

# EXPLORING CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE: THE CASE OF ISLAMIC BANKS IN INDONESIA

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## 1. Introduction

Banking institutions are an alternative financial institution chosen by the people in this modern era. As the economy develops in Indonesia, sharia-based banking appears. Of course, every Islamic financial institution with its business uniqueness has the task of practicing Islamic business in all its activities. In accordance with UU RI No.25 Tahun 2007 about Penanaman Modal Pasal 15, investors are obliged to carry out company responsibilities. This is confirmed by UU RI No.40 Tahun 2007 about Perseroan Terbatas Pasal 74 (3), companies which do not carry out their obligations will be sanctioned with laws and regulations.

The responsibility of the company in this case, is that Islamic financial institutions are committed to carrying out real tasks in the social and environmental dimensions. According to Rama and Meliawati (2014), the concept of CSR in Islam is more a form of humanity's devotion to Allah SWT in the corporate dimension. According to Othman and Azlan (2010), there are eight dimensions that are used as benchmarks for disclosure of CSR, namely finance and investment, products and services, employees, society, environment, and corporate governance.

In carrying out its social responsibilities, CSR focuses its attention on three things, namely profit (profit), society (people), and the environment (planet). The company must have an adequate level of profitability because profits are the foundation for the company to be able to develop and maintain its existence

(Darmawati, 2014). Profitability ratio is a ratio to show how much the company's ability to make a profit. The ratio used in this study is Return on Equity (ROE). Based on the data that the writer re-examined, the value of ICSR Bank Syariah Mandiri from 2015 to 2016 increased by 0.0417 but the value of Return On Equity (ROE) decreased by 0,0007. This phenomenon is what drives the author to examine the ICSR on ROE.

**Keywords:** *Corporate social responsibility disclosure, islamic banks, Indonesia*

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## 2. Methodology

The research method used in this study is a quantitative approach, which is a method for testing certain theories by examining the relationships between variables. The independent variable in this study is ICSR while the dependent variable is ROE. The ICSR and ROE calculation formulas are:

$$\text{ICSR} = \frac{\text{Jml Item yang diungkapkan}}{\text{Jumlah item pengungkapan}}$$

(Hassan dan Sofyan, 2010)

$$\text{ROE} = \frac{\text{Laba Bersih}}{\text{Total Ekuitas}}$$

(Muhammad, 2015)

The population in this study is all Islamic banking registered with the Financial Services Authority until 2019. The sample selection method used in this study is the purposive sampling method, which is sampling based on certain considerations. The samples taken must meet the criteria:

Sharia Banking registered with the Financial Services Authority from 2014-2018, published its annual report for 5 consecutive years 2014-2018, has complete financial data on each bank's website, and disclose CSR in its annual report on each bank's website.

**Table 1. Sample Research**

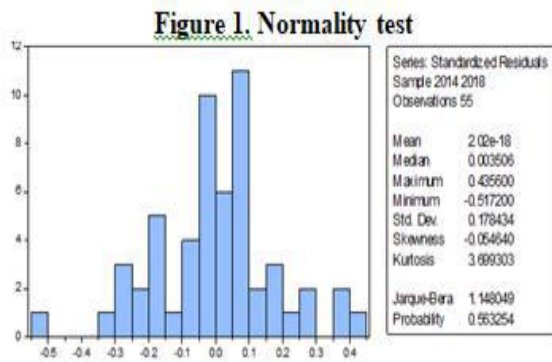
No.	Bank Umum Syariah
1	PT Bank BNI Syariah
2	PT Bank Mega Syariah
3	PT Bank Muamalat Indonesia
4	PT Bank Syariah Mandiri
5	PT Bank BCA Syariah
6	PT Bank BRI Syariah
7	PT Bank Jabar Banten Syariah
8	PT Bank Panin Dubai Syariah
9	PT Bank Syariah Bukopin
10	PT Bank Maybank Syariah Indonesia
11	PT Bank Tabungan Pensiunan Nasional Syariah

Sumber: OJK, 2019

Ho:ICSR disclosure has no effect on ROE.

Ha:ICSR disclosure affects ROE.

## 2. Conclusions & Implications



### Data Analysis Model

Based on the results of processing using simple linear regression, the equation is as

follows:

$$Y = 0,054094 + 0,358995 X + 0,108109$$

The regression coefficient for the positive independent variable shows a direct relationship between X and Y. The regression coefficient of variable X of 0.358995 implies that for each increase of X by one unit will cause an increase of Y of 0.358995. Adjusted R-Squared value in this study was 49.2%. This shows that ICSR contributed 49.2% of Return On Equity while the remaining 50.8% was contributed by other variables not examined.

This research is in line with Arifin and Eke (2016) that a high level of profitability will encourage managers to provide more detailed information because they want to convince investors that the company is able to generate high profits. This will ultimately increase compensation for management. Supported by research conducted by Rama and Meliawati also has positive results on profitability.

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