

## THE EFFECT OF DISCLOSURE OF CORPORATE SOCIAL RESPONSIBILITY ON THE PERFORMANCE OF SHARIA COMMERCIAL BANKS IN INDONESIA

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### ABSTRACT

Islamic banks are companies whose social goals must be at least as important as their goals in making a profit. Because Islamic banks are banks that adhere to the sharia system that is guided by the Al-Quran and Al-Hadith. The level of disclosure of CSR that do Islamic banks are still low. The purpose of this study was to determine the effect of disclosure of corporate social responsibility (CSR) on the performance of Islamic Commercial Banks. This type of research is quantitative research. This type of data uses secondary data taken from the annual financial reports of Islamic Commercial Banks for the period 2012-2018. The sample is a Sharia Commercial Bank registered with Bank Indonesia and the financial service authorities, amounting to 13 banks. The dependent variable is financial performance as proxied by ROA and ROE, while the independent variable is CSR which is measured by the social disclosure index. Data collection techniques using documentation techniques. The data analysis technique used multiple linear regression. The results showed that disclosure of corporate social responsibility (CSR) has a positive effect on return on assets and return on equity.

**Keywords :** Corporate Social Responsibility (Csr); Return On Asset; Return On Equity.

### PLEMINARY

Banks are financial institutions that have support in the economic development of a country. Banks have a very important role in building the country's economy. Both conventional banks and Islamic banks. Conventional banks are banks that adhere to an interest system, in contrast to sharia commercial banks which adopt a profit-sharing system, which are guided by the principles of sharia and Islamic law. Islamic commercial banks adhere to sharia principles. Sharia principles are principles based on Islamic law which are based on fatwas from authorized institutions in the field of sharia. Islamic commercial banks have a share and an important role in national development. During the economic crisis in 1998 and the global economic crisis in 2008, Islamic banks remained firm in the midst of the economic crisis that occurred Darsono, et al, (2016).

Haniffa and Hudaib (2007) state that an Islamic bank is a company whose social goals must be at least as important as its goal of making a profit. In addition, they also stated that Islamic banks have an "ethical identity" and are expected to be able to carry out their social responsibility better than their competitors, namely conventional banks, as a form of corporate responsibility to humans and to Allah. The government is also aware of the importance of implementing CSR and has established company obligations regarding disclosure regulations as stated in Law Number 25 of 2007 concerning Investment. The Investment Law also includes an article regulating CSR. Article 15 letter b reads: "Every investor is obliged to: carry out corporate social responsibility." The elucidation of Article 15

letter adds that what is meant by "corporate social responsibility" is the responsibility inherent in every investment company to continue to create harmonious, balanced, and in accordance with the environment, values, norms and culture of the local community. Below is a table of CSR disclosures from 2009-2011 which produces the following :

Below is a table of CSR disclosures from 2009-2011 which produces the following :

Table 1: Level of Sharia Banking CSR Disclosure in Indonesia Based on the Index ISRI and GRI.

Nama Bank	2009		2010		2011	
	ISRI%	GRI%	ISRI%	GRI%	ISRI%	GRI%
Bank Muamalat Indonesia	47,59	26,45	47,95	25,62	47,95	25,62
Bank Bni Syariah	47,59	26,45	49,23	25,62	49,23	27,27
Bank Mega Syariah	50,68	22,31	50,68	18,18	50,68	19,01
Bank BRI Syariah	50,68	12,40	50,68	19,01	50,68	19,83
Bank Bukopin Syariah	45,21	18,18	46,58	18,18	46,58	19,01
Rata-Rata	46	22	48	21	48	20

From table 1.1, it can be seen that the level of company awareness is still low, Trisnawati (2012). The average implementation of CSR in Islamic banking is below 50%. This is very unfortunate, because of the importance of implementing CSR related to humanity and contributing to national development, because the implementation of CSR can help the government to prosper the people, in line with sharia banking which applies the principles of justice that are guided by the Qur'an and Al-Hadith.

Research conducted by Muniarti (2014) which results in that the higher the disclosure of CSR, the better the company's performance, in terms of company value and profit, this is confirmed by a research conducted in 2014, resulting in a significant effect on CSR. . Companies that implement CSR can strengthen relationships with the community so that they can increase company value in the eyes of the community, the impact can increase company profits.

## LITERATURE REVIEW

### Stakeholder Theory

According to Bryson (2001), stakeholders can be individuals, an organization, or a group that has rights and can make claims or attention to resources or the results of the organization's operational activities. There are several types of stakeholders in the company, including the government, shareholders, investors, creditors, suppliers, consumers, political parties, workers, and the community as a part of the environment.

Donaldson and Preston (1995) categorize stakeholder theory into three, namely normative, descriptive, and instrumental stakeholder theory. Then Deegan and Unerman (2006) and Gray et al. (1996) divides stakeholders into two types, namely stakeholders who have a relationship with accountability and stakeholders who have a relationship with the organization. Accountability is the obligation to take accountable actions outside the context of the financial account, which assumes that the power of explanation in CSR is less.

Descriptive stakeholder theory is the identification of stakeholders by knowing how the power of stakeholders affects the company, the process of legitimizing the relationship between stakeholders and the company, and how urgent (urgent) the claims of stakeholders are to the company (Mitchell et al., 1997). Strength is expressed as the level of coercive by one party to another to gain access or to get what one wants from the relationship between the two parties. Furthermore, the definition of legitimacy according to Suchman (1995) is the assumption that the actions of the company are appropriate and appropriate in a social system consisting of values, norms, and beliefs. Then the notion of urgency is the level of the stakeholder in asking for immediate attention. A stakeholder must have strength, legitimacy, and urgency because these three things are very important so that stakeholders can be said to be able to have influence over the company.

### **Legitimacy Theory**

Gray et al. (1995) said that the legitimacy theory is part of the socio-political theory. As explained in the accounting theory, society has an influence on the allocation of economic resources used by companies, which causes companies to tend to implement environmental-based performance and disclosure of information about the environment in order to get legitimacy from the community (Chariri and Ghazali, 2014). Hurst in Gray et al. (1995) states that the theory of legitimacy means that when a situation occurs where there is a mismatch between community expectations and the actions taken by the company, the company will make a type of annual report disclosure with the aim of reducing community attention.

Legitimacy gap is a difference in perceptions between companies and communities that pose a threat to companies regarding the legitimacy of their businesses from the community (Lindblom, 1994).

### **Corporate Social Responsibility (CSR)**

CSR is a corporate social responsibility or obligation that must be fulfilled because the company has committed to running business activities based on community norms with the aim of balancing the attention between internal and external parties, in this case the community and other interested parties in order to achieve sustainable performance and still pay attention environment. Hendrik (2008) mentions some of the benefits of CSR, namely improving the company's reputation and brand image, obtaining social recognition (license), reducing business risks, expanding access to resources for company business activities, expanding market opportunities, controlling costs, for example the impact of waste disposal costs. , build good relationships with stakeholders, build good relationships with regulators, motivate employees and get the opportunity to receive awards.

### **Syariah Banking**

According to the Law on Islamic Banking No. 21 of 1998 Article 1, Islamic banks are a financial institution whose business activities adhere to sharia principles. Islamic banks are of two types, namely Islamic Commercial Banks and Sharia Financing Banks. Sharia principles are principles based on Islamic law which are based on fatwas from authorized institutions in the field of sharia. Muhammad (2005: 13) states that Islamic Bank is a financial institution whose main activity is to distribute financing and other services as well as money circulation in accordance with the principles of Islamic sharia.

### **Financial Performance**

According to Helfert in Widyastuti (2006). Financial performance is the result of many individual decisions made continuously by management. Financial performance is used to determine the results of actions that have been taken in the past to measure the level of company profitability. According to Harjito & Martono (2011) Profitability is a company's ability to make a profit from the capital used to generate this profit. The functions and roles of company management are closely related to the performance of a company. Achievement of the management of a company if it can manage the company properly and correctly seen from the profit or profit that the company gets. If the profit or profit obtained is high, it can be said that the management is able to manage the company properly (Rivandi, Saleh, & Septiano, 2017).

Types of profitability ratios are used to show how much profit or gain derived from the performance of a company affects the notes on financial statements that must be in accordance with financial accounting standards. Several types of profitability ratios that are often used to review a company's ability to generate profits are used in this type of financial accounting, including: Gross Profit Margin (GPM), Net Profit Margin (NPM). Return on Assets (ROA). Return on Equity (ROE). Return on Sales (ROS). Return on Capital Employed (ROCE). Return on Investment (ROI). Earning Per Share (EPS). This study uses ROA and ROE.

### **The Effect of Corporate Social Responsibility (CSR) Disclosure on ROA**

Corporate social responsibility is corporate social responsibility. CSR disclosure must be fulfilled because the company has committed to carrying out business operations based on community norms with the aim of balancing the attention between internal and external parties, in this case the public and other interested parties in order to create sustainable performance in order to continue paying attention to the environment.

Research on the effect of CSR and Roa's performance was conducted by Kadek et al. (2014) which showed a positive relationship between CSR and Roa's performance. According to Kadek et al. (2014) The implementation of corporate social responsibility is believed to be able to improve the company's financial performance, where investors tend to invest in companies that carry out CSR activities. Because for investors, companies that carry out CSR activities have the potential to generate greater profits than those that do not, so that in the future the company will be able to improve its financial performance. This is in line with Gantino's research which also found a positive relationship between CSR and ROA. Based on this description, the first hypothesis will be obtained, namely:

H1: disclosure of Corporate Social Responsibility has a positive effect on ROA.

### **The Effect of Corporate Social Responsibility (CSR) Disclosure on ROE**

Companies that disclose CSR well will receive high trust from stakeholders. Stakeholders feel that they will get beneficial feedback from companies that have good CSR. If the company delivers information to stakeholders and shareholders, the more and more extensive information it receives about the company, which will have an impact on increasing stakeholder and shareholder trust so that the products produced by the company will be well received and the company's financial performance or profits will increase. This results in an increase in ROE (Dahlia and Siregar, 2008).

Gantino's research (2016) also found a positive relationship between Corporate Social Responsibility and Return On Equity (ROE). This means that good CSR disclosures that are disclosed by the company will get benefits including public sympathy, customer loyalty, and investor confidence. Thus the second hypothesis is obtained, namely:

H2: disclosure of Corporate Social Responsibility has a positive effect on ROE.

## RESEARCH METHODS

This type of research is quantitative research (quantitative research). The sample used is the entire population of Islamic commercial banks in Bank Indonesia and registered and registered financial services authorities, namely 13 Islamic commercial banks in 2012-2018. This type of data uses secondary data taken from the annual financial reports of Islamic Commercial Banks for the period 2012-2018. The dependent variable is financial performance as measured by return on assets (ROA) and return on equity (ROE). ROA is the ratio used in this study to measure the competence of bank management in managing bank assets which aims to obtain overall profit / income.

## ANALYSIS RESULTS AND DISCUSSION

### Descriptive Data

The sample is all banks that are included in the national Islamic commercial banks that issue financial reports for the year 2012-2018, totaling 13 Islamic banks. The following are the names of the Islamic banks that were sampled in this study.

Tabel 1. Sampel Penelitian

No.	Nama Bank
1.	Bank Aceh Syariah
2.	Bank BCA Syariah
3.	Bank BNI Syariah
4.	Bank BRI Syariah
5.	Bank Bukopin Syariah
6.	Bank BJB Syariah
7.	Bank Mandiri Syariah
8.	Bank Maybank Syariah
9.	Bank Mega Syariah
10.	Bank Muamalat
11.	Bank Panin Syariah
12.	Bank Tabungan Pensiunan Nasional Syariah
13.	Bank Victoria Syariah

### Descriptive Statistics

The results of descriptive statistics can be seen in the table below.

Table 2 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CSR	78	.00	.83	.3449	.27483
ROA	78	-16.89	32.47	1.6528	6.82988
ROE	78	-47.32	214.80	11.0326	37.23840
Valid N (listwise)	78				

Table 2 shows that during the observation period, the minimum value of the CSR variable was 0 and the maximum was 0.83. A value of 0 indicates that the company does not disclose its social responsibility in its annual financial statements. Companies that do not disclose CSR in their annual financial reports include Bank BNI Syariah in 2012-2014, Bank BRI Syariah in 2012, Bank Maybank Syariah in 2012, Bank BTPN Syariah and Bank Victoria Syariah in 2012-2017 and Bank Mandiri Syariah in 2012. 2016-2017. Value 1 shows the company discloses CSR in its financial statements. The average CSR variable is 0.3449 with a standard deviation of 0.27483, which shows that the standard deviation value is smaller than the average value. This means that the CSR variable data has a low distribution or variability, meaning that the data is clustered around its average value and the deviation is small.

### Hypothesis test

Regression Equations I

Normality test

The results of normality testing can be seen in the following table.

Table. 3 Normality Test Results

		Unstandardized Residual
N		78
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	1.56664784
Most Extreme Differences	Absolute	.129
	Positive	.129
	Negative	-.071
Kolmogorov-Smirnov Z		1.137
Asymp. Sig. (2-tailed)		.150

a. Test distribution is Normal.

b. Calculated from data.

Source: Secondary Data Processed

The table above shows that the asymp.sig value obtained is  $0.150 > 0.05$ , so it can be concluded that the data in the regression model meets the normality assumption.

### Heteroscedasticity Test

The test results are as follows.

Table 4 Heteroscedasticity Test.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.445	.164		8.784	.000
LnCSR	.340	.174	.219	1.959	.054

a. Dependent Variable: abs

Source: Secondary Data Processed

Table 4.4 above shows that the significance value of the CSR variable is  $0.054 > 0.05$ , so it can be concluded that there is no heteroscedasticity symptom in this regression model, so the regression model used is feasible.

### Autocorrelation Test

The results of the autocorrelation test by looking at the Durbin-Watson value can be seen in the table below.

Table 5 Autocorrelation Test.

Model	Durbin-Watson
1	1.660 <sup>a</sup>

a. Predictors: (Constant), LnCSR

b. Dependent Variable: LnROA

Source: secondary data processed

The table above shows the Durbin-Watson value of 1.660. With  $n = 78$  and  $K = 1$ , the value of  $dL = 1.611$  and  $dU = 1.662$  is obtained. This value is in the interval  $dL \leq d < dU$  or  $1.611 < 1.660 < 1.662$ . This means that there is no positive autocorrelation in the regression model.

## DISCUSSION

### The Effect of CSR Disclosure on ROA

Based on the results of the above analysis, the CSR disclosure variable is proven to have a significant effect on ROA. This is indicated by the sig value of  $0.043 < 0.05$ . This means that the more the number of CSR items disclosed in the annual financial report, the higher the ROA of Islamic banking will be.

CSR is a form of corporate social responsibility and as part of good corporate governance. CSR shows that the company is on the side of the community, so that people have a positive assessment of the company which will encourage people to be loyal to the company.

ROA is calculated based on the comparison of profit before tax and average total assets. In this study, ROA is used as an indicator of bank performance. ROA shows the effectiveness of a company in generating profits by optimizing its assets. The higher the ROA, the more effective the company is, because the amount of ROA is influenced by the amount of profit generated by the company.

The results of this study are consistent with the research conducted by Kadek et al (2014) that there is a significant positive relationship between CSR disclosure and ROA. Kadek et al (2014) state that the implementation of CSR can be trusted to improve the company's financial performance, when financial performance increases, the company's profit will increase and the company's ROA will increase, where investors tend to invest in companies that carry out CSR activities. This is because companies that carry out CSR activities have a high potential to generate greater profits than companies that do not carry out CSR activities.

### The Effect of CSR Disclosure on ROE

Based on the analysis above, the CSR disclosure variable is proven to have a significant effect on ROE. This is indicated by the sig value of  $0.048 < 0.05$ . This means that the higher the disclosure of CSR, the better the financial performance (ROE) of Islamic banking will be. CSR is a part of

corporate governance that companies must live by and as a form of company siding with the community.

ROE is a measurement of the income available to company owners on the capital they invest in the company (Syamsuddin, 2013: 65). The higher the company return or the income the company gets, the better the position of shareholders or company owners. Because of this, it can attract investors because of the level of profit sharing obtained by investors so that it can encourage companies to implement CSR.

The results of this study are consistent with research conducted by Gantino (2016) which results in CSR disclosure having a significant positive effect on ROE. good CSR disclosure that is disclosed by the company, the company will get benefits including public sympathy, customer loyalty, and investor confidence.

## CONCLUSION

This research was conducted to determine the level of disclosure of Corporate Social Responsibility on the performance of Islamic banks in Indonesia. This type of research is quantitative research (quantitative research). The sample used is the entire population of Islamic commercial banks in Bank Indonesia and registered financial services authorities (OJK). Based on the results of the analysis in the previous chapter, it can be concluded that the variable.

- A. disclosure of Corporate Social Responsibility has a positive effect on Return On Assets
- B. The disclosure variable of Corporate Social Responsibility has a positive effect on Return On Equity.

Based on previous studies and the results of this study, CSR disclosure greatly affects the company's financial performance and can increase company profits or profits in the long term. CSR disclosure can be used as one of the company's strategies to attract public sympathy and loyalty and attract investors, because companies that disclose CSR can increase huge profits. Because the company will get legitimacy from the community, wider market opportunities, get (license) social recognition, so that the company's products will be very well received.

Suggestions from the next researchers are to add independent variables and journal sources that are more and more relevant so that they do not cause bias. For companies, it is better if CSR disclosures are disclosed in the company's financial statements because in addition to being profitable and can be used as a company strategy it is also a form of corporate social responsibility to the environment and society.

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