

## CSR DISCLOSURE EVIDENCE IN INDONESIA: SHARIA AND NON SHARIA BANK

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### ABSTRACT

*This study is aimed to analyze and empirically test the Corporate Social Responsibility Disclosure (CSR) between Sharia and non Sharia Banks. CSR data is collected from the company related to social activities that include the following themes: environment, energy, health and occupational safety, other labor, products, community involvement, and general information. All items of CSR were measured using content analysis with the check list of the items of CSR in the annual report of each Sharia Bank (Mandiri Sharia Bank, BNI Sharia, and BRI Sharia) and Non Sharia Bank (Mandiri Bank, BNI, BRI). Mann-Whitney test was applied to compare the CSR of the two different type of banks. The results showed that, in general, there is no difference between the two type of banks. However, non sharia banks tend to disclose more environmental, energy and general information than sharia banks. This might have been due to the fact that Banks in Indonesia adopt the dual banking system that allow the non-sharia banks have Sharia Business Units/sharia banking units. It is mean that all activities of the sharia banking still depends on the policy of the corresponding conventional banking. While, Sharia Banks tend to disclose more information related to non-riba, gharar, zakat, saddaqa, waqf, and qard Hasan activities. In order to the form of social activities Sharia bank, for example: distribution to a number of corporate zakat, provision of social assistance to the community/population/people who are less able, aid to education, aid to disaster victims, and the last one is providing medical assistance.*

*Keywords: Corporate Social Responsibility Disclosure (CSR), annual report, Sharia Banks, Non Sharia Banks, Mann-Whitney test*

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### INTRODUCTION.

Corporate Social Responsibility Disclosure (CSR) is a mandatory information which must be disclosed in the annual report of company or presented separately in the sustainability report (Sulaiman and Willet, 2003). The importance of CSR is associated with improved financial performance, enhanced brand image and increased attractiveness of the company as the best workplace, which ultimately will affect the market value of the company (Wahjuni et al, 2012). Based on the standard of the World Bank, there are several major components in CSR which include: (1) environmental protection, (2) job security, (3) Human Rights, (4) interaction and company involvement with community, (5) business standards, (6) market, (7) development of economic and business entities, (8) health care, (9) leadership and education, and (10) humanitarian disaster relief efforts. For a company, CSR can be seen as a positive thing because it can build positive image of the company, so the ten components must be pursued to fulfill.

Many countries are supporting this CSR, for example, the Malaysian government provides financial incentives for public-listed companies (PLCs) that report their social responsibility (Wahjuni et al, 2012 and Dusuki et al., 2005). In Australia, the issue of human rights and globalization are two reasons why companies undertake social responsibility reporting (Ahzar and Trisnawati, 2013). Meanwhile, the European countries treat CSR as a priority informasi in order to achieve one of its strategic objectives, which are listed in the Lisbon Strategy the spring of 2000, ie become knowledge-based economy the most competitive and dynamic in the world, can maintain sustainable economic growth, can provide more jobs and more feasible, and maintain better social cohesion (Cosmin and Eugenia, 2009 in Ahzar and Trisnawati, 2013). Similarly, in Italy, CSR is used as a strategic management for banks which multi-stakeholder orientation and to create a value for related parties and company transactions carefully (Zappi, 2007 in Ahzar and Trisnawati, 2013). In addition, Nigeria needs CSR because of changing in consumer behavior as a result of globalization and the deregulation of financial services, privatization by national banks predecessor, development of information technology, and other (Achua 2008 in Ahzar and Trisnawati, 2013).

In contrast, according to Fitria and Hartanti (2010), in Indonesia, banking CSR purpose is just to meet the information needs of financial statements users regarding the extent to which the company has been carrying out social activities so that the right of people to live safely and peacefully, employee welfare, and safety of foods can be met. Banking companies implement CSR because of the accountability paradigm shift, from management to shareholders into management to all stakeholders and maintain the company's image in the eyes of society (Anto and Astuti 2008, and Irfan, 2009).

Surveys conducted by the Bahrain Monetary Agency in 2004 showed that the number of Sharia banking institutions increased significantly, from 176 in 1997 to 267 in 2004 operating in 60 countries in the world with a growth rate of 15% per year (Zahr and Hassan, 2001 in Fitria and Hartanti, 2010). In addition, in Indonesia, Sharia banking recorded significant growth, with a growth rate of 2.2% (Bank Indonesia, 2008). In 2010, the assets of sharia banking have reached 79 billions rupiah. This figure

showed that assets has increased about 39 percent compared to the previous year. Institutionally, Sharia banking has also increased. The number of Sharia banks in 2010 has became 10, it means 4 newly established compared to 2009. In addition, institutionally, Sharia banks has grown. This is indicated by the increase in the number of Sharia banking offices reaching to 400 banks (Bank Indonesia, 2010).

Based on Bank Indonesia Regulation number 8/3/PBI/2006, the banking system allow *Channeling Office* system. The system provides an opportunity for the non-sharia banks having sharia Banking Window/unit (UUS) to provide sharia transactions without the need to establish a new sharia banks. In terms of CSRD, sharia banking has different and similiar characteristics compared with the non-sharia ones. Table 1 summarizes characteristics of CSRD of banking in Indonesia.

**Table 1: CSR Banking in Indonesia**

No	CRS Items	Non Sharia Bank	Sharia Bank
1	Environment	√	√
2	Energy	√	√
3	Labor Health and Safety	√	√
4	Other labor	√	√
5	Product	√	√
6	Community Involvement	√	√
7	General Information	√	√
8	Investment and Finance (riba activity, gharar, zakat, and policies in dealing with late payments by insolvent clients)	-	√
9	Haram transactions	-	√
10	Social scope (shadaqah activity, waqf, qard Hassan)	-	√

Source: collected and analyzed by author from annual reports issued by companies in 2014.

By the increasing number of sharia banks in Indonesia, the research question in this study is : is whether is there a difference between the CSRD of the sharia banks and non-sharia. Thus the purpose of this study is to test and analyze the CSRD between the two types of banking.

#### LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT.

Dusuki and Dar (2005) shows that the CSRD increase an efforts to create competitive advantages. Douglas, et al (2004) in Ahzar and Trisnawati, (2013) argues that the quality and quantity of social responsibility information of Irish banks disclose more social responsibility on their web sites than in their annual reports. Branco and Rodrigues (2006) showed that Portuguese banks have a greater concern to disclose their social responsibility information in their annual report than in the web sites

Anto and Astuti (2008) emphasizes on CSR development framework which is associated with stakeholders, and analyzed the benefits of the company's relationship to stakeholders. The research results in a modular approach to CSR and the need for an integrated CSR bank "fundamental strategic oriented", to drive CSR into the heart of business theory and practice. Achua (2008) Ahzar and Trisnawati (2013) finds that the selfishness, lack of policy made,unfavourable macroeconomic environment, and corruption in the economic system became major obstacles to the implementation of CSR in Nigerian banking system.

Irfan (2009) said that CSR initiatives have a small effect but significant on a trademark selection. Khan (2010) in Ahzar and Trisnawati (2013) showed eventhough voluntary, CSR reporting by the PCB in Bangladesh tends to be low, but variations of the items reported was very impressive. In addition, management strategies and requirements for industry stability during the reform became motivation for the implementation of CSRD for banking companies. Dusuki and Dar (2005); Othman, Thani and Ghani (2009), and Wahjuni, et al (2012) stated that the majority of the company's CSR reporting practices of sharia companies listed on the Malaysian stock exchange is still in the conceptual stage. This is due to the lack standards to adopt in the implementation of CSR sharia companies.

Prasad (2008) and Nur (2009) concluded that the non-sharia banks reveals more CSR information than sharia banks. However, Maali and Napier (2003) stated that Sharia banks have more spiritual dimension, that is, not only concern with businesses that require a non-usury (non-riba), but also capable of improving the public welfare, especially for low-income segments of society. This is confirmed by the Indonesian Institute of Accountants (IAI) in the Statement of Financial Accounting Standards (SFAS) No.1 (revised in 2010) in paragraph nine that implicitly suggested t CSRD for environmental and social problems.

Based on the above discussion, the following hypothesis is proposed.

H<sub>0</sub>: There is no difference in corporate social responsibility disclosure (CSRD) between Sharia and non-Sharia banks.

## RESEARCH METHOD

### RESEARCH SAMPLE.

The sample was 3 state-owned non-sharia and their corresponding sharia banks i.e.: Bank Mandiri and Bank Mandiri Sharia; BNI and BNI Sharia; BRI and BRI Sharia.

### OPERATIONAL DEFINITION AND MEASUREMENT OF VARIABLES

Table 2

No.	Variable	Definition	Measurement
1.	CSR	The data disclosed by companies related to social activities (Hackston and Milne, 1999)	The number of items disclosed by corporate / expected number of items.

### DATA ANALYSIS TECHNIQUES.

CSR disclosure of Sharia and non Sharia are measured by indicators of content analysis and check list on social disclosure items, that is: the environment, energy, labor health and safety, other labor, products, community involvement and general information . The data is analyzed using Mann-Whitney.

### RESULTS.

The Results can be seen in Table 3; 4; 5 and 6. CSR disclosure index measured by total of each item in CSR divided by expected items.

Table 3: CSR Disclosure between *Non-Sharia* and *Sharia* Banks, 2012

Non Sharia	Env.	Energy	L.H.S	O.E	Prod.	C.I	General	Total
Mandiri	6.0	3.0	1.0	15.0	6.0	9.0	1.0	41.0
BNI	4.0	1.0	1.0	20.0	6.0	8.0	1.0	41.0
BRI	6.0	4.0	7.0	18.0	6.0	8.0	1.0	50.0
Average	5.3	2.7	3.0	17.7	6.0	8.3	1.0	44.0
<b>Sharia</b>								
Mandiri Sharia	3.0	0.0	6.0	15.0	7.0	8.0	2.0	41.0
BNI Sharia	3.0	0.0	0.0	16.0	4.0	8.0	3.0	34.0
BRI Sharia	3.0	0.0	0.0	7.0	5.0	6.0	3.0	24.0
Average	3.0	0.0	2.0	12.7	5.3	7.3	2.7	33.0

Source: were collected and calculated by the author from the annual reports issued by the banks

Table 4: CSRD Index between *Non-Sharia* and *Sharia* Banks, 2012

Non Sharia	Env. (7)	Energy (3)	L.H.S (8)	O.E. (28)	Prod. (6)	C.I (9)	General (2)	Total (63)
Mandiri	0.86	1.00	0.13	0.54	1.00	1.00	0.50	5.02
BNI	0.57	0.33	0.13	0.71	1.00	0.89	0.50	4.13
BRI	0.86	1.33	0.88	0.64	1.00	0.89	0.50	6.10
Average	0.76	0.89	0.38	0.63	1.00	0.93	0.50	5.08
<b>Sharia</b>								
BSM Sharia	0.4	0.0	0.6	0.5	1.0	0.8	1.0	4.4
BNI Sharia	0.4	0.0	0.0	0.6	0.9	0.9	1.0	3.7
BRI Sharia	0.4	0.0	0.0	0.2	0.6	0.6	1.0	2.8
Average	0.4	0.0	0.2	0.4	0.8	0.8	1.0	3.6

Source : Data Processed, 2014

**Table 5: Mann-Whitney Test**

Test Statistics <sup>b</sup>	
	TI
Mann-Whitney U	1.000
Wilcoxon W	7.000
Z	-1.528
Asymp. Sig. (2-tailed)	.127
Exact Sig. [2*(1-tailed Sig.)]	.200 <sup>a</sup>

a. Not corrected for ties.

b. Grouping Variable: Kelompok

**Tabel 6: Mann-Whitney Test - Item of CSRD**

	Test Statistics <sup>b</sup>						
	Env.	Energy	L.H.S	O.E.	Prod.	C.I.	General
Mann-Whitney U	.000	.000	2.000	4.000	1.500	2.000	.000
Wilcoxon W	6.000	6.000	8.000	10.000	7.500	8.000	6.000
Z	-2.023	-2.087	-1.124	-.218	-1.549	-1.107	-2.236
Asymp. Sig. (2-tailed)	.043	.037	.261	.827	.121	.268	.025
Exact Sig. [2*(1-tailed Sig.)]	.100 <sup>a</sup>	.100 <sup>a</sup>	.400 <sup>a</sup>	1.000 <sup>a</sup>	.200 <sup>a</sup>	.400 <sup>a</sup>	.100 <sup>a</sup>

a. Not corrected for ties.

b. Grouping Variable: Group

## DISCUSSION.

Generally, CSRD of non-sharia banks is not significantly different from the sharia ones. However, when it is viewed from an individual item, it can be seen that environment, energy and general information of the conventional banks was shown to be higher than sharia banking. This might have been due to the fact that banks in Indonesia adopt the dual banking system that allow the non-sharia banks have Sharia Business Units/ sharia banking units. It is mean that all activities of the sharia banking still depends on the policy of the corresponding conventional banking. In addition, the main income sources of Sharia CSR came from the charity fund (qardhul hasan) which derived from non-kosher and can also come from fines for late return of the obligations by the customers, it should not be categorized in the operating income of the bank. The loans virtue is granted to the poor and aimed to encourage their bussiness for their survival. In addition, social fund collected by the three banks were obtained from corporate zakat, employee zakat, as well as customers bank donation.

## CONCLUSION.

There was no significat difference in CSR disclosure between sharia banks and non-sharia banks. This study has a limitation, that is there is no CSRD standard on the sharia bank. Sharia banks should be able to make corrective of measurement in the CSR disclosure. Last but not least, the study period needs to be extended so that CSRD is getting better.

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