

# **The Concept Of Social Responsibility Disclosures For Islamic Banks**

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## **ABSTRACT**

This research aims to develop the concept and characteristics of social responsibility disclosure and items for the social responsibility disclosure of Islamic banks. This research was conducted based on the critical paradigm by using Habermas's Theory of Communication Action in understanding social reality. Habermas's Communication Theory of Action that is used extended with spirituality. This study also use Shari'ah Enterprise Theory to analyze and to produce the concept of social responsibility disclosure for Islamic banks. This research uses a qualitative approach in gathering and analyzing data. Analysis conducted on the annual reports of three Islamic banks in Indonesia, Bank Mega Syariah, Bank Syariah Mandiri and Bank Muamalat Indonesia. In addition the analysis was also conducted based on the results of interviews with stakeholders, including direct and indirect stakeholders. As a result of the analysis of the interests of stakeholders, the study found spiritual values. These values are shared, rahmatan lil alamin and maslaha. These values are used as a guide in developing items of social responsibility disclosure. Further a concept of social responsibility disclosure is derived based on the Shari'ah Enterprise Theory. This research ultimately propose a form of social responsibility disclosure for Islamic banks that show efforts to meet the vertical accountability to God, and horizontal accountability to the people and the environment, considering the material and spiritual needs of stakeholders and disclose information both qualitatively and quantitatively.

## **I. Introduction**

Recently there have been significant developments in the world of Islamic banking. Some results of research conducted among others by the Financial Insights & General Council on Islamic Banks (2008), The Asian Banker (2007), and General Council for Islamic Banks and Financial Institutions (2008) showed that the growth rate of Islamic banks reached more than 15 percent which makes it as the fastest-growing segments in some Islamic countries. In addition assets of Islamic banks worldwide exceeded U.S. \$ 580 billion, up 66 percent compared to the year 2007 amounted to U.S. \$ 350 billion. The number of banks has increased from 176 banks in 1997 to over 396 banks in 2008 that operates in over 75 countries worldwide.

In Indonesia, the same developments have also occurred. Until the year 2008 there are five Islamic banks, 27 Islamic business units of conventional banks with the number of offices reached 953 and 131 BPRS. In 2008 the Islamic banking industry has increased the volume of business so that at the end of 2008 reached Rp 49.55 trillion, with a share of total national banking assets amounted to 2.14% (Bank Indonesia, 2008).

Islamic banks or also known as the Islamic bank, a bank should carry out its activities based on Islamic principles. The main factor underlying the establishment of Islamic banks is the desire to run an economic system based on the values and principles of sharia. Usmani (2000) states that the underlying philosophy of Islamic banks are aiming to distribute justice that is free from all forms of exploitation.

Viewed from the physical size and the material in the form of total assets, profitability, number of branches as well as many conventional banks opening Islamic business units, the growth of Islamic banks are quite encouraging. Islamic bank resilience

to face the economic crisis a few years ago showed that this bank has shown its existence in the economic arena. However, the success of a company especially a company that claims to operate in accordance with Islamic principles, can not be seen simply by measuring the physical and material development course.

Haniffa and Hudaib (2004) states that one opportunity to demonstrate responsibility and commitment in meeting the needs of the Muslim community and society in general is through the disclosure of information that is relevant and reliable (reliable) in the annual report. Through the disclosure of social responsibility of Islamic banks can provide information on the extent to which he has fulfilled the function as a means to improve the welfare of the community.

Nevertheless, some existing research indicates that Islamic banks do not fully fulfill its social role as desired by the principles of sharia (Aggarwal and Yousef 2000; Usmani, 2000; Maali et al. 2003). For example: Islamic banks should be more emphasis on the financing of profit and loss sharing (musharaka), but in reality, very few Islamic banks are paying attention to this social aspect. In Indonesia, the financing structure is still dominated by murabahah, growth funds tend to murabahah constant in the range of 58.87% of total financing in the year 2008. While growth musharaka contract by using the concept of profit sharing only 19% (Bank Indonesia, 2008).

A study of 32 Islamic banks which do researchers from the International Institute of Islamic Thought in 1996 found that economic goals have been set aside social goals of these banks. This study also concluded that economic criteria has become a priority compared with social criteria in evaluating investment (Maali et al. 2003). Aggarwal and Yousef (2000) found that when Islamic banks are expected to help small entrepreneurs

who do not have access to credit to the conventional banking system, on the contrary they rely on market financing. This is something that contradiction with Islamic principles for the welfare of the community. Furthermore Aggarwal and Yousef (2000) concluded that economic factors play a role in shaping more structure than the Islamic banks and religion.

Associated with social responsibility reporting, analysis undertaken Maali et al. (2003) also stated that social responsibility reporting of Islamic banks do not meet the standards for the company which operates under Islamic principles. Findings of Maali et al (2003) shows that social issues are not issues that the main attention of most Islamic banks.

The findings of Haniffa and Hudaib (2004) regarding the disclosure practices of Islamic financial institutions show the lack of disclosure, clarity and consistency. Haniffa and Hudaib (2004) concludes that the practice of disclosure in these financial institutions are not sufficient to fulfill its obligations to God, society and the institution itself and to demonstrate accountability. Another study of Haniffa and Hudaib (2007) concerning the annual report of seven Islamic banks in the world shows that a large discrepancy between the information disclosed in annual reports with the values of Islamic business ethics. This discordance is related to the four dimensions, namely a commitment to the community, the disclosure of company mission and vision, contribution and management of zakat, charity and benevolence as well as information about loan management.

Has not fulfilled the social function of Islamic financial institutions through the disclosure of social responsibility which includes Islamic values may occur because in some aspects of Islamic financial institutions are still holding on conventional accounting

standards, including in terms of disclosure. Harahap (2003) revealed that despite Accounting, Auditing Organization for Islamic Financial Institution (AAOIFI) has been developed, but the accounting standards, including disclosure of social responsibility is still mostly based on conventional accounting concept that is filled with the values of capitalism and secularism (See also Hameed, 2000; Haniffa and Hudaib, 2001; Triyuwono, 2002; Harahap, 2003).

The issue of corporate social responsibility are not new issues in accounting. This issue began to emerge in the early 20th century where the company at that time criticized for alleged anti-social nature. While the disclosure of corporate social responsibility is a way for companies to communicate to stakeholders that the company pay attention to social and environmental impact caused by the company. There are two theories that are often used to explain the practice of disclosure of corporate social responsibility, namely the legitimacy theory and stakeholder theory. Disclosure of social responsibility in the view of both theories aim to gain legitimacy from the community to the survival of the company. Ultimately culminate in the interests of owners. Therefore not surprising that several studies have noted that companies, including Islamic financial institutions have a tendency to make a positive disclosure (Deegan and Rankin, 1996; Maali et al. 2003). In addition there are many more research findings such as: Tilt (2001), Belal (2001), Hall (2002), Donovan (2002), Rahaman et al. (2004) and Ann et al. (2008) showing that disclosure of social responsibility that is based on both theories are nothing more than an attempt to maintain the status quo in the community. Therefore, disclosure of social responsibility based on these two theories should not be used in an institution that was

founded with the philosophy that emphasizes the spiritual dimension and is based on Islamic values.

When we talk about Islamic financial institutions, then the issue of social responsibility becomes more interesting to be appointed. This is because the philosophy underlying the establishment of Islamic banking is to realize the welfare of society at large and to place public interest above individual interests. Islamic banking was established on the basis of different philosophies with the companies in general. It was founded as an effort to meet not only the material needs alone, but especially the spiritual needs of the community. To be able to meet that goal, then it should be if a practice based on theories that better fit with the philosophy of Islamic banking. In connection with the disclosure of social responsibility, is not appropriate if the practice is constituted by the capitalist theories such as legitimacy theory and stakeholder theory.

Enterprise theory is a concept that many proposed as an alternative to the entity theory in an economic system of Islam, especially Islamic accounting (Harahap, 1997; Triyuwono, 2000; Adnan, 2002). This is because this theory include social aspects and accountability. Enterprise theory according to Slamet (2001) in Triyuwono (2006) is the most fitting theory for shari'ah accounting because it contains the values of justice, truth, honesty, trust and accountability. But according to Slamet (2001) Enterprise Theory continues to be "worldly" and has no concept of tawhid. In order for this concept in accordance with shari'ah it is necessary internalized the values of unity. Shari'ah Enterprise Theory is an enterprise theory that has been internalized by the value of the Lordship. In the Shari'ah the Enterprise Theory the most important axiom is God as creator and sole owner of all existing resources in the world. Thus applicable in the

Shari'ah Enterprise Theory is the main mandate of God as the source. While the resources owned by the stakeholders is the mandate of God in them an inherent responsibility to use the means and the goals set by the Merchant of Amanah. In view of Shari'ah Enterprise Theory the distribution of wealth or value added not only applies to participants who are associated directly or participants that contributed to the company's operations, such as shareholders, creditors, employees and governments but also to other parties who are not related directly or not contribute either financial or expertise to the company. This thinking according to Triyuwono (2001) based on the premise that man is khalifatullah fil ard which carries a mission of creating and distributing wealth for all human beings and nature.

By seeing all the characteristics possessed by the Enterprise Theory of Shari'ah, it would be more appropriate if the Shari'ah Enterprise Theory used as a concept to describe the disclosure of corporate social responsibility, especially for Islamic financial institutions. Islamic banking is established with the goal to be an alternative to the capitalist economic system has a major role in increasing economic prosperity and social, material and spiritual for all stakeholders. Disclosure of social responsibility will provide information on how far the company has fulfilled its main role is. Based on what has been described above, then the focus of this research problem are:

- How is the concept and characteristics of social responsibility disclosures for Islamic banks based on Shari'ah Enterprise Theory?
- What are the information related to the social responsibilities that should be disclosed by the Islamic bank based on Shari'ah Enterprise Theory?

The main objective of this research is to develop a form of social responsibility disclosure that has the material and spiritual values.

### **Research Methodology**

This research was conducted based on the critical paradigm. This paradigm is considered more appropriate since, in accordance with the purpose of research that is not only trying to understand but also seeks to change social reality. The objective of research in this paradigm as it is said by Sarantakos (1993:37) is to explain and criticize social reality and empower human beings to conquer it. To understand the reality of disclosures of social responsibility framework of analysis is the theory communication action of Habermas Habermas's perspective of "lifeworld" will be used to understand that the disclosure of social responsibility is a social process that is not separated from the underlying theory (knowledge) and interest of the parties involved in the disclosure. But in this case the researchers did not use Habermas's perspective as it is. This is because, according to researcher, self-reflection process is not always based on the ratio but also from spiritual values. Based on the premise that self-reflection not only derived from the ratio but also of spiritual values, the researcher using Shari'ah Enterprise Theory as a theory that has been internalized by the spiritual values to derive the concept of social responsibility disclosure for Islamic bank.

### **Research Methods**

This study uses a qualitative approach in obtaining and analyzing data. If quantitative research generally has a large area, complex variations, but located on the surface. Thus

qualitative research is in a narrow space with a low level of variation but has an infinite depth discussion. Qualitative approach is a process of research and understanding based on a methodology to investigate human social phenomena and problems. In this approach, researchers create a complex picture, examine the words, reports detailed views of informants, and conduct studies on the natural situation (Creswell, 1998:15).

### **Theoretical Data Collection and Non-theoretical**

Theoretical data collection is done through a literature review to explore the concepts and theories about the CSR. Theoretical data in this case is the conceptual models and operational on the CSR has evolved over the like: The Corporate Report (1975), Cheng (1976), The Bilan Social (1979), Jackman (1992), Gray et al. (1996), GRI3 (2006), Corporate Citizenship (Carrol, 1991) as well as thoughts that have tried to discuss from the viewpoint of Islam such as Solomon (2002), Hameed et al. (2004), Maali et al. (2003) and Haniffa and Hudaib (2004). While non-theoretical data derived from annual reports, documents and reports related to the corporate social responsibility disclosure.

### **Empirical Data Collection**

Empirical data in this study are the data obtained from depth interviews with research informants. This activity was conducted in order to seek spiritual values that affect the interests of individuals. Although the results of interviews found rational elements associated with the influence of money and power but deeper exploration is still being done on the spiritual values which are values that have been marginalized in the social responsibility disclosure practices of Islamic bank. This study tried to see the character of

the informant as a whole based on the Shari'ah Enterprise Theory, namely direct and indirect stakeholders. Direct stakeholders are those who are involved and contribute directly to the company's activities, while indirect stakeholders are those who have no direct contribution to the bank, but according to sharia This party is entitled to receive welfare from the company.

### **Research Informant**

Informants in this study consisted of: 1) shariah bank commissioner, 2) the head of Islamic bank branches, 3) marketing manager of Islamic bank, 4) customers of Islamic bank, 5) Shariah Supervisory Board, 6), Directorate of Islamic Banking Bank Indonesia, 7) Council National Shariah, 8) Indonesian Institute of Accountants Standards Board 9) environmental activists and 10) ordinary people.

### **Technical Analysis**

Analysis is done by reading the disclosure in annual reports. The annual report which analyzed are the annual reports of Bank Syariah Mandiri, Bank Muamalat Indonesia and Bank Syariah Mega Indonesia. All three banks were selected for having a long operation and is not a sharia units or windows of conventional banks. With the assumption of an Islamic commercial banks, these banks have a different authority with conventional bank sharia unit whose status is not independent and still take shelter under the rules of conventional banking management.

Analysis was performed by using the Theory of Communication Action which has been extended, by seeing the role of spirituality and rationality in the annual

report. This is done by looking at the role of money, power and principle on disclosure practices. Through this analysis can be known how the role of steering media (money, power and principle) on the disclosure made by the bank. This is important so that researchers get an idea about the theme and what items have been disclosed by the Islamic bank associated with corporate social responsibility. In addition the analysis was also performed by using the concepts in the Shari'ah Enterprise Theory in order to find and identify the interests of anyone who has been considered by the Islamic bank. This is useful for determining the appropriateness of disclosures of social responsibility that has been done with existing concepts in the Shari'ah Enterprise Theory. These concepts include: vertical accountability to God; horizontal accountability to direct, indirect stakeholders and the environment, as well as the concept of balance.

## **Findings and Discussions**

### **Annual Report**

From the results of an analysis of annual reports of three Islamic banks, it was found that the process of self-reflection that occurs in individuals who engage in the practice of Islamic banking is basically derived from the spirituality and rationality. This can be seen from the disclosure of information by these banks. Number of disclosures relating to profit and power show that the process of self-reflection in this case is more influenced by rationality. The existence of the spiritual nuances of information that have shown that in addition to rationality, spirituality is a resource for individuals in running the bank's operations. However from the disclosure can be seen that the spiritual values that become the source of self-reflection has not been widely applied in corporate operations.

When accountability to God is understood as adherence to the ruling National Islamic Council as indicated by the Shari'ah Supervisory Board opinion, it can be said that all three banks already meet the accountability to God. However, as noted by Al Mograbi (1996) that Islamic banks have two important roles in the community: the role of religious and financial. In a religious perspective, Islamic banks are responsible for compliance with Islamic principles. Concerning the role of finance, Islamic banks control the funds that actually gives them the opportunity to conduct social activities for the welfare of society and environment. The two roles should be done in parallel. Accountability to God and to humans and the environment in this case, like two sides of a coin that can not be separated and should not be separated.

Accountability to stakeholders and the environment, which is the horizontal accountability of Islamic bank, more targeted to specific stakeholder groups, especially the owner. Instead of two groups of stakeholders who discussed by the Shari'ah Enterprise Theory, the direct stakeholders are groups that get more attention in the form of information related to efforts to meet the welfare of this group. This indicates the absence of balancing the fulfillment of the welfare of stakeholders as desired by Shari'ah Enterprise Theory. Efforts to meet the welfare of any direct stakeholders in this case did not show a balance because the information disclosed more to do with the interests of owners and regulators. While the disclosure of information related to efforts to meet the welfare of other groups of stakeholders such as direct customers and employees is very limited.

Disclosure of information relating to efforts to meet the welfare of the indirect stakeholders such as society and the natural environment is not widely applied. Besides that the information disclosed commonly only associated with the material information. Observing further the contents of disclosure, it can be concluded that most of the themes expressed in the annual report by the three banks associated with the Sharia Supervisory Board opinion, the value adopted by the company, human resources, attention to the Micro Small and Medium Enterprises, Good Corporate Governance and activities charity or philanthropy. Disclosures relating to the theme of environment very few and almost none, except at the Bank Syariah Mandiri. Disclosure of information relating to social responsibility activities did not reveal a clear source of funding and allocation in detail whether derived from zakat funds or qardhul hasan. Besides the disclosure of information about the charity and qardhul hasan also very limited. In fact, this information is actually showing actual application of the values adopted by banks such as rahmatan lil alamin, sharing and devotion to God.

### **Role of Money, Power and Principle**

In annual reports, information relating to the profit is the information always disclosed by the Islamic bank. The importance of money for the Islamic bank can also be seen from the statement following informants:

*"After all, the bank was essentially looking for-profit institutions ..."*  
(Head of Islamic Banking Branch)

*"The focus of the current Islamic bank is to socialize the effort to increase market share .."* (Directorate of Islamic Banking, Bank Indonesia)

The same is confirmed by the manager of one Islamic bank, which states:

*"Basically, the purpose of Islamic banks or conventional bank is looking for a profit, if not to profit how we can survive ... just to make money in a way that permitted by the religion, leaving the usury ..."( Islamic bank manager).*

In addition to "money" Habermas said that "power" is something else that may affect the "interest". Role of "power" can be seen very clearly in the annual report of the company through the disclosure of information relating to good corporate governance (GCG). The role of power from Bank Indonesia, Indonesian Institute of Accountants (IAI) and the National Shariah Board of Islamic banking activities in Indonesia expressed by some informants the following:

"BI has its own regulations related to the characteristics of Islamic banks, among others: the way the assets quality Islamic bank, Islamic bank operational procedures both in terms of fund raising, operational funds and Islamic banking services in relation to compliance with shariah principles, guidelines for the listing of Islamic bank, reporting for Islamic banks "(Directorate of Islamic Banking, BI).

" In connection with the Sharia Supervisory Board Opinion there is provision of BI, which requires reports every six months to the BI about the sharia compliance" (Member of the National Islamic Council).

"... in our everyday operations we are subject to the rules issued by the Directorate of Islamic Banking BI and fatwas issued by the National Islamic Council. So the same as conventional bank there are rules to follow, even in the Islamic bank is more stringent with the Fatwa DSN, not only must follow the rules of the BI, the transaction must also consider the suitability of a fatwa " (Islamic bank branch head) .

In addition to the informant's statements above, the influence of power of interest can also be viewed from any disclosure of information in the annual report which states that banks have been practicing good corporate governance and the existence of the Sharia Supervisory Board Opinion Report. The principle as stated by Agustian (2005) is something that can affect the "interest". The principle in this case is a natural consciousness to cling to the eternal Creator, which makes man aware of relationship

with the Creator and its function as' Abduh "," khalifatullah fil ard "and realize their responsibilities in the noble task" rahmatan lil alamin "in seeking" mardhatillah " .

From the analysis also found several principles (spiritual values), which was used as reference by the informant. This shows the relationship between individuals and their Creator. These values include: sharing, rahmatan lil alamin and maslaha. These principles are the values that have been marginalized in corporate social responsibility disclosure activities. Use of these values are mostly still at the level of normative and not show the true meaning. These values still need to be translated further to be used as guidelines for disclosure of social responsibility activities of Islamic bank.

#### **Translating: Sharing, Rahmatan lil alamin and maslaha**

In this section the researcher to translate the values found in the previous stage into practice and disclosure items for the social responsibility of Islamic bank. The process of self-reflection is an important thing that is used in this stage, by looking at the theory and explore further the relationship between the values that have been found with the teachings of Islam. Order to get the themes and items should be disclosed by the Islamic bank associated with the principle adopted. Application of the principle of sharing and rahmatan lil alamin can be seen in table 3.1 and table 3.2 (Annex 1 and 2).

Maslaha as described in the previous chapter have the meanings as the interests of many people. Giving priority to the interests of many people over the interests of certain groups are highly recommended in Islam. In this case the considerations in determining whether an activity will be done or not is a benefit and the damage. If an activity brings benefits to many people than the damage then it is recommended to be done and if an

activity is causing damage to many people it should not be made. In this case the level of maslaha proposed by AlShatibi help provide clear guidelines about what and whose interests should take precedence so that injustice does not arise. Some writers like Kamali (1989a, 1989b, 1999); Chapra (2000a); Nyazee (2000); Mumisa (2002), Sardar (2003) and Hallaq (2004) considered that the classification of maslaha by AlShatibi related and have strong links with Islamic objectives to ensure that community interests are protected in the best manner.

By using maslaha principles in practices of social responsibility disclosure for Islamic bank this means that the hajiyyat and daruriyyat level should get more attention than tahsiniyyat level. This means that banks are required to disclose what he had done related to the fulfillment of social responsibility at the daruriyyat and hajiyyat level before disclosing what has been done at the tahsiniyyat level. An example is the disclosure of bank policies regarding the financing of companies that have the potential or damage the environment more important than disclosure of activities of banks to contribute to environmental NGOs.

### **Developing Basic Concepts of CSRD based on Shari'ah Enterprise Theory**

Based on the Enterprise Theory of Shari'ah, the characteristics of social responsibility disclosure reports (CSRD) for the Islamic bank is as follows:

1. Disclosure of social responsibility is a form of human accountability to God and is intended to gain legitimacy from God as the ultimate goal.
2. Disclosure of social responsibility must have a purpose as a means of providing information to all stakeholders (direct, indirect and natural) in relation to how far the

institution has complied with obligations towards all stakeholders. This is as part of an effort to comply with accountability for human.

3. The existence of social responsibility disclosures is mandatory, viewed from the Islamic bank functions as an instrument to realize the goals of sharia. CSRD report will be a report that will complement the interests of all stakeholders who have been neglected in the modern accounting system.

4. Social responsibility disclosure should include material and spiritual dimensions associated with the interests of all stakeholders. Consideration of public interest (maslaha) will be the basis of disclosure.

5. Disclosure of social responsibility should contain both qualitative and quantitative information.

Of the five basic concepts, it can be said that the first and third characteristic relates to the purpose and nature of the existence of disclosures of social responsibility. While the second and fourth characteristic is a guidance to produce disclosure themes and items, while the fifth characteristic relates to the priority guidelines for disclosure. The difference between the theoretical concept based on Shari'ah Enterprise Theory and concepts based on stakeholder theory and legitimacy can be seen in table 3.3 (Appendix 3).

Next table 3.4 (appendix 4) shows the items of social responsibility disclosures in order to meet the vertical accountability to God and the horizontal accountability of direct stakeholders as desired in the Shari'ah Enterprise Theory. While table 3.5 (Appendix 3) shows the items of social responsibility disclosures to meet the horizontal accountability to indirect accountability to indirect stakeholders and the nature.

## **5. Research Contribution**

1. This study uses the paradigm of non-mainstream and critical theory approach which aims to make the extension of the theory and concepts of social responsibility disclosures. In terms of methodology, this study provides an alternative methodology that is an extension of Habermas's theory of communication action.
2. In addition, this study also produced a concept of social responsibility disclosures, as well as information that must be disclosed by the Islamic bank which is derived from the Shari'ah Enterprise Theory.
3. The results of this research may provide enlightenment to practitioners of Islamic banking to be able to create a balance of information to improve the welfare of all stakeholders.
4. Items that were proposed in this study can serve as a guide for Bank Indonesia to set up the rules on disclosure of social responsibility for the Islamic bank.

## **Research Limitations**

In analyzing the contents of the annual reports of Islamic bank in order to uncover the motivation behind the information disclosed, researchers conducted their own. Researcher subjectivity in this case greatly affect the result of reading the annual reports. However, because this study used a qualitative approach that allows subjectivity so this limitation is not so substantial. This study has identified three principles which indicate the form of human bondage with his Maker. These three principles are translated into items of social responsibility disclosures. This finding is probably still very modest compared with many names of God, which should be translated into human life.

### **Agenda for Further Research**

If in this study researchers used the Enterprise Theory of Shari'ah as the basis for trying to eliminate the use of legitimacy theory and stakeholder theory in financial institutions on behalf of Islam, then subsequent research can use other theories to reject or support this finding. Other studies can also be done by attempting to expand the scope of research by entering the values of local wisdom that may affect the views of stakeholders on corporate social responsibility. Or if what is proposed in this study is limited to the Islamic bank, perhaps the next study attempted to bring a concept that has been established in this study to a broader level as in conventional banks, or even all types of companies, because Islam is rahmatan lil alamin... isn't it?

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## Appendix 1.

**Table 3.1. Sharing Principle Application in CSR's Disclosure**

Principle	Description	Practice	Disclosure
Fair Sharing	<ul style="list-style-type: none"> <li>- Not supporting the interests of certain stakeholder groups.</li> <li>- Giving balanced attention for the interests of all stakeholders</li> <li>- Sharing goodness in the form of <i>amar ma'ruf nahi munkar</i>.</li> </ul>	<ul style="list-style-type: none"> <li>- Giving priority to financing that based on PLS</li> <li>- Running efforts to improve financing that based on PLS</li> <li>- Giving zakat, infaq and sadaqah to the poor people</li> <li>- Monitoring and evaluating the benefits of ZIS fund</li> <li>- Running non-discrimination policies on employees in terms of wages, trainings, and career developing opportunities</li> <li>- Reducing the practice of outsourcing</li> </ul>	<ul style="list-style-type: none"> <li>- Disclosing the amount of financing that based on PLS's scheme</li> <li>- Disclosing the percentage of PLS's financing compared to other schemes</li> <li>- Disclosing the efforts taken to improve PLS</li> <li>- Disclosing audited ZIS's report</li> <li>- Disclosing the overall results of ZIS's evaluation and benefits</li> <li>- Report of Zakat fund and <i>qardhul hasan</i>.</li> <li>- Audited report of zakat and <i>qardhul hasan</i></li> </ul>
		<ul style="list-style-type: none"> <li>- Not providing financing to the company indicated to the practice of discrimination on employees and violate human rights</li> <li>- Make a donation to the institutions that benefit society</li> </ul>	<ul style="list-style-type: none"> <li>- Explanation of the sources and uses of zakat funds</li> <li>- Explanation of the sources and uses of <i>qardhul hasan</i> funds</li> <li>- Explaining <i>qardhul hasan</i> grantees</li> <li>- Disclosing non-discrimination policies applied on employees in terms of wages, trainings, and career developing opportunities.</li> <li>- Wages and remuneration policy</li> <li>- Providing trainings and education to employees</li> <li>- Employees' number data based on gender, occupation,</li> </ul>

			<p>and education; including contract workers</p> <ul style="list-style-type: none"> <li>- Number of trainings and education provided to employees</li> <li>- Awards for employees</li> <li>- Disclosing bank's policies in term of outsourcing</li> <li>- Disclosing if there are any discrimination issues that will be used as consideration of providing financing.</li> <li>- Disclosing donations given to activities/institutions that provide many benefits to society.</li> </ul>
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## Appendix 2.

**Table 3.2. *Rahmatan lil Alamin* Application in CSR's Disclosure**

Principle	Description	Practice	Disclosure
<i>Rahmatan lil alamin</i>	- Giving grace, benefit to all stakeholders, especially to those that had been marginalized in the modern banking system so far	<ul style="list-style-type: none"> <li>- Professional DPS</li> <li>- Encouraging the development of UMKM by financing channel</li> <li>- Launching the energy saving policies in internal environment</li> <li>- Supporting efforts to conserve the environment in the forms of contribution/donations</li> <li>- Not financing</li> </ul>	<ul style="list-style-type: none"> <li>-DPS's opinion</li> <li>-Disclosing the fatwa and operational aspect that were obeyed and not obeyed along with reasons</li> <li>-DPS's member qualification and experience</li> <li>-Activities undertaken by DPS's member</li> <li>-Remuneration of DPS's member</li> <li>-Whether the</li> </ul>

		<p>companies indicated to the destruction of environment</p>	<p>transactions/source of income/expenses that do not fit syariah are present or not.</p> <ul style="list-style-type: none"> <li>-Number of transactions that do not fit syariah.</li> <li>-Reasons for the existence of such transactions.</li> <li>-Product information and underlying syariah concept.</li> <li>-Disclosing efforts done to encourage the development of UMKM</li> <li>-Disclosing the portion of UMKM's financing</li> <li>-Disclosing efforts done to support energy saving and global warming effect's reducing in the internal environment</li> <li>-Disclosing the amount of contribution for environmental conservation efforts.</li> </ul>
<p><i>Rahmatan lil alamin</i></p>	<ul style="list-style-type: none"> <li>- Giving grace, benefit to all stakeholders, especially to those that had been marginalized in the modern banking system so far</li> </ul>	<ul style="list-style-type: none"> <li>- Professional DPS</li> <li>- Encouraging the development of UMKM by financing channel</li> <li>- Launching the energy saving policies in internal environment</li> <li>- Supporting efforts to conserve the environment in the forms of contribution/donations</li> <li>- Not financing companies indicated to the destruction of environment</li> </ul>	<ul style="list-style-type: none"> <li>-Disclosing policies taken relating to the financing of the company that is potential and indicated on environmental damaging</li> <li>-Bank's internal policy that supports the energy saving and conservation program.</li> <li>-Contribution to organizations that provide benefits to environmental conservation</li> <li>-Direct contribution to the environment (tree planting, etc)</li> </ul>

### Appendix 3.

**Table 3.3. CSRD's Theoretical Concept Differences**

Concept	Based on <i>Shari'ah</i> Enterprise Theory	Based on Legitimacy Theory and Stakeholders
Purpose	God's legitimacy	The most important stakeholders' legitimacy
Property	Normative mandatory	Voluntary
Stakeholders	Nature's Direct stakeholders Indirect stakeholders	Human Nature
CSRD's priority	Benefits Daruriyyat Hajiyyat Tahsinyyat	Profit and Power Economy Legal Ethic Philanthropy
Information	Material spiritual Qualitative Quantitative	Material Qualitative Quantitative

#### Appendix 4.

Table 3.4. Social Responsibility Disclosure's Items  
(Accountability to God and Direct Stakeholders)

Dimensi	Disclosing Item	Value	Priority	Type
Vertical Accountability				
God	1. Shari'ah Supervisory Board's opinion* 2. Disclosing fatwa and operational aspect those are obeyed and not obeyed, along with reasons	<i>Rahmatan lil alamin</i> <i>Rahmatan lil alamin</i>	D D	Qualitative Qualitative
Horizontal Accountability: Direct Stakeholders				
Customer	1. Qualification and experience of DPS's* member	<i>Rahmatan lil alamin</i>	D	Qualitative
	2. Activities done by DPS's member*		D	
	3. Remuneration for DPS's member*	<i>Rahmatan lil alamin</i>	D	Qualitative
	4. Whether the transactions/source of income/expenses that do not fit syariah are present or not.	<i>Rahmatan lil alamin</i>	D	Quantitative
	5. Number of transactions that do not fit syariah.	<i>Rahmatan lil alamin</i>	D H	Qualitative
	6. Reasons for the existence of such transactions.		H	
	7. Product information and underlying syariah concept*	<i>Rahmatan lil alamin</i>	D	Quantitative
	8. Reports of zakat funds and <i>qardhul hasan</i> *	<i>Rahmatan lil alamin</i>	D D	Qualitative
	9. Audit of zakah and <i>qardhul hasan</i> reports*	<i>Rahmatan lil alamin</i>		Qualitative
	10. Explanation of source and uses of zakat funds*	<i>Rahmatan lil alamin</i> Sharing Sharing		Quantitative Qualitative Qualitative
Horizontal Accountability: Direct Stakeholders				
Customer	11. Explanation of the sources and uses of <i>qardhul hasan</i> funds*.	Sharing	H	Qualitative
	12. Explaining <i>qardhul hasan</i> grantees	Sharing	H	
	13. Policy/effort to reduce non-syariah transaction in the future	Sharing	D	Qualitative
	14. Total financing with PLS's scheme	Sharing	D	Qualitative

	15. PLS's financing percentage compared to other financings	Sharing	H	e
	16. Policy/effort to enlarge the portion of PLS on the future.	Sharing	D	Quantitative
	17. Reason of the total (no.14)	Sharing	H	Quantitative  Qualitative  Qualitative
Employee	1. Wages and remuneration policies*	Sharing	D	Quantitative
	2. Disclosing non-discrimination policy applied on employees in the terms of wages, trainings, and career developing opportunities	Sharing	D	Qualitative
	3. Providing training and education to employees*	Sharing	D	
	4. Employees number's data based on gender, occupation and education, including contract workers*	Sharing	H	Quantitative
	5. Number of trainings and education given to employees*	Sharing	H	Quantitative
	6. Awards for employees*	Sharing	T	
	7. Whether there is any training related to spiritual quality improvement for employees	Sharing	D	Quantitative
	8. Efforts to improve spiritual quality of employees' family.	Sharing	H	Qualitative
	9. Availability of health services and counseling for employees and their families	Sharing	T	Qualitative/ Quantitative
	10. Other facilities provided to employees and their families such as scholarships or special financing*			Quantitative  Qualitative  Quantitative

**Appendix 5.**

Table 3.5. Social Responsibility Disclosure's Items  
(Accountability to Indirect Stakeholders and Nature)

Dimensi on	Disclosing Item	Value	Priorit y	Type
<b>Horizontal Accountability: Indirect Stakeholders</b>				
Communi ty	1. Initiatives undertaken to improve public access to the financial services of Islamic banks	<i>Rahmatan lil alamin</i>	D	Qualitativ e
	2. Whether there is financing policy that considers discrimination issues and human rights (Eg: not finance companies or businesses that employ minors)	<i>Rahmatan lil alamin</i>	D	Qualitativ e
	3. Whether there is financing policy that considers the interests of public (Eg: no poor people's displacing, no fooling, marginalization)	<i>Rahmatan lil alamin</i>	D	Qualitativ e
	4. Efforts done to encourage UMKM's development*	<i>Rahmatan lil alamin</i>	D	Qualitativ e
	5. Total loans to UMKM*	<i>Rahmatan lil alamin</i>	H	Qualitativ e
	6. Financing's number and percentage provided to UMKM groups compared to financing of corporate and syndication.	<i>Rahmatan lil alamin</i>	D	Quantitati ve
	7. Contribution to improve the quality of public's life in the field of religion, education, and health*.	<i>Rahmatan lil alamin</i>	T	Quantitati ve
	8. Total contributions are given and the source	<i>Rahmatan lil alamin</i>	T	Quantitati ve
	9. Donations/charity to help community groups that receive disaster*	<i>Rahmatan lil alamin</i> <i>Rahmatan lil alamin</i>	T	Quantitati ve
<b>Horizontal Accountability: Nature</b>				
Nature	1. Financing policy that considers environmental issues such as energy saving, forest destruction, water and air pollution.	<i>Rahmatan lil alamin</i>	D	Qualitativ e
	2. Disclose if there is financing given to businesses that may damage environment such as farming, forestry and mining	<i>Rahmatan lil alamin</i>	D	Qualitativ e
	3. Total financing to businesses that may	<i>Rahmatan lil</i>	H	Quantitati

	damage environment such as farming, forestry and mining	<i>alamin</i>	H	ve
	4. The reasons for undertaking such financing	<i>Rahmatan lil alamin</i>	H	Qualitative
	5. Increasing environmental awareness in employees with training, lectures or similar program	<i>Rahmatan lil alamin</i>	T	Qualitative
	6. Bank's internal policy that support energy saving and conservation program*	<i>Rahmatan lil alamin</i>	T	
	7. Contribution to organizations that provide benefits to the preservation of environment*	<i>Rahmatan lil alamin</i>	D/H/T	Qualitative/ Quantitative
	8. Direct contribution for environment (tree planting, etc)*	<i>Rahmatan lil alamin</i>		Qualitative/ Quantitative
	9. Addition to policies above undertaken by the Islamic bank.	<i>Rahmatan lil alamin</i>		Qualitative/ Qualitative/ Quantitative

Table Information:

D = *Daruriyyat* (Very Important) , H = *Hajiyat* (Complement)

T = *Tahsiniyyat* (Addition)

\* *item* that has been discussed by researchers before