CR = Current Ratio.
TAT = Total Assets Turn Offer.
DER = Debt to Equity Ratio.
ER = Exchange Rate.
ISR = Islamic Social Reporting.
COVID-19 = Coronavirus Disease 2019.

Results and Discussion

Manufacturing industries listed on the Indonesian Sharia Stock Index have various maximum, minimum, average and standard deviation values. The lowest value of Return on Equity is -16.05600 and the highest is 7500.962, with an average of 72.35501 and a standard deviation of 659.8480. Current Ratio has the lowest value of 0.00000 and the highest of 257010.6, with an average value of 1645.238 and a standard deviation of 16720.11. Total Assets Turn Offer has the lowest value of 0.000000 and the highest value of 109267.5,

with an average of 1050.276 and a standard deviation of 8958.850. The Debt to Equity Ratio has the lowest value of 0.000000 and the highest of 129574.1, with an average of 581.8336 and a standard deviation of 8361.294. The lowest Exchange Rate is 10461.24 and the highest is 14573.17, with an average of 13166.15 and a standard deviation of 1284.767. Islamic Social Reporting has the lowest value of 0.000000 and the highest of 0.767442, with an average of 0.521705 and a standard deviation of 0.109006.

Table 1. Descriptive Statistics

	ROE	CR	TATO	DER	ER	ISR
Mean	72.35501	1645.238	1050.276	581.8336	13166.15	0.521705
Maximum	7500.962	257010.6	109267.5	129574.1	14573.17	0.767442
Minimum	-16.05600	0.000000	0.000000	0.000000	10461.24	0.000000
Std. Dev.	659.8480	16720.11	8958.850	8361.294	1284.767	0.109006

Source: Processed data for

Model Selection and Model Evaluation based on the results of the chow test obtained a p-value cross section chi-square value of 0.1474, so the suitable model is the Common Effect Model. The results of the LM test show that the p-value of the Breush-Pagan Cross-Section is 0.9962 so that the suitable model is the Common Effect Model. The Adjusted R-Square value is 0.9915, which shows that Current Ratio, Total Assets Turn Offer, Debt to Equity Ratio* Exchange Rate, Islamic Social Reporting, and COVID-19 are able to explain the Return on Equity variable by 33.25 percent, while the remaining is 66.75 percent influenced by other variables not included in the research model. These results indicate the resulting model has a good model. The Global Test (F Test) obtained a p-value from the F statistic of 0.00000 <0.05, then H_0 was rejected (H_a was accepted). This shows that at least one of the Current Ratio, Total Assets Turn Offer, Debt to Equity Ratio* Exchange Rate, Islamic Social Reporting, and COVID-19 has an effect on Return on Equity. For Partial testing (t test) the results are:

Table 2. T Test Results (Partial Test)

Variabel	Prediksi	Coeficient	Significant	Kesimpulan
CR	+	-2.29E-05	0.0001	Hypothesis Rejected
TATO	+	4.96E-05	0.0075	Hypothesis Accepted
DER*ER	-	3.82E-06	0.0000	Hypothesis Rejected
ISR	+	12.07301	0.0100	Hypothesis Accepted
COVID-19	-	-4.218436	0.0002	Hypothesis Accepted

Source: Data processed by researchers.

The influence of the Current Ratio on Return on Equity is obtained by an estimated coefficient of -2.29E-05, which means that an increase in the Current Ratio will decrease the Return on Equity and vice versa, a decrease in the Current Ratio will increase the Return on Equity. Even though the p-value of the t statistic is 0.0001 <0.05, the direction is reversed, so it can be concluded that there is no positive influence between the Current Ratio on Return on Equity. This condition is in accordance with the results of research by Rahmah, & Asnawi (2019), that the Current Ratio has no effect on Return on Equity.

The effect of Total Assets Turn Offer on Return on Equity obtained an estimated coefficient value of 4.96E-05, which means that an increase in Total Assets Turn Offer will increase Return on Equity and conversely, a decrease in Total Assets Turn Offer will reduce Return on Equity. The p-value of the t statistic is 0.0075 <0.05, so it can be concluded that Total Assets Turn Offer has proven to have a positive and significant effect on Return on Equity. The results of this study are in accordance with the

research of Pongrangga, Dzulkirom, & Saifi (2015), with the finding that Total Asset Turnover has a positive effect on Return on Equity.

The effect of the Debt to Equity Ratio on Return on Equity with the exchange rate as the moderating variable obtained an estimated coefficient value of 3.82E-06, which means that an increase in the Debt to Equity Ratio with the exchange rate as the moderating variable will increase Return on Equity and conversely, a decrease in the Debt to Equity Ratio with exchange rate as a moderating variable will reduce Return on Equity. Even though the p-value of the t statistic is 0.0000 <0.05, the direction is reversed, so it can be concluded that there is no evidence that there is a negative effect between the Debt to Equity Ratio and the exchange rate as a moderation on Return on Equity. This research is in accordance with Juandi, Djamereng, & Budiandriani, (2019), that the Debt to Equity Ratio has no effect on Return on Equity. However, this does not support the research results of Idrus (2018), that the exchange rate has a negative effect on Return on Equity.

The effect of Islamic Social Reporting on Return on Equity obtained an estimated coefficient value of 12.07301, which means that an increase in Islamic Social Reporting will increase Return on Equity and conversely, a decrease in Islamic Social Reporting will decrease Return on Equity. The p-value of the t statistic is 0.0100 <0.05, so it can be concluded that it has a positive and significant effect between Islamic Social Reporting and Return on Equity. This research is in accordance with Perwitasari (2019), that Islamic Social Responsibility has a positive and significant effect on Return on Equity.

The effect of COVID-19 on Return on Equity obtained an estimated coefficient value of -4.218436, which means that the presence of COVID-19 will reduce Return on Equity and conversely, the absence of COVID-19 will increase Return on Equity. The p-value of the t statistic is 0.0002 <0.05, so it can be concluded that it has a negative and significant effect between COVID-19 and Return on Equity. The results of this research are in line with Lowardi and Abdi (2021), that the COVID-19 Pandemic has a negative effect on Return on Equity.

Total Assets Turn Offer and Islamic Social Reporting have a positive and significant effect on Return on Equity, and COVID-19 has a negative and significant effect on Return on Equity in accordance with previous theories and researchers. However, the Current Ratio has no effect on the Return on Equity because the additional capital made by the company does not use the funds for productive activities (idle money) or the placement of the funds is not correct, resulting in an increase in the Current Ratio which will reduce the Return on Equity. Debt to Equity Ratio tidak berpengaruh terhadap Return on Equity dengan kurs sebagai variabel moderasi karena perusahaan walaupun memiliki dana digunakan untuk berjaga-jaga atau di nvestasikan ditempat lain, sedangkan untuk ekspansi usahanya dilakukan dengan menggunakan dana pinjaman, sehingga meningkatnya Debt to Equity Ratio yang dimoderasi inflasi akan meningkatkan Return on Equity. Peningkatan Return on Equity dapat dilakukan perusahaan dengan menempatkan dananya ditempat yang tepat, memanfaatkan idle money untuk aktivitas produktif, dan dalam ekspansif lebih mengutamakan penggunaan dana perusahaan agar dapat menekan biaya terutama akibat beban bunga dan adanya perubahan kurs.

Untuk penelitian selanjutnya sebaiknya memperhatikan rasio dana perusahaan dan pinjaman, serta mengetahui alokasi dari penggunaan dana pinjamannya. Diketahuinya mapping dari alur dana ini dapat dibuat kebijakan dengan menggunakan simulasi untuk mengatur alokasi dana yang dapat meningkatkan Return on Equity tetapi tetap menjaga risiko yang dihadapi perusahaan. Peneliti juga dapat membuat kluster dari pelaksanaan Islamic Social Reporting yang dilakukan perusahaan dan pengaruhnya terhadap Return on Equity.

Conclusion

This research uses panel data regression with the selected model Common effect. As for the results, Islamic Social Reporting and Total Assets Turn Offer have a positive and significant effect on Return on Equity, while COVID-19 has a negative and significant effect on Return on Equity. However, the Current Ratio and Debt to Equity Ratio with the exchange rate as the moderating variable have no effect on Return on Equity. In further research,

need to analyze the ratio between company funds and loans, as well as the allocation of the use of loan funds. Researchers need to cluster the implementation of Islamic Social Reporting on companies to increase Return on Equity. After that, the company can take a policy by conducting simulations to find the most optimal one by paying attention to the risk of the allocation of funds made to the increase in Return on Equity.

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