

JBF Journal of Business and Finance EM in Emerging Markets

CORPORATE SOCIAL RESPONSIBILITY OF SHARIA BANKING IN INDONESIA

Hans Hananto Andreas, Universitas Kristen Satya Wacana, Indonesia

Kania Wohon, Universitas Kristen Satya Wacana, Indonesia

ABSTRACT

Sharia banks in Southeast Asia occupy the second position of the largest assets, so that it is very interesting to study and examine their performance. The purpose of this research is to analyze the disclosure of social responsibility of sharia banking in Indonesia based on Islamic Social Reporting Index. This study uses six indicators in measuring the disclosure of social responsibility consisting of investment and finance, products and services, labor, social, environmental and organizational governance. The technique of data analysis in this research use content analysis with the object of research all sharia bank in Indonesia 2015 - 2016. The result of research indicates that disclosure of sharia bank in Indonesia as measured by the index of ISR not only give priority to bank interest and experience increase of disclosure from 60% to 61%.

Keywords: Corporate Social Responsibility Disclosure, ISR Index, Islamic Banks, Annual Reports

Introduction

Sharia Banks or are financial institutions that have activities to raise and give the fund to the public in the form of credit and provide financial services based on Islamic principles (Sudarsono 2003). Based on the data obtained, Islamic banks in Southeast Asia occupy the second position of the largest assets after the GCC (Gulf Cooperation Council) so that it is very interesting to study and examine their performance. Whereas in ASEAN countries, Indonesia and Malaysia are the two countries in the region that are driving the development of the industry in the Southeast Asia region. Malaysia is a country that develops Islamic banking very rapidly; this is evident from the assets of Islamic banks in Malaysia continues to increase with an average of 18-20% per year (Rama 2015). Moreover, considering that in 2015 there will be economic integration in ASEAN countries where the Islamic financial sector becomes part of it.

Besides the two ASEAN countries, Islamic banking also developed in Brunei Darussalam. This country includes a Muslim-populated country that is intense enough to develop the Islamic finance industry. Singapore as a Muslim minority country neighboring Malaysia and Indonesia also has ambitions to develop the sharia financial industry. In addition, there are also the Philippines and Thailand as well as ASEAN countries that develop Islamic banking and financial systems. Regulatory systems in the Philippines and Thailand have accommodated the existence of Islamic banks by passing laws on sharia banking in each of these jurisdictions.

Initially, in 1992, the first Islamic bank in Indonesia was established, namely Bank Muamalat Indonesia. Until now, many Islamic banks have developed in Indonesia. Sudarsono (2009) states that in facing the global crisis, Islamic banks are more stable than conventional banks, besides the financial performance of Islamic banks is more consistent and efficient. This shows that more and more Islamic banks are developing in Indonesia and the increasing number of customers who entrust to save their funds in Islamic banks. The OJK (Capital Market and Financial Institution Supervisory Agency) website entitled Sharia Banking Statistics shows that the number of customers continues to increase from 2015 to 14,761,002 to 18,521,091 in 2016. Companies and banks in conducting their business activities have a social responsibility for their environment following their business activities. Social responsibility or better known as Corporate Social Responsibility (CSR) has existed in Indonesia since the 1990s. CSR activities have been carried out in the past but are better known as corporate social activities (CSA). Theoretically, the definition of CSR is a manifestation of the company's contribution to sustainable economic development, working with employees and families of company employees, as well as the local community and all communities in improving the quality of life (The World Business Council for Sustainable Development). The idea of CSR consists of economic aspects (profit), social (people), and environment (planet) or more commonly called the triple bottom line (3P).

Indonesian Law Number 21 in 2008 about concerning Islamic Banking. The regulation in paragraph 4 states that in addition to carrying out the bank's obligation to collect and distribute funds to the public, Islamic banks and Sharia Business Units must also implement social functions in the form of *baitul mal*, namely receiving funds from *zakat*, *infaq*, *alms*, *grants*, or other social funds and channel them to organizations and communities. With the existing regulations, Islamic banks also must implement CSR, but in disclosing CSR in its financial statements is still voluntary.

The practice of disclosing social responsibility in Indonesia uses the GRI (Global Reporting Initiative) Index. But the more companies that apply sharia principles, the index that can be

used as a standard in expressing social responsibility is needed. So that emerged ISR Index (Islamic Social Reporting), which was first conceived by Haniffa (2002) as a relevant index in disclosing social responsibility for sharia-based companies or banks. The ISR index is further developed in subsequent studies such as Azlan Md Thani, Rohana Othman, and Erlane K Ghani in 2009 in Malaysia.

According to Dusuki and Dar (2005) social responsibility carried out by Islamic banking is carried out based on Islamic Principles so that in each of its business activities must be based on ethics, morals and social responsibility form Islamic Principles. In researching the disclosure of social responsibility in Islamic banking generally uses the Islamic Social Reporting Index. The ISR index is a result developed by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) and further developed by each researcher regarding CSR standard items. The ISR index is a form of social reporting extension which consists of people's expectations about the two roles of the company in the form of the economy and spiritual perspective (Haniffa 2002).

Several previous studies from Farook et al. (2011) find Corporate social responsibility (CSR) disclosure by Islamic banks varies significantly from the influence of the relevant publics and the SSB supervisory board of corporate governance mechanisms variables. Raman and Bukair (2013) Using content analysis, the descriptive statistics show that there is an increase in CSR information disclosed in the annual reports of Islamic banks and important factors in determining the level of CSR disclosure.

Research in Indonesia regarding the disclosure of banking CSR by using the ISR index is among others Gustani's (2013) research, related to the reporting of the social performance of Islamic banking by taking five Islamic banks in Indonesia as a sample. Gustani uses the ISR Index in the 2009-2011 annual report and found that the level of disclosure of the performance of Islamic banks in 2009-2010 increased. Another study conducted by Fitria and Hartanti (2010), related to CSR disclosure of three Islamic banks and three conventional banks using the ISR Index and the GRI Index. The results of the study concluded that Islamic banking received a lower score compared to conventional banking. Also, research conducted by Sofyani, et al. (2012), related to the research on the social performance of Malaysian Islamic banking with Indonesian Islamic banking shows the results that the social performance of Islamic banking in Indonesia is lower than in Malaysia. However, neither from Islamic banking in Malaysia nor in Indonesia has achieved good social performance. In the research of Fauziah and Yudho (2010) entitled Analysis of Disclosure of Social Responsibility of Islamic Banking in Indonesia Based on the Islamic Social Reporting Index is a comparative study, with content analysis techniques using the ISR index. From the study, it was found that Bank Muamalat Indonesia was the bank that revealed the highest CSR, which was 73% and the lowest was Panin Sharia Bank by 41%.

In Trisnawati's research (2012) entitled Measurement of Corporate Social Responsibility in Islamic Banking in Indonesia, using content analysis of CSR disclosures in Islamic banks in Indonesia using the GRI index and ISR index. The results of this study are the disclosure of CSR using the GRI index does not show a maximum disclosure score.

From some previous studies, the differences with this research are the period and the number of samples studied and analyzed each ISR index item. The purpose of this study was to analyze the level of Sharia Bank CSR disclosure by using items in the ISR index as well as to find out and analyze more deeply about what was disclosed related to the interests of the bank. While

the benefits of this research to Sharia Banks are to increase awareness for all Islamic banks in Indonesia that the importance of disclosing social responsibility and this research can add to the literature related to the practice of promoting social responsibility based on Islamic perspective.

LITERATURE REVIEW

Corporate Social Responsibility

Corporate Social Responsibility is the integrity of business operations and the value in which the interests of all stakeholders, including consumers, employees, investors and the environment are reflected in company policies and actions taken (Smith, 2002). While the definition of CSR, according to The Commission for the European Communities (2001) is a concept in which companies in doing business voluntarily must integrate social and environmental problems and corporate interactions with stakeholders. Thus, CSR is a form of corporate responsibility for social and environmental problems that are carried out voluntarily and is a form of stakeholder interaction that takes into account social and environmental issues.

Sharia Bank

Sharia Banking is everything related to the Sharia Business Unit and Sharia Bank, which consists of institutions, business activities, and ways and processes in carrying out its financial business activities (Indonesian Law No. 21 of 2008 concerning Banking). While the understanding of Islamic banks, according to Indonesian Law Number 10 of 1998, is a financial institution that runs its business based on sharia principles, which in its activities provide services in terms of payment. Thus, Islamic banks are business entities that carry out their financial business activities based on Islamic teachings. In general, Islamic banks are no different from conventional banks, namely the function of collecting funds and channeling to the public. What is different is Islamic banks in carrying out their business based on Islamic law.

Islamic Social Reporting Index

In the Islamic perspective, two things must be disclosed, namely full disclosure and social accountability (Fitria and Hartanti, 2010). Disclosure of social responsibility activities is a manifestation of sharia principles, namely transparency which aims to provide information to the public.

In expressing social responsibility based on sharia using the Islamic Social Reporting Index. The ISR index is a standard issued by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) that cannot be used as a standard in disclosing CSR because it does not mention all the CSR items that a company must do. In this study using six indicators or main themes in CSR disclosure using the ISR index, which refers to the research of Fitria and Hartanti (2010) are as follows:

1. Investment and finance

The items in this indicator are all investment and financing activities related to transactions that are forbidden by Islamic teachings such as *riba*, *gharar* and fines for insolvent clients. So that banks operating based on sharia principles must disclose social responsibilities that are considered *haram* (Forbidden from Islamic Law). Junaidi (2015) states that Islamic banks that do not reveal illicit activities (*riba*, *gahar*) can damage the bank's image.

2. Products and services

The items in the indicator are about all products and services, both from the *halal* (legal) status, development and improvement of a product and service as well as the complaints provided by the customer regarding the products and services that have been provided.

3. Labour

The items in the labor indicator are about the characteristics of the worker and the education and training provided to all employees without exception.

4. Social

Items on this indicator are closely related to social responsibility, such as regarding the provision of health assistance, education, and other social assistance following Islamic principles.

5. Environment

The items on this indicator emphasize activities in preserving the environment and environmental management.

6. Organizational governance

The items in this indicator are related to the profile and organizational structure and the application of the principles of Good Corporate Governance (GCG).

RESEARCH METHODS

This research was arranged using the descriptive qualitative method to further describe the disclosure of social responsibility in the object of research using the Islamic Social Reporting Index in 2015-2016. The population in this study as well as the sample in this study are all Islamic Commercial Banks that are still active in Indonesia, namely West Java Banten Sharia, Mandiri Sharia Bank, BCA Sharia Bank, Mega Sharia Bank, Muamalat Bank, Panin Sharia Bank, Bank Bukopin Sharia, Bank Victoria Sharia, BNI Sharia, BCA Sharia and Maybank Sharia.

In this study, the collected data consists of secondary data. Secondary data is information that is already available, namely by using annual reports found on the official website of each Islamic bank. This study in taking samples using purposive sampling technique, with the following criteria:

1. The sample used is an Islamic bank or bank based on Islamic principles.
2. Express CSR in its annual report (annual report) for the period 2015 - 2016.

With these criteria, 11 bank samples were obtained with a total of 22 Islamic bank financial reports. CSR disclosure in this study was measured using the ISR index developed by AAOIFI.

DATA ANALYSIS METHOD

In analyzing the data of this study using content analysis techniques. Content analysis according to Eriyanto (2011) is an analytical method to study and draw conclusions from an event by using documents (text). The document used in this study is the annual report of Islamic banks in Indonesia, which contains CSR information, and then its contents will be analyzed according to the research stages. The steps that must be done are:

1. Identifying or scoring on each indicator item disclosed in the annual report, where: Value of 0 if there is no item at the annual report, value 1 if there is one item in the annual report.
2. Calculating the level of item disclosure with the formula:

$$\text{level of disclosure} = \frac{\text{the number of disclosures fulfilled}}{\text{Maximum score disclosure}}$$

3. Determine the category regarding the disclosure of social responsibility for each Islamic bank.

Table 1: Sharia Bank CSR Level Disclosure Category Based on ISR Index

Category	Disclosure Level
Very informative	81% - 100%
Informative	66% - 80%
Less Informative	51% - 65%
Not informative	0% - 50%

Source: Gustani and Bayinah (2013)

- Analyzing each ISR index item in each Islamic bank by examining more deeply whether there are Islamic banks that do CSR but are not disclosed or do not implement CSR, or those that are disclosed only related to the interests of the bank or things that benefit the bank only.

RESULTS AND DISCUSSION

Scoring results from the disclosure of social responsibility to eleven banks using the Islamic Social Reporting Index are as follows:

Table 2. CSR Disclosure

Bank Name	Bank Code	2015	2016
Bank Jabar Banten Sharia	BJBS	46%	55%
Bank Mandiri Sharia	BSM	74%	75%
BCA Sharia	BCAS	59%	54%
Bank Mega Sharia	BMS	59%	60%
Bank Muamalat Indonesia	BMI	68%	68%
Bank Panin Sharia	BPS	66%	57%
Bank Sharia Bukopin	BSP	59%	64%
Bank Victoria Sharia	BVS	45%	46%
BNI Sharia	BNIS	74%	68%
BRI Sharia	BRIS	60%	68%
Maybank Sharia	MBS	48%	52%

From the results of Table 2, shows that 2015 was the lowest disclosure by BVS and the highest by BSM and BNIS. Whereas in 2016 the lowest disclosure was by BVS and the highest was BSM. The bank's inconsistency in disclosing social responsibility led to an increase or decrease in disclosure from 2015-2016, which experienced an increase in 7 banks such as BJBS, BSM, BMS, BSP, BVS, BRIS and SBM. Whereas those that experienced a decline were 3 banks, namely BCAS, BPS and BNIS. BMI has not changed, which is fixed at 0.68 (68%). During 2015-2016 none of the banks revealed very informative about CSR. In 2015 there were 4 banks which revealed informally, namely BSM, BMI, BPS, and BNIS, while there were 4 banks which were BCAS, BMS, BSP, BRIS and the rest namely BJBS, BVS and MBS were not informative in disclosing CSR. For 2016 there were 4 banks which revealed informally, namely BSM, BMI, BNIS and BRIS, while the less informative were 6 banks namely BJBS, BCAS, BMS, BPS, BSP, MBS and the rest namely BVS revealed CSR with no information.

Investment and Finance in 2015 and 2016

Investment and finance consist of 6 items, namely *riba*, *gharar*, *zakat*, policies for insolvent clients, current value balance sheet and value-added statements. Scoring results from the eleven banks in 2015 showed that disclosures on investment and financial indicators were not

informative with an average of 0.16 (16%). Of the 6 items, only 2 items were disclosed by all banks, namely *riba* and *zakat* activities.

BJBS and the other ten banks have revealed *riba* activities originating from fines and receipt of demand deposits from conventional banks. All non-halal income in the form of fines and *riba* is used as social interest. *Zakat* reports have been disclosed by all banks except BSP and SBM. There is no disclosure by MBS because it has not started *zakat* activities, while BSP and BVS do not directly carry out the function of distributing *zakat* funds. In addition to the three banks, disclosure of *zakat* funds reports only conveys the source, amount and recipient of *zakat*.

Gharar activities, policies for insolvent clients and the existence of current value balance sheets and value-added statements were not disclosed by all banks. In Junaidi's research (2015) states that Islamic banks that hold sweepstakes or prizes can be categorized as *gharar* but not disclosed. In this case, BSP and BCAS revealed lottery prizes, but this study has a different opinion with Junaidi's research (2015) because *gharar* has properties that can be detrimental while lottery prizes conducted by Islamic banks do not harm their customers even if the customer does not win or does not get a lottery the prize. So it can be concluded that lottery prizes conducted by Islamic banks are not an activity that violates sharia principles and is not a form of *gharar*.

The average disclosure of investment and financial indicators in 2015 and 2016 did not change at 16% by only revealing 2 items, namely *riba* and *zakat* activities. BJBS revealed that there were non-halal income receipts, namely interest from conventional banks, while BPS revealed that *riba* activities were caused by no recorded non-halal income.

The absence of non-halal income is recorded, it does not rule out the possibility that continued *riba* activities are carried out. The source of BPS 'non-halal income last year came from demand deposits from conventional bank placements, while in 2016 BPS also had current accounts with other banks. This shows that there are *riba* activities but not disclosed by BPS.

BSM, BCAS, BMS, BMI, BSB, BNIS, BRIS, and SBM revealed non-halal income originating from fines and receipt of demand deposits from non-Islamic banks. In addition to the two banks, disclosure of *zakat* funds reports only convey the source, amount and recipient of *zakat*. *Gharar* activities, policies for insolvent clients and the existence of current value balance sheets and value added statements were not disclosed by one bank.

The disclosure of investment and financial indicators in 2016, especially on *riba* items, shows that each Islamic bank continues to disclose the receipt of non-halal funds (interest and penalties) even though the activity is haram and the funds are clearly used as funds in carrying out social activities.

Products and Services in 2015 and 2016

There are four items for products and services, namely halal status on products, product development, service improvement, and customer complaints. On this indicator, all banks have revealed that the products and services provided are following the National Sharia Council Fatwa, and this is also strengthened by the opinion of the Sharia Supervisory Board. Service improvement has also been carried out by all banks through education and training as well as information technology development and facilities improvement. But for other items on indicators of products and services, there are still some that have not been disclosed.

BJBS, in 2015, did not develop products. This was strengthened by the absence of disclosure of the types of products developed despite disclosure related to product development policies. Despite not developing products, BJBS continues to improve services through the provision of education and training and information technology development. Regarding customer complaints, BJBS has revealed total customer complaints and related handling of complaints made through an online helpdesk application.

BSM did not carry out product development; this was strengthened by not disclosing the type of product that was developed but having a product development plan in 2016. Improvement of services carried out by BMS based on transactions and technology, as well as through the provision of education and training. Regarding customer complaints, BMS only discloses related to total customer complaints and handling of complaints.

BCAS revealed that product development is in the form of products for financing newspaper accounts and umroh financing. Service improvement has also been carried out by BCAS by adding a branch office network in several major cities and expanding the Sharia Service Unit (ULS). Regarding customer complaints, BCAS does not disclose the amount, fine or customer satisfaction survey.

BMS has revealed product and service development in the form of mobile banking product development and Online Bank Payment Point services (PPOB). However, BMS did not disclose the total customer complaints, handling complaints and fines, and customer satisfaction surveys.

BMI is developing bank assurance products in collaboration with Manulife and improving services through employee training and Service Champion programs. Regarding complaints, BMI only revealed total customer complaints and complaint handling. BPS has revealed product development in the form of student savings product development programs (*SimPel and Simpel IB*). Besides, improvements in services were also carried out by BPS through empowerment and expansion of office networks and capacity building for training and certification. In customer complaints, BPS only discloses the number of complaints and handling customer complaints.

BSP does not carry out product development but continues to improve services through increasing the knowledge and capability of services and improving facilities and infrastructure that are linked to customers. BSP revealed the handling of customer complaints but did not disclose how many complaints, fines were given, or customer satisfaction surveys.

BVS and MBS have almost the same disclosure that is not doing product development and not disclosing customer complaint items. However, the improvement of services is still carried out by both banks by holding education and training programs every year.

BNIS revealed that the development of entrepreneurial products had become a part of the service, in addition to the improvement in services carried out by developing for opening online accounts. BNIS has revealed total customer complaints and complaint handling and has also conducted a customer satisfaction survey. But just like other banks, BNIS also did not disclose related fines.

BRIS revealed product development in the form of Ijarah Muntahiya Bit Tamlik (BMT) and improved services in the form of Bank Guarantee application development and Financing Modules. BRIS did not disclose at all the customer complaint items.

Overall the average disclosure of product and service indicators was informative with a score of 0.73 (73%), which was the highest disclosure by BNIS while the lowest disclosure was by BVS and MBS.

Overall in 2016, the average disclosure of product and service indicators was presented informally with a score of 0.79 (79%). This has increased from the previous year because in 2016 more banks realized product development that had been planned in the previous year and the bank had revealed the total customer complaints received. There are differences in product development disclosures because each bank has different policies so that there are banks that do not develop their products. Regarding customer complaints, generally, the bank has disclosed the handling of complaints and the total complaints received by the bank.

Labor in 2015 and 2016

In this indicator, there are 6 items namely job characteristics, training, equal opportunities, work safety, work environment, and special recruitment. Overall, there are still several banks that do not disclose items on labor indicators, especially the work environment and special recruitment items. The low disclosure on these two items caused the bank to be less informative in revealing the theme of labor with an average of 0.56 (56%). BJBS in the face of competition, has a strategy to develop human resources as one of the keys to success. This is realized by providing education and training to each employee and retaining employees by providing employment awards and remuneration in the form of holidays and holidays. However, occupational health and safety were not revealed by BJBS; in this case, the BJBS only revealed insurance-related assets.

Just like BJBS, BSM also provides several learning and training programs. To improve the career path of its employees, BSM conducts special recruitment, which is to carry out an Officer Development Program in which employees who have been selected are given 9 months of training to develop their potential. BSM has disclosed job characteristics except for the number of working hours and holidays. Employee retention strategies have been carried out by BSM with the existence of a system of reward and punishment, remuneration and provision of health insurance and work safety that has been provided to all employees without exception.

BCAS revealed a commitment to improving the quality of employees by providing education and training from the beginning of the selection to becoming employees. Also, retaining employees who have potential is the main focus of BCAS which is realized by several things such as organizing activities in the arts, potential employee development programs, awarding and improving employee welfare. Specific work and recruitment environments and some items on work characteristics were not disclosed by BCAS. The disclosure of labor indicators in BCAS is more focused on developing human resources.

BMS in disclosing work characteristics only on remuneration. A remuneration is also a form of bank strategy to retain employees in addition to providing award-winning service money. BMI and BSP reveal almost all items of job characteristics except the number of working hours and holidays. Development and training have been given to each employee without exception. But what distinguishes is related to the program given by the bank in improving employee career levels. BMI has a Muamalat Officer Development (MODP) program while BSP

develops a Talent Management program. Both did not disclose related work environments and special recruitment. BPS is one of the banks with the highest disclosure on job characteristic items. The training has been organized by BPS as well as Assessment and Promotion programs as a program to improve the career path of its employees. Reward programs and health insurance reveal that BPS is trying to maintain and care for the welfare of its employees.

BVS, BNIS, and BRIS have almost the same level of disclosure and reveal the most items from other banks. Job characteristics that are disclosed are only employee remuneration and composition. Training and education have been carried out by the three banks but the employee career level program is only disclosed by the BNIS, a career path program that refers to the job family matrix. SBM is one of the banks with low disclosure on this indicator. On the job characteristic items, SBM only discloses related to remuneration and salary ratio. Education and training have been revealed by BMS, career paths are given to all employees with a promotion and demotion system. The existence of a promotion system and demotion on SBM is one form of retaining employees, especially employees who have potential. Work health and safety is provided by SBM in the form of insurance, while the work environment and special recruitment are not disclosed by the bank.

The difference in guidelines for each bank related to labor causes differences in disclosures. This can be seen from the existence of several banks that implement policies related to the application of culture. Banks that do not disclose the existence of a cultural implementation program does not mean that the company does not have a value system to create a conducive work environment, only that the bank does not have a special program related to the implementation of value systems. Besides, the absence of disclosures related to special recruitment also cannot be interpreted as meaning that the bank does not carry out the program. Because in some banks that have an employee career level program in their activities each employee must go through several processes such as the selection and training process to become a bank leader in the future.

The disclosure of the workforce in 2016 theme is still less informative with an average disclosure of 0.64 (64%). Like last year, the lowest disclosure was of items related to the work environment and special recruitment, but the disclosure of the work environment was increasing because more and more banks were implementing a work culture that supported the achievement of a conducive work environment.

Social in 2015 and 2016

For social indicators, there are 12 items that in the implementation in the fields of education, health, and social activities are the most widely carried out by all banks. The BJBS in 2016 only revealed related to the submission of the *Koran*, assistance in education and circumcision problems. Lack of disclosure of social activities in BJBS because BJBS channeled funds for social interests to *Amil Zakat* institutions so that they do not practice directly. Unlike BJBS, BSM in carrying out social responsibility collaborates with *Laznas BSM* and partnerships with stakeholders to be directly involved so that more social activities are carried out and the disclosure level is also higher than BJBS. BSM has implemented almost all items on social indicators except *waqf* activities and youth activities.

BCAS in carrying out social responsibility, focuses on aspects of education, health, and other social activities. BCAS includes banks whose disclosure of social activities is low; this is also because banks do not practice directly in channeling social funds.

BMS, BMI, BPS and BRIS have almost the same disclosures that do not reveal *waqf* activities, youth activities and sponsorship. The only difference lies in the disclosure of educational assistance, namely in BMS assisting in the form of money and non-money, while the BMI, BPS, and BRIS provide not only educational assistance in the form of money and non-money but also scholarships. Another difference is the disclosure of funds used in social activities. BMIs in conducting social activities reveal the source of funds used to conduct social activities. The existence of several social activities that were not disclosed showed that banks did not carry out these activities.

BSP in carrying out social responsibility consists of 2 types of programs, namely sustainable programs, and basic programs. By having a primary focus on CSR activities, bank activities are more directed and more maximal disclosure. BVS has the lowest disclosure than others. This is because banks do social responsibility only on *zakat* and *hasan qard*, which *zakat* funds are directly channeled to Baznas while the benevolent funds are used for productive benevolent funds, donations, and other uses for the public interest. The low disclosure of social activities shows that BVS does not conduct direct practice but only performs its obligation to channel *zakat* funds to the Baznas institution.

BNIS is the only bank that discloses *waqf*, namely by giving the *Koran* to people with visual impairments and to the families of pilgrims who are victims of the tragedy of Mecca and Mina. Like other banks, BNIS also does not disclose youth activities and sponsorship. The sponsorship was only revealed by MBS, which was a sponsor for activities in the construction sector.

Overall disclosure on this indicator is still less informative with the average disclosure of 0.58 (58%). Which is the highest disclosure by BMS and the lowest disclosure by BVS. For social indicators in 2016 there are 12 items and this year experienced a decline from the previous year with an average disclosure of 0.54 (54%) and can still be categorized as less informative. The lowest disclosure is still the same as last year namely BVS while the highest disclosure by BSM.

The environment in 2015 and 2016

In this indicator, there are 7 items, and there are still many banks that do not disclose social responsibility activities. Of the eleven banks, there were only three banks which revealed BSM, BMI, and BNIS. BSM in its business activities, has a great commitment to carry out social responsibility related to the environment. This commitment is evidenced by the policies outlined in several documents such as policies on the financing of environmental management. In addition to the policy on environmental management, BSM also realized these activities by making improvements to clean water and sanitation channels as well as providing assistance in the form of waste motorbikes and garbage bins. Unlike BSM, even though BMI does not have a policy on environmental management, BMI realizes that the sustainability of its business is not only on the financial aspects but also on the impact of the environment. This makes BMI carry out social responsibility on the environmental aspects that are realized in the form of providing clean water programs and planting mangroves in Bali. In addition to the BNIS, social responsibility in the environmental field is realized by conducting ODOLOF programs and to reduce pollution BNIS builds public MCK facilities and infrastructure in several Jabodetabek and NTT regional villages.

Overall, the average disclosure of environmental indicators is 0.10 (10%) and can be categorized as not informative. The low disclosure of environmental indicators is due to the

lack of awareness of the bank's sense of responsibility for the environment because its operational activities do not directly influence the environment. In addition, the fulfillment of social responsibility for the environment is not an item that meets the element of compliance so that the activity and disclosure is low.

Disclosure of social responsibility is still not informative even though it has increased from the previous year amounting to 0.16 (16%) with the disclosure in 2015 only carried out by 3 banks into six banks, namely BSM, BMI, BPS, BSP, BNIS, and BRIS. The disclosure of BSM, BMI, and BNIS are almost the same as in the previous year, but the only difference is the practice of social responsibility towards the environment and at BNIS implementing new policies related to environmental protection in improving sustainable development practices. In addition to BNIS implementing the new policy in 2016, BRIS also strives to maintain its commitment to environmental management by actualizing the Greening Benefit program.

Organizational Governance in 2015 and 2016

In this indicator, all banks have revealed the profile and organizational structure including the disclosure of GCG (Good Corporate Governance) implementation with very informative. The average disclosure on this indicator reaches a maximum value of 100%. This shows that all banks have carried out their duties and responsibilities according to their position and following the principle of compliance.

In 2016, for this item, there are 15 items, and each bank has been disclosed with very informative namely, the average disclosure of 0.99 (99%). Compared to the previous year, the decline was due to BCAS not disclosing information regarding handling conflicts of interest and the maximum limit of fund distribution.

CONCLUSION

From the results of the content analysis regarding the holding of social responsibility in Islamic banking in Indonesia as a whole is quite good with the average disclosure in 2015 amounting to 60% and in 2016 has increased to 61%. For two periods, the highest disclosure by BMS and the lowest disclosure by BVS. The lowest indicator of disclosure is investment and finance, while the highest disclosure is information related to compliance, namely the implementation of GCG.

The results of this study conclude that Islamic banks in expressing social responsibility based on the Islamic Social Reporting Index do not only prioritize the interests of banks. It can be seen that during the 2 periods of disclosure related to illicit activities have been disclosed by each bank. The results of this study indicate that there are differences of opinion with Junaidi's research (2015), which shows that Islamic banks do not disclose activities that are not under Islamic principles. This study also concludes that lottery prizes conducted by Islamic banks are not a form of *gharar* activity because they do not cause harm to their customers.

Limitations and Suggestions

This study has limitations as well as suggestions for further research, namely:

1. Limited to disclosure alone, so it cannot analyze the impact of social responsibility activities carried out by Islamic banks.
2. Less in developing the items in the ISR index which is expected in later studies to be developed using a more comprehensive ISR index.

3. This study only analyzed two periods, 2015-2016, so that it could not analyze the development of Islamic bank social responsibility. Therefore further research needs to add a longer period.
4. This research has not been able to distinguish total assets for all banks. Therefore, further research can separate total assets because they are expected to affect the level of disclosure.

References

- Adams, C. A. (2002). Internal organisational factors influencing corporate social and ethical reporting: Beyond current theorising. *Accounting, Auditing & Accountability Journal*, 15(2), 223-250.
- Arifin, I. (2007). *Open the Economic Horizon*. Jakarta: Setia Purna Inves. (translated from Indonesian: Membuka Cakrawala Ekonomi. Jakarta: Setia Purna Inves).
- Dusuki, A. W., & Dar, H. (2007). Stakeholders' perceptions of corporate social responsibility of Islamic banks: Evidence from Malaysian economy. *Islamic Economics and Finance*, 249.
- Eriyanto. (2011). *Content analysis: Introduction to the methodology for communication studies and other social sciences*. Jakarta: Prenada Media Group. (translated from Indonesian: Analisis isi: Pengantar metodologi untuk penelitian ilmu komunikasi dan ilmu-ilmu sosial lainnya. Jakarta: Prenada Media Group).
- Farook, S., Kabir Hassan, M., & Lanis, R. (2011). Determinants of corporate social responsibility disclosure: The case of Islamic banks. *Journal of Islamic Accounting and Business Research*, 2(2), 114-141.
- Fauziah, K., & P. J. Yudho. (2013). Analysis of sharia banking social responsibility disclosures in Indonesia based on Islamic social reporting index. *Jurnal Dinamika Akuntansi*, 5(1). (translated from Indonesian: Analisis Pengungkapan Tanggung Jawab Sosial Perbankan Syariah di Indonesia Berdasarkan Islamic Reporting Indeks. *Jurnal Dinamika Akuntansi*, 5(1)).
- Fitria, S., & Hartanti, D. (2010). Islam and social responsibility: Comparative study of disclosure based on the global reporting initiative index and islamic social reporting index. *National Accounting Symposium*, 13. (translated from Indonesian: Islam dan Tanggung Jawab Sosial: Studi Perbandingan Pengungkapan Berdasarkan Global Reporting Initiative Indeks dan Islamic Social Reporting Indeks. Purwokerto: Simposium Nasional Akuntansi XIII).
- Gustani, G., & Bayinah, A. N. (2013). Model of reporting of islamic banking social performance: Implementation of Islamic Social Reporting Index (ISR Index) in Indonesia. *Jurnal Akuntansi dan Keuangan Islam*, 2(1), 35-49. (translated from Indonesian: Model pelaporan kinerja sosial perbankan syariah: Implementasi Islamic Social Reporting Index (Index ISR) di Indonesia. *Jurnal Akuntansi dan Keuangan Islam*, 2(1), 35-49).
- Haniffa, R. (2002). Social reporting disclosure: An Islamic perspective. *Indonesian Management & Accounting Research*, 1(2), 128-146.
- Junaidi. (2015). Analysis of CSR sharia banking disclosures in indonesia based on the Islamic Social Reporting Index. *Jurnal Akuntansi dan Investasi*, 16(1), 75-85. (translated from Indonesian: Analisis pengungkapan csr perbankan syariah di Indonesia berdasarkan Islamic Social Reporting Index. *Jurnal Akuntansi dan Investasi*, 16(1), 75-85).
- Law of the Republic of Indonesia (Islamic Banking) Number 21 of 2008. (translated from Indonesian: Pemerintah Republik Indonesia. Undang-Undang Republik Indonesia Nomor 21 Tahun 2008 tentang Perbankan Syariah).

- Law of the Republic of Indonesia (Banking) Number 10 of 1998. (translated from Indonesian: Pemerintah Republik Indonesia. Undang-Undang Republik Indonesia Nomor 10 Tahun 1998 tentang Perbankan).
- Rama, A. (2015). Descriptive analysis of the development of sharia banking in Southeast Asia. *Journal of Tauhidinomics*, 1(2), 105-123. (translated from Indonesian: Analisis deskriptif perkembangan perbankan syariah di Asia Tenggara. *Journal of Tauhidinomics*, 1(2), 105-123).
- Raman, A. A., & Bukair, A. A. (2013). The influence of the Shariah supervision board on corporate social responsibility disclosure by Islamic banks of Gulf Co-operation Council countries. *Asian Journal of Business and Accounting*, 6(2), 65-104.
- Smith, K. (2002). ISO considers corporate social responsibility standards. *The Journal for Quality and Participation*, 25(3), 42.
- Sofyani, H., I. Ulum, D. Syam, & S. L. Wahjuni. (2012). Islamic social reporting index as a model for measuring the social performance of Islamic banking (comparative study between Indonesia and Malaysia). *Journal Dinamika Akuntansi*, 4(1), 36-36. (translated from Indonesian: Islamic Social Reporting Index Sebagai Model Pengukuran Kinerja Sosial Perbankan Syariah (Studi Komparasi Indonesia dan Malaysia). *Jurnal Dinamika Akuntansi*, 4(1), 36-36).
- Sudarsono, H. (2003). *Islamic financial institution banks: descriptions and illustrations*. Yogyakarta: Ekonisia. (translated from Indonesian: Bank Lembaga Keuangan Syariah: Deskripsi dan Ilustrasi. Yogyakarta: Ekonisia).
- Sudarsono, H. (2009). The impact of the global financial crisis on banks in Indonesia: a comparison between conventional banks and sharia banks. *Journal Ekonomi Islam*, 3(1), 12-23. (translated from Indonesian: Dampak krisis keuangan global terhadap perbankan di Indonesia: Perbandingan antara bank konvensional dan bank syariah. *Jurnal Ekonomi Islam*, 3(1), 12-23).
- European Commission. Directorate-General for Employment. (2001). *Promoting a European framework for corporate social responsibility: Green paper*. Office for Official Publications of the European Communities. Retrieved from www.european.eu.int.
- Trisnawati, R. (2012). Measurement of social responsibility of sharia banking companies in Indonesia. *Jurnal Akuntansi dan Auditing Indonesia*, 6(2), 103-121. (translated from Indonesian: Pengukuran tanggung jawab sosial perusahaan perbankan syariah di Indonesia. *Jurnal Akuntansi dan Auditing Indonesia*, 6(2), 103-121).

Explanation of Term

Gharar: all buying and selling containing obscurity; betting, or gambling

Halal: all objects or activities that are permitted to be used or carried out

Haram: an activity or condition of an object (for example food) which is prohibited. People who commit haram will get the consequences of sin.

Riba: additional taking in both transactions and borrowing that are contrary to Islamic laws

Zakat: assets or money that must be issued by people and given to groups who are entitled to receive it for example to the poor people or orphan

Shadaqah: A gift that is useful to others, such as food, drinks or property by not expecting a reply except the pleasure of Allah alone

Wakaf: give something of the benefits of the property, where the principal is permanent/sustainable over the ownership of the beneficiary even though for a moment. for example land, buildings and the like. Mainly for the public interest

Qard Hasan: financing products (capital) for micro businesses that do not provide financial benefits to the lending parties