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## **The Shariah Enterprise Theory: Implementation of Corporate Social Responsibility Disclosure for Islamic Banking in Indonesia and Malaysia**

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**Abstract:** This study aims to describe and analyze the differences in the implementation of Corporate Social Responsibility for Shariah banks in Indonesia and Malaysia. Research conducted on the 10 annual reports of Shariah banks in Indonesia and six Shariah banks in Malaysia. This study uses content analysis approach to determine the disclosure level of 47 items. Meanwhile, the hypothesis testing used in this study is a different test of independent samples. The results showed the level of CSR disclosure of Shariah bank in Indonesia is higher than in Malaysia. Nevertheless, none of shariah banks in Indonesia and Malaysia that reveal CSR fully. However, the vertical dimension has been reported fully by Malaysian Shariah banks. The social activity of Indonesia Shariah banks are largely sustainable, while in Malaysia is more voluntarily. According to the hypothesis testing result, it showed that there is no significant difference between CSR disclosure of Shariah banks in Indonesia and Malaysia.

**Keywords:** *Corporate Social Responsibility, Shariah Enterprise Theory, Shariah Banks.*

### **INTRODUCTION**

Corporate Social Responsibility (CSR) is understood as a commitment and responsibility of institutions to run a business that positively oriented towards the environment. Accounting perspective assumes that the company's goal is to maximize the welfare of the owners of the company. However, in line with the demands of the society due to social inequality that is the case then the responsibility shifts into a broader institution to the social sphere, including the Shariah banking.

The existence of new conventional accounting perspectives which has implications on wider responsibility means to consider the existence of stakeholders. However, stakeholders in conventional

accounting only refer to humans. It is certainly not appropriate to be used as a view by shariah in running the business. Meanwhile, businesses in Islam cannot be separated from the moral values of Islam. This is manifested in the establishment of Shariah banking that are motivated by the goal of running the economy that is based on values and principles of sharia.

Meutia (2010: 20) stated that the most appropriate theory to disclose the corporate social responsibility in term of Shariah bank, is Sharia Enterprise Theory (SET). This is because SET trying not place humans as the centre, but God as the centre of all. SET has wider accountability coverage than other accountings. Based on the accounting perspective, stakeholders consist of God, man and nature (Triyuwono 2007: 4).

SET teaches us that God is the ultimate source of doing business and as the sole and absolute owner of all the resources that exist in the world. Meanwhile, the resources owned by the stakeholders are a mandate from God attached a responsibility to use the means and goals set by the Grantor of Amanah. According to Meutia (2010: 56) this reasoning is based on the notion that humans are *Khalifatullah fil ard* that carrying the mission of creating and distributing the welfare of all human beings and nature. This foundation encourages SET to bring benefit to stockholders, stakeholders, communities and the natural environment without leaving the essential obligations to give charity as a manifestation of worship to Allah (Triyuwono, 2009: 353).

### **The Principle of Fair Sharing**

According to Meutia (2010: 199) the principle of sharing is essentially a principle that puts human's altruistic values and making man as the extended hands of one of God's attributes, Al Wahab. Economic monotheism teaches that God as the absolute owner and a man is only as a fiduciary, had the consequence that in the treasure that belongs to each individual are the rights of others must be spent in accordance with the command of Allah in the form of zakat, infaq, charity and other ways to carry out the distribution of income and welfare.

In Islam, humans have the right to meet in an effort to meet the standards of a good life. Limitation of which is the cornerstone of the wealth distributor. The concept of fairness will be achieved by meeting the rights and obligations as well as get rid of the distinction or discrimination in all spheres of life. Free of justice in Islam brings balance between individual rights and responsibilities to others (Dusuki, 2007: 34)

### **Principle of Rahmatan Lil Alamin**

Mercy for the universe is contained in the nature of the Shariah religion. Epistemologically, Islam means peace and rahmatan lil Alamin means compassion for all creatures. Therefore, Islam as rahmatan lil Alamin is the presence of Islam amid public life is able to realize peace and compassion for people and the nature. Allah has said in the Qur'an Surah Al-Anbiya: 107 means "We sent you (Muhammad) to (be) a mercy to the worlds."

As religion of *rahmatan lil 'alamin*, Islam does not forget in defending the rights of every human being (Meutia *et al.*, 2009: 224). The principle of rahmatan lil'alamin means that human existence should be a benefit for Allah's creation. Within the framework of Shariah banks, Shariah banks where the benefits should be felt by all parties involved both directly and not directly involved in Shariah banking activities. According to Meutia (2010: 232), the form of grace or favour can be in the form of charity, donation, and alms as well as the provision of financing to small businesses.

## **The Maslahah Principle**

Generally, maslahah is interpreted as good (well-being) world and the hereafter. The ushul fiqh experts define it as anything that contains the benefits, uses, and kindness and avoid harm, damage and mafsadah (Riva *et al.*, 2012: 58). Dusuki (2007: 31) stated the benefit of Shariah law as a device that is used to promote the public interest (welfare). Benefit or in the Arabic language “maslahah” stated Al-Ghazali was quoted as saying by Meutia *et al.* (2009: 226) is the preservation of the ends of the shari’ah or the objective of the shari’ah (including the protection of faith, life, posterity, intellect and wealth).”

Al-Shatibi in Meutia *et al.* (2009: 227) categorizes maslahah into three groups: essentials (daruriyyat), complementary (hajjiyyat) and embellishment (luxuries). The level the first is daruriyyat that is defined by Al-Shatibi as the fulfillment of the essential interests of life related to the achievement of the objectives of sharia is to protect the faith (iman), life (life), intellect (mind), posterity (descendants), and wealth (wealth). As for the second level is hajjiyyat described by Al-Shatibi refer to the additional interest that is sovereign, when neglected will cause trouble but not to damage the third is the principle of normal life. The tahsiniyyat level means the interests that serve the interests enhance the previous level.

The use maslahah principle is very important in social responsibility disclosure practices of Shariah banking. According to Meutia (2010: 237) in this case the proposed level of maslahah Al-Shatibi can provide clear guidance as to what purpose and who should take precedence so that no injustice arises. Dusuki (2007: 33) considers that classification of maslahah deals with and has a close link with the aim of Sharia is to ensure that community interests are well protected.

## **The Meaning of CSR**

The most earliest and prominent definitions ascribed to CSR is the one given by Howard Bowen who (Carroll, 1999) refer to as the father of Corporate social responsibility

“the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen, 1953).

All other definitions in the early 50s recognise the need for managers to assume responsibility for public good

“it has to consider whether the action is likely to promote the public good, to advance the basic beliefs of our society, to contribute to its stability, strength, and harmony” (Drucker, 1954).

Furthermore, the two definitions are united on the need to align CSR with what managers consider as current and prevailing features of the socio-political environment they operate within. (Carroll, 2008) stated that the whole idea of CSR in this early period is corporate philanthropy but there are only few actions which can be regarded as beyond philanthropy in this period. Frederick (2006) summarizes what CSR stands for in the 50s under three basic issues;

1. Corporate managers are appointed as public trustees
2. There is need to balance competing stakeholders claims with corporate resources; and
3. The acceptance of philanthropy as a humane philosophy and discretionary principle of the organisation.

Moving onwards from then CSR has transformed from philanthropy to regulated practices and instrumentality or strategic CSR. In the new millennium corporations are increasingly receiving more pressures on compliance with regulations on environmental protection, transparency, and the market is saturated with competitors thereby necessitating the introduction of CSR as a strategy to survive and be more efficient (Glan, 2006). Researchers in this period are focusing on the impact of CSR on financial performance (Brammer and Millington, 2008; Surroca *et al.*, 2009). The focus of CSR conceptual review and empirical studies has shifted from an ethics orientation to a performance orientation and the level of analysis has moved away from a macro-social level to an organizational level in this era. The essence of engaging in CSR in the new millennium is tagged as “doing good to do well” (Rosamaria and Robert, 2011).

### **What are the Social Responsibilities of Business?**

The social responsibilities of business are those responsibilities that arise in the context of corporate-stakeholder relationships. Stakeholders have expectations about the behaviour and responsibilities of business that go beyond the provision of jobs and products or services. No two companies are likely to have the exact same set of responsibilities, because each corporation has different products, services and strategies and therefore, different combinations of stakeholders and stakeholder interests and issues. Nevertheless, a plethora of international initiatives have attempted to provide guidance on the question of the social responsibilities of business, such as the UN Global Compact and the Global Reporting Initiative

### **Concept and Characteristics of Corporate Social Responsibility Disclosure According to SET**

Corporate Social Responsibility (CSR) in the SET concept is understood as an action or a concept made by the company as a form of responsibility which is a form of awareness of their responsibility to provide economic, social and spiritual which is the primary social role of Islamic institutions. The responsibility will provide information on how far the institution in performing its main role. Thus, the social responsibility disclosure becomes an obligation containing values of justice, truth, honesty, trust and accountability based on the goal to get legitimacy from God. Such disclosure must also include qualitative and quantitative information.

### **Accomplished Research**

Research on CSR in Shariah banks has been conducted several times both in Indonesia and Malaysia. Research in Indonesia that was conducted by Lestari (2013), Arifiyanto (2013) and Febriany (2014) determine the factors that affect the CSR disclosure. Empirical studies on the implementation of CSR conducted by Joseph (2010) and Samsiyah (2013). Meanwhile, there is also a research on CSR disclosure of Shariah bank in Malaysia conducted by Paino (2011) and the Bani (2015). Comparative research in both countries also have made by Yusoff (2013), Sakti (2012), Sofyani (2012) and Firmansyah (2014).

### **Hypothesis Development**

The position of Shariah banks as financial institutions continue to grow in national and international financial institutions should be a pilot in moving the CSR program. Indonesia and Malaysia are country which has a majority Muslim population. Malaysia is one of the main drivers of the development of the shariah banking market with its Shariah financial assets as the largest in Southeast Asia, even the world.

In December 2014, the value of the Malaysian Shariah banking assets reached 423.2 billion US dollars. While Indonesia is the country with the largest Muslim population in the world and has a number of Shariah accounts are much larger than Malaysia. It can be a good prospect for the development of Shariah banking industry in both countries. With the development of Shariah bank, the responsibility is also more extensive.

The government's role will be crucial in supporting the implementation of appropriate Shariah business practices. This role can be done by developing legislation and standards and frameworks for the implementation of uniform directional. Based on research by Way (2012), framework which will clearly impact the implementation of social responsibility that maximum, although in fact the concept of CSR in Islam is not merely to fulfil the mandate of the law. Legislation or other regulations will provide a clearer direction for the implementation and disclosure of CSR.

Indonesia has had a number of laws and other regulations that discuss social responsibility, including Law No. 40 of 2007 and Law No. 25 of 2007. However, the law is still in its early stages of CSR mandatory. Meanwhile, Malaysia has had a framework for the implementation of CSR published by *Putrajaya Committee for GLC Transformation* (PCG) and Shariah Governance Framework for Shariah Financial Institutions (SGF) issued by Bank Negara Malaysia. As a Shariah country, laws and other government regulations drew up based on the values of Islam. Therefore, it can be said to be the cornerstone of Islam is not only used in the level of business but to the realm of government.

## **Hypothesis**

There are differences in the disclosure of Shariah Corporate Social Responsibility banking in Indonesia and Malaysia based on Shariah Enterprise Theory (SET).

## **RESEARCH METHODS**

This research is a comparative study that compares an object of research among different subjects in the same period. The research approach analysis is to find out the disclosure level of 47 items of disclosure by SET.

### **Population, Sample and Data Collection**

The population in this study is Shariah banks registered in Bank Indonesia and Bank Negara Malaysia. The number of Shariah banks in Indonesia is as many as 12 Shariah Banks; while in Malaysia are as many as 16 Shariah banks. The sampling technique used is purposive sampling. The number of samples obtained is 10 Shariah banks in Indonesia and 6 Shariah banks in Malaysia during the years of 2012-2014. So that the amount of data used is 48 data.

Source data used is secondary data from annual reports during the year of 2012-2014. The annual report is obtained through the official website of the institution. The type of data in this study uses qualitative and quantitative data. The data collected through the documentation method.

### **Data Analysis**

The data were processed by using content analysis approach by giving a value of 1 for the items disclosed and 0 for items not disclosed. Furthermore, the data were analyzed by using descriptive and inferential

statistical techniques. The hypothesis was taken through independent test sample T-test with a significance level of 0.05.

## RESULTS AND DISCUSSION

### The Implementation and CSR Disclosure of Shariah Banks in Indonesia

**Table 1**  
**CSR Disclosure of Indonesia Shariah Banks**

No.	Shariah Bank	CSR Disclosure (%)				The Mean of Maslahah Disclosure (%)		
		2012	2013	2014	Mean (%)	Daruriyyat	Hajjiyyat	Tabnisiyyat
1.	PT Bank Muamalat Indonesia	61,70	65,96	72,34	66,67	70,83	54,90	83,33
2.	PT Bank Syariah Bukopin	44,68	46,81	46,81	46,10	58,33	35,29	27,78
3.	PT BCA Syariah	44,68	36,17	36,17	39,01	56,94	19,61	22,22
4.	PT Maybank Syariah Indonesia	19,15	25,53	23,40	22,70	31,94	15,69	5,56
5.	B.P.D Jawa Barat Banten Syariah	31,91	38,30	40,43	36,88	48,61	27,45	16,67
6.	Bank BRI Syariah	40,43	55,32	46,81	47,52	59,72	27,45	55,56
7.	Bank BNI Syariah	51,06	59,57	51,06	53,90	56,94	41,18	77,78
8.	Bank Syariah Mandiri	76,60	68,09	68,09	70,92	81,94	58,82	61,11
9.	Bank Syariah Mega Indonesia	36,17	38,30	42,55	39,01	50,00	25,49	33,33
10.	Bank Panin Syariah	29,79	48,94	51,06	43,26%	51,39	33,33	38,89
Mean						56,67	33,92	42,22

Table 1 above describes the level of CSR disclosure of Shariah bank in Indonesia during the years of 2012-2014 and disclosures based on the masalah level. From the average CSR, it is seen that none of the Shariah bank in Indonesia reveal the full CSR. Based on the table, the level of CSR disclosure has the highest average is PT Bank Syariah Mandiri in the amount of 70.92%. While the level of the lowest rate of CSR disclosure is 22.70% by PT Maybank Syariah Indonesia.

The above table also shows that the average CSR of Indonesian Shariah banks has not been carried out based on the masalah principle. The results of a study reported that the level of tahnisiyyat still gets priority over the level of hajjiyyat. Daruriyyat level has not yet received a major priority for Shariah banks. Disclosures that have not been given priority over the basic interests mean that the disclosure of CSR as they ride to benefit the interests of disclosure. CSR disclosure is not intended to carry out the purposes of sharia in protecting the basic human interests.

Despite still incomplete implementation of CSR in Indonesia, but when viewed from the number of Shariah banks which disclose CSR indicates good conditions. The 12 Shariah banks that has been registered at Bank Indonesia as many as 10 Shariah banks have carried out and revealed CSR. Viewed in terms of reporting and disclosure, all Shariah banks have revealed that the CSR program in a separate page of the annual report. The number of pages available range from just two pages to over 10 pages.

In general, the aspects of concern to the Shariah bank in Indonesia in conducting CSR program is employment, the development of SMEs, and improving the quality of education and public health. However,



some Shariah banks have also noticed aspects of employment and customer. Among PT Muamalat Indonesia, there is PT Bank Syariah Mandiri and PT Bank BNI Syariah.

Shariah banks in Indonesia is generally understood as a CSR as a form of broader responsibility to all our stakeholders. There is awareness that a business should not only pursue financial gain but also required to contribute to the social development and the environment to sustain the effort. Shariah bank considers that the implementation of CSR is committed to support the socio-economic development of society holistically, institutionalized and sustainable. Shariah banks realize that to sustain business success, the need to balance performance and success in maintaining the environment and improve the lives of people.

The understanding that has been described above shows that Shariah banks have had consciousness as an institution which also has a social function but have not indicated their awareness of responsibility as a Shariah institution. Implementation and disclosure of CSR has not been addressed in accordance with Shariah principles that obtain the blessing of God. CSR is still based on human values and image of the company, not the basis of divinity. There are indications that the operation and orientation of Shariah banks have not been aligned with the original purpose of the establishment of Shariah banks as an economic alternative to capitalism that has the main purpose to provide economic, social and spiritual.

The implementation of CSR is still strongly associated with the policy of Shariah banks and understanding of Chief Executive Officer (CEO) of the CSR, which makes its implementation do not necessarily correspond with the vision and mission of Shariah banks. This meant that if the CEO has a high attention to CSR implementation, it will most likely be done well. And vice versa, if the CEO give less attention to CSR and still oriented towards the implementation of the financial CSR only a symbol to maintain and enhance the corporate image.

The concept of Shariah Enterprise Theory gives the opinion that an institution is not only responsible for stakeholders horizontally but also vertically as well as has a responsibility to God. Disclosure of vertical accountability as a whole has not been fulfilled. All Shariah banks have included the opinion of the Sharia Supervisory Board in its annual report. But not all reveal whether there is a fatwa and operational aspects that are adhered to and are not adhered to by Shariah banks.

Accountability to God who can be considered as bank effort to meet Shariah principles (Sharia compliance), among others, can be viewed through the existance opinion Sharia Supervisory Board (DPS). Opinion Sharia Supervisory Board in halini provide assurance that the operations and products of Shariah banks has been fit with the fatwa of Dewan Syariah Nasional Majelis Ulama Indonesia (DSNMUI) and the determination of the law as set out in international standards IFSB and AAOIFI.

The second form of accountability is horizontal accountability that is addressed to customers, employees, communities and nature. The fourth stakeholder group has still less attention, especially natural stakeholders that are expressed in a very narrow. This shows that attention to the environment is not a priority for shariah bank, though it may be the perpetrator of Shariah banks recognizes that the environment is a very important issue. On the other hand, to implement accountability to the community almost all Shariah banks have independent and sustainable programs in coaching and development of SMEs.

## CSR Disclosure and implementation of Shariah Banks in Malaysia

**Table 2**  
**CSR Disclosure of Malaysia Shariah Banks**

No.	Shariah Bank	CSR Disclosure (%)				The Mean of Maslahah Disclosure (%)		
		2012	2013	2014	Mean (%)	Daruriyyat	Hajjiyyat	Tahnisiyyat
1.	Affin Shariah Bank Berhad	31,91	34,04	34,04	33,33	45,83	21,57	16,67
2.	Alliance Shariah Bank Berhad	19,15	21,28	27,66	22,70	31,94	17,65	0
3.	Bank Islam Malaysia Berhad	61,70	63,83	70,21	65,25	76,39	41,18	88,89
4.	Bank Muamalat Malaysia Berhad	51,06	57,45	57,45	55,32	75,00	33,33	38,89
5.	Hong Leong Shariah Bank Berhad	42,55	48,94	44,68	45,39	51,39	37,25	44,44
6.	RHB Shariah Bank Berhad	27,66	27,66	27,66	27,66	43,06	15,69	0
Mean						53,94	27,78	31,48

The above table describes the degree of CSR disclosure of Shariah banks in Malaysia during the year 2012 – 2014 based on the level of disclosure and maslahah. From the average CSR, it is seen that none of the Shariah bank in Malaysia has revealed overall CSR. Based on the table, the level of CSR disclosure has a highest average in Bank Islam Malaysia Berhad that is equal to 65.25%. While the lowest rate level of CSR disclosure is 22.70% by Alliance Islamic Bank Berhad.

The above table also notes that the tahnisiyyat level still looks more attention than hajjiyyat level indicated by the disclosure of which is higher at 31.48% compared with 27.78% at hajjiyyat. However, if viewed individually three Shariah banks, namely Affin Shariah Bank Berhad, Alliance Shariah Bank Berhad and RHB Shariah Bank Berhad, has made the disclosure by maslahah level, although the disclosure is made relatively small. Those three Shariah bank has a holding conventional bank but has demonstrated an effort to perform the function better as a Shariah financial institution.

The Malaysian government increased its focus on the improvement of their CSR program in the form of framework development, called The Silver Book. This study found that out of 16 Shariah banks in Malaysia only 6 Shariah banks do social reporting. This suggests that the framework issued by the government has not translated well by most of the Shariah banks. Most Shariah banks disclose their CSR on individual pages as part of the annual report. Some others include it in the Corporate Governance report.

Shariah banks in Malaysia generally understand CSR as part of the company's value in order to comply with Shariah principles. CSR is an important principle to committ and fulfil corporate citizenship that goes beyond compliance with laws and regulations. Implementation of CSR by Shariah banks in Malaysia need not be required in a regulation, since its implementation is part of the responsibility of an institution based on the shariah value.

Understanding the concept of CSR by Shariah banks in Malaysia indicated their awareness of responsibility as an Islamic institution. That understanding also indicates that the implementation of CSR is no longer based on the interests of financial ratios alone. This is in line with the Shariah concept of



Enterprise Theory, where Islam is basically an institution which responsible to God as the giver of the mandate through implementation of the principles of shariah. As said by (Triyanta, 2009: 210), although it is always evolving financial institutions, the resurrection of Islamic banking can be regarded as merely an evolutionary process of the financial industry that has existed.

The concept of Shariah Enterprise Theory gives the opinion that an institution is not only responsible for stakeholders horizontally but also vertically has a responsibility to God. Disclosure of vertical accountability is disclosed fully by the object of research. All Shariah banks have included the opinion of the Sharia Supervisory Board in its annual report and disclose the existence of the fatwa and operational aspects are adhered to and are not adhered to by the bank shariah. This means Shariah banks have looked at that fulfilment vertically accountability is an important part and parcel of activities does.

Shariah bank has a commitment to working to fulfill the sharia principles, among others, can be viewed through Sharia Supervisory Board (DPS) and statements that contain of fatwa and operational aspects that are complied with and adhered to. The existence of DPS is intended to ensure that policies, regulations, systems and procedure carried out by Shariah banking complies with the rule and legislation, regulation Bank Negara Malaysia and the determination of law established in international standard IFSB, AAOIFI, Sharia Supervisory Board (SSB). Reporting on the operational aspects are adhered to and not complied made through Pillar 3 Disclosures part of operational risk management.

The second form of accountability is horizontal accountability addressed to customers, employees, communities and nature. The fourth stakeholder group is still less attention, especially natural stakeholders expressed very narrow. In general, CSR of Shariah bank in Malaysia to focus on customer service, social and working environment. Activities related to social aspects can be outlined in the fields of religion, education, health and human in order to meet basic needs. However, humanitarian program tends to be just as activity contribution (charity), not as an ongoing program.

### **The Difference of CSR Disclosure for Shariah Banks in Indonesia and Malaysia**

**Table 3**  
**Hypothesis Testing by Using Independent Sample T-test**

<i>Independent Samples Test</i>										
<i>t-test for Equality of Means</i>										
		<i>Levene's Test for Equality of Variances</i>				<i>95% Confidence Interval of the Difference</i>				
		<i>F</i>	<i>Sig.</i>	<i>t</i>	<i>df</i>	<i>Sig. (2-tailed)</i>	<i>Mean Difference</i>	<i>Std. Error Difference</i>	<i>Lower</i>	<i>Upper</i>
CSR	Equal variances assumed	,857	,359	1,109	46	,273	2,344	2,114	-1,911	6,600
	Equal variances not assumed			1,086	33,626	,285	2,344	2,159	-2,044	6,733

Based on the results of hypothesis testing, there is no significant difference between CSR disclosures in Indonesian Shariah banks with CSR disclosure in Malaysian Shariah banks as measured by item of shariah enterprise theory. This is demonstrated by the significant value of 0.273 ( $0.273 > 0.05$ ). If seen

from the average, the disclosure of Indonesian Shariah banks is 21.90 higher than the Malaysian Shariah banks that were only 19.56 out of a total of 47 items. Yet, apparently the difference is not significantly different. The average also indicates CSR in both countries is still not optimal.

The results are consistent with research conducted by Firmansyah (2014) and Yusoff *et. al.* (2013). However, this study as opposed to research conducted by Sofyani (2012). Results of the study were the opposite was caused by several things. The first difference is the year of the study. Research conducted by Sofyani (2012) using annual report data in 2009-2010. Second, index or disclosure items used are also different. Sofyani (2012) using an ISR index whereas in this study using the items offered by the concept of SET.

The average value of a recent study demonstrating that CSR in Indonesia is higher can be evaluated in terms of regulation. The issue of CSR has actually been getting support from the government of Indonesia and Malaysia. The Malaysian government through the Putrajaya Committee for GLC Transformation (PCG) has published The Silver Book in September 2006. In addition, Bank Negara Malaysia also publishes Shariah Governance Framework for Shariah Financial Institutions (SGF) which was published in 2010. Both of these frameworks provide guidance more clearly the implementation of CSR in Malaysia. However, the framework is not supported by regulations that require CSR for institutions in Malaysia. As a result, implementation and disclosure of CSR in Malaysia is still a voluntary choice and depends on the orientation and vision of the institution. Shariah banks in Malaysia have had a consciousness of responsibility vertically, but horizontally awareness is still not optimal due to the lack of regulation.

Meanwhile, Indonesia through Law No. 40 of 2007 and Law No. 25 of 2007 has required disclosure of CSR. The regulation indicates that the implementation of CSR is no longer an option but an obligation voluntarily official. The unfortunate thing is that the regulation is obligatory implementation and disclosure of CSR is not accompanied by a framework or strategy implementation. Therefore, the implementation is diverse and became the initiative of individual institutions.

Overall, there is no Shariah banks in Indonesia and Malaysia from the sixteenth object of studies that reveal all CSR. CSR is based on the concept of shariah enterprise theory developed for the Shariah banking business. There is one important reason that caused no Shariah banks to disclose full CSR, which is due to Shariah banks do not disclose the actual item is able to do. Among those items is whether there is an explanation that does not fit sharia transaction, the beneficiary of *qardhul hasan*, data or information of employees, wage policy and the policy of non-discrimination.

## CONCLUSIONS AND RECOMMENDATION

### Conclusion

There are differences of understanding and focus on the implementation of CSR in Indonesia and Malaysia. Shariah banks in Indonesia generally understand CSR as a form of broader responsibility to stakeholders in an effort to maintain business continuity. In general, aspects of concern to the Shariah banks in Indonesia in conducting CSR program is employment, the development of SMEs, and improving the quality of education and health. Bank sharia in Malaysia generally understand CSR as part of the company's value in order to comply with Sharia principles and awareness of responsibility as an Shariah institution. In general, CSR of Shariah banks in Malaysia should focus on customer service, social and working environment.

The average CSR of Indonesian Shariah banks is higher that is 21.90 instead of Malaysian Shariah banks that is only 19.56 out of a total of 47 items. The average also indicates that CSR in both countries is still not optimal. However, based on the hypothesis testing results, it demonstrate the significant value of 0.273 ( $0.273 > 0.05$ ). This means there is no significant difference between CSR disclosures in Indonesian Shariah banks with CSR disclosure in Malaysian Shariah banks as measured by sharia enterprise theory item.

## Recommendation

As an institution that is based on Shariah values, it is better if every activity of Shariah banks based on sharia principles included in this implementation and disclosure CSR. Government or other authorities also needs to develop a framework that provides guidance in the implementation and CSR disclosure for banks based on Shariah principles and in accordance with the vision and mission of the establishment of Shariah banks. For further researchers, it is expected that they add and extend the observation study period media reporting so that it can produce a more complete data.

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