



**Article Type:** Research Paper

# The Effect of Corporate Social Responsibility Disclosure on the Performance of Islamic Banks in Indonesia

Rahmiatul Aula\*, Sumiyati, and Muhamad Umar Mai



## AFFILIATION:

Master in Applied Islamic Finance and Banking, Politeknik Negeri Bandung, West Java, Indonesia

## \*CORRESPONDENCE:

Rahmiatul.aula.kps19@polban.ac.id

## THIS ARTICLE IS AVAILABLE IN:

<http://journal.umy.ac.id/index.php/mb>

DOI: [10.18196/mb.v13i1.12832](https://doi.org/10.18196/mb.v13i1.12832)

## CITATION:

Aula, R., Sumiyati, S., & Mai, M. U. (2022). The Effect of Corporate Social Responsibility Disclosure on the Performance of Islamic Banks in Indonesia. *Jurnal Manajemen Bisnis*, 13(1), 93-107.

## ARTICLE HISTORY

### Received:

29 Sep 2021

### Revised:

19 Feb 2022

### Accepted:

16 Mar 2022



This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International (CC BY-SA 4.0)

## Abstract

**Research aims:** This study intends to inspect the effect of Corporate Social Responsibility Disclosure (CSR) on performance. CSR was divided into CSR-All, CSR-Economic, CSR-Environment, and CSR-Social variables. Performance was proxied by the variables ROA and ROE.

**Design/Methodology/Approach:** The research model was built in path analysis and processed using the Wrap-PLS application.

**Research findings:** The analysis results indicated that CSR tended to be strongly associated with higher bank performance. It was indicated by a significant positive effect of CSR-All on ROA and ROE. In addition, it was indicated by the significant positive effect of CSR-Economic and CSR-Environment on ROA. This study's results contribute to financial literature, particularly the causal relationship between CSR and Indonesian Sharia Commercial Banks' performance.

**Theoretical contribution/ Originality:** The study results provide insight and input for the management of Islamic Commercial Banks concerning CSR activities and performance.

**Practitioner/Policy implication:** The results of this study are supposed to be useful as directions for stakeholders in deciding their investment in Indonesian Sharia Commercial Bank shares.

**Research limitation/Implication:** This research only used CSR, ROA, and ROE.

**Keywords:** CSR; Performance; ROA; ROE

## Introduction

Indonesia is a country that has the largest number of Muslim populations in the world, which is approximately estimated about 229 million Muslims, accounting for 87.2% of Indonesia's 263 million population and about 13% of the world's Muslim population (IBTimes.ID, 2020).

According to the demographic data, without violating Islamic laws and regulations, there is an excellent opportunity to develop Islamic banking to realize and assist people's welfare. Islamic finance is currently one of the fastest expanding industries in the last decade. According to estimates, its value in 2017 was US \$ 2.4 trillion, which is expected to increase by 6% in 2023 or US \$ 3.8 trillion (Dinar Standard, 2019).

Following the provisions of Article 1 paragraph 3 of Law Number 40 of 2007 on Limited Liability Companies, every legal entity company bears social and environmental responsibilities, including companies in the sharia banking sector.

In addition to Islamic banks, CSR operations are the role of sharia governance and compliance. It aligns with sharia principles and will positively impact other stakeholders (Ledhem & Mekidiche, 2020). Besides, based on the provisions concerning Limited Liability Companies that require companies to assume social and environmental responsibilities and the results of debates by experts who question the contribution of Islamic bank performances in community economic growth, one way to make it happen is through CSR. It follows one of the objectives of Islamic banks with the provisions of Law Number 21 of 2008 on Islamic Banking, namely, to provide equitable distribution of community welfare, especially the community around the company, through social responsibility. The goal of Islamic banks is also to distribute the welfare of the community and other stakeholders with social responsibility in line with sharia provisions (Zafar & Sulaiman, 2020).

The results of a review of Islamic Commercial Banks (BUS) explain that in Indonesia, the average percentage of funds for CSR activities against EAT in the 2017, 2018, and 2019 periods was 8.46%, 5.52%, and 11.94%, respectively. The data showed a decrease in 2018 and an increase in 2019. Based on this data, it indicates that Islamic Commercial Banks have matched with their CSR obligations. However, the most significant contribution for the increase in the average CSR percentage funds to EAT in 2019 was only provided by Banks Muamalat at 70.01% and Bank Bukopin Syariah at 57.72%, and no awareness of all BUS in the distribution of CSR. In addition, Maybank Syariah's 2018 financial report showed a loss of Rp. 64.720 million, although in 2018, Maybank Syariah still spent Rp.100 million for CSR activities. It is certainly an important and interesting thing to research.

Moreover, CSR activities carried out and disclosed by the company require substantial costs and drain the company's profits. Studies between the relationship of CSR activities and performance in companies have been widely studied. However, the results expressed are inconclusive. On the one hand, the study reports by Chakroun et al. (2019) revealed that CSR businesses are definitely linked to a company's financial performance. Besides, the study of Harun et al. (2020) concludes that CSR activities negatively affect bank financial performance because excessively disclosed CSR information can create uncertainty for investors. Therefore, this study focuses on analyzing the effect of CSR disclosure on the performance of Indonesian Islamic Commercial Banks (BUS).

## **Literature Review and Hypotheses Development**

Profitability is used to analyze a company's ability to manage capital and assets to generate profits. Along with profitability analysis, the cause of profit or loss can be found (Lisa, 2016). Profitability is also needed for the final result of a series of provisions on management, including provisions related to the source and history of the use of funds summarized in the balance sheet and are the implementation of company operations

contained in the balance sheet (Kamaliah, 2020). This study analyzes the effect of CSRD on profitability by using the ratio of ROA and ROE.

Return on Assets (ROA) benefits from the assets used. The usefulness of the ROA ratio is to see the development of the company effectively using assets in the company's operations. Therefore, if the value of the ROA ratio is greater, it will impact the better condition of the company. A good company's financial performance will be able to get more resources and funds to invest in social activities. Based on this explanation, it shows that the higher the company's profit is stated using the ROA ratio, the greater the CSR activities and disclosures carried out by the company (Kamaliah, 2020).

Meanwhile, Return on Equity (ROE) is a financial ratio used to measure the level of profitability calculated by equity. The greater the ROE value generated will impact the company's performance for the better because the increase in the ratio illustrates good management performance so that it is efficient to manage sources of operational financing in generating net income. A greater ROE value will reflect the company's good financial performance to stakeholders, and then the stakeholders will encourage the company to be more active in contributing and transparently reporting all its social activities as more detailed and complete CSR disclosures (Kamaliah, 2020).

From an Islamic perspective, CSR is a component of a brand new paradigm, endogenous concepts, and practices; its definition is expected to be an existential cover for every Islamic company (Platonova et al., 2018). The existence of disclosure of CSR information also brings a positive impact on financial presentation. In this case, business continuity depends on the company's responsibility because a business organization has close relationships with the community (Rouf & Hossan, 2020). This CSR program will impact improving the company's image. Besides, companies liable for CSR can meet community expectations, and corporations can help solve problems because companies have power in society and may even turn social problems into business opportunities. (Rendtorff, 2019).

In this study, social responsibility disclosure is predicated on the worldwide Reporting Initiative Index (GRI) used for reporting and the broadest sustainability framework provided to shareholders used to produce sustainability reports. Guidelines published in 2000 allow companies to calculate and state the economic, social, environmental, and corporate governance aspects. The economic, environmental, and social dimensions are the first measures of an organization's environmental quality because they determine the extent to which a company adheres to good disclosure practices. Companies, therefore, must monitor their sustainability environment to develop strategies to enhance performance and help investors concentrate on the connection between financial performance and sustainability indicators (Nobanee & Ellili, 2016). In connection with the results of the study, the hypothesis put forward is as follows:

***H<sub>1</sub>: Corporate Social Responsibility Disclosure (CSRD) related to general activities own positive and significant effects on bank performance using ROA and ROE ratios at Indonesian Islamic Commercial Banks.***

The CSR approach uses the triple bottom line method within the type of corporate social responsibility disclosure within the economic (EC), environmental (EN), and social (SO) fields. Suppose a corporation declares its CSR expenditures for corporate partnerships, community development, and infrastructure projects in its annual or continuity reports. In that case, CSR is grouped into CSR within the economic (EC) field. Then, CSR will be grouped into CSR within the environmental (EN) field if the corporate declares CSR expenditures for nature conservation and environmental protection activities. Finally, suppose the corporate clearly states its CSR expenditures for education, charitable donations, and other social donations in its annual or continuity report. In that case, this CSR is grouped into CSR within the social sector (SO) (Hidayati, 2011).

Moreover, CSR is a company development trend. However, CSR is still a debate: whether the investment in corporate social responsibility can add or damage value or is not related to value (Kamaliah, 2020). According to the research results of Platonova et al. (2018), there was a positive and significant relationship in the middle of CSRD on Islamic bank performance. The positive influence impacted the positive thing of CSRD on bank reputation and showed that investors consider the bank's CSR activities and should encourage companies to carry out CSR. In addition, Trihermanto and Nainggolan (2018) examined CSR using the Triple Bottom Line method, suggesting that companies that invest in CSR within the economic (EC) sector must be substantial with the facility to return up with extra money internally than those invested profitably.

In another study, no significant relationship between CSR within the environment (EN) sector was found by assuming that the results were not significant for CSR within the environment (EN) field due to the shortage of observations on CSR within the environment (EN) sector and the company number in Indonesia that focused more on CSR within the environmental sector (SO) to increase the company's performance and reputation. Then, in compliance with the research results by Nainggolan et al. (2017) examining CSR using the Triple Bottom Line in companies, they found inconsistent results on the amount of CSR cost disclosure in the economic, environmental, and social fields because companies in Indonesia attached their CSR activities and reports in various ways without applicable standards.

On the other hand, CSRD that will generate greater profits is measured based on bank performance using ROA and ROE ratios. It can be seen that CSRD is a mandatory distribution for all Islamic Commercial Banks, which is believed to develop bank performance; because the distribution of CSR will raise the company's image, it will then relate directly to the community and company stakeholders. It indicates that banks have opportunities through Corporate Social Responsibility. Referring to the results of previous studies and the phenomena in the Indonesian Islamic banking industry, therefore, the hypotheses proposed are:

***H<sub>2</sub>: Corporate Social Responsibility Disclosure (CSRD) for the economic sector positively and significantly affects bank performance using the ROA and ROE ratios at Indonesian Islamic Commercial Banks.***

*H<sub>3</sub>: Corporate Social Responsibility Disclosure (CSR) for the environmental sector positively and significantly impact bank performance by using the ROA and ROE ratios at Indonesian Islamic Commercial Banks.*

*H<sub>4</sub>: Corporate Social Responsibility Disclosure (CSR) for the social sector positively and significantly impact bank performance by using the ROA and ROE ratios at Indonesian Islamic Commercial Banks.*

## Research Methods

This study measured Corporate Social Responsibility Disclosure on bank performance with control variables of corporate governance and bank size at Indonesian Sharia Commercial Banks. Using quantitative data, the population was 137 observations from 2010 to 2019 obtained from the annual report of Indonesian Sharia Commercial Banks (BUS). The sample selection in this study was based on the purposive sampling method, and the criteria for determining the sampling method in this study were as follows: (1) Islamic Commercial Banks (BUS) that published complete annual financial reports from 2010 to 2019. (2) In the annual report, each bank disclosed activities related to corporate social responsibility (CSR). (3) In general, apart from publishing the annual report, each bank allowed the availability of all variable values included in the study.

Based on the described criteria, the BUS that met the specified sampling criteria was 110 observations from Islamic Commercial Banks. Table 1 presents how to determine/measure the value of all variables to be analyzed in the study.

## Results and Discussion

This study was analyzed by applying the Partial Least Square-Structural Equation Model (PLS-SEM) analysis. SEM is a complement and existence to the path analysis and regression methods. Then, the research data were analyzed using the WarpPLS 7.0 application. The reason for using the Warp-PLS application is because the number of samples was relatively small, which was only 110 observations; the data were not normally distributed. The data did not meet a number of the conditions of classical assumptions, which are difficult to beat.

In this study, multiple rectilinear regression was used to determine the effect of the many variables associated with the tested variables. Supported this explanation, the equations within the research used are:

$$ROA = \beta_1 CSR-ALL + \beta_2 CSR-EC + \beta_3 CSR-EN + \beta_4 CSR-SO + \beta_5 SIZE + \beta_6 BDS + \epsilon_1 \quad (1)$$

$$ROE = \beta_1 CSR-ALL + \beta_2 CSR-EC + \beta_3 CSR-EN + \beta_4 CSR-SO + \beta_5 SIZE + \beta_6 BDS + \epsilon_1 \quad (2)$$

**Table 1** Variable Code, Name, and Operationalization

Code	Variable name	Operationalization	Reference
Dependent variables			
ROA	Return on Asset	Net income divided by total assets	(Ledhem & Mekidiche, 2020)
ROE	Return on Equity	Net income divided by total equity	
Independent variables			
CSRD_All	CSR All	The number of items disclosed divided by the total number of CSR	(Trihermanto & Nainggolan, 2018)
CSRD_EC	Economic CSR	The number of items disclosed is divided by the total number of economic CSR items.	
CSRD_EN	Environment CSR	The number of items disclosed is divided by the total number of environmental CSR items.	
CSRD_SO	Social CSR	The number of items disclosed is divided by the total number of social CSR items.	
Control variables			
BDS	Board of Directors Size	Total number of board of directors	(Saha, 2019)
SIZE	Firm Size	Logarithmic value of total assets	(Ho et al., 2019)

To find out the description of each variable, it comprised the overall corporate social responsibility disclosure (CSRD\_ALL), corporate social responsibility disclosure (CSRD) in the economic field (CSRD\_EC), corporate social responsibility disclosure in the environmental field (CSRD\_EN), and corporate social responsibility disclosure in the social sector (CSRD\_SO). Then, the control variables consisted of the corporate governance variables, namely the size of the board of directors (BDS) and the bank size variable, namely SIZE. In addition, the dependent variable was bank performance using the ratio of Return on Assets (ROA) and Return on Equity (ROE) at Islamic Commercial Banks (BUS).

This study applied descriptive analysis, consisting of mean, maximum, and minimum values. Before starting the fit model and path test, descriptive statistical measurements were first carried out, showing the mean, minimum, standard deviation, maximum, and the number of observations collected through the Financial Services Authority (OJK) website for the 2010-2019 period. The Return on Assets (ROA), Return on Equity (ROE), CSRD, Board of Directors Size (BDS), and size data are shown in Table 2.

Table 2 provides conclusions based on the mean value of Return on Assets (ROA) from 2010 to 2019 of -0.16. The highest ROA value of 11.15 was obtained from Bank Maybank Syariah in 2019, while the lowest value of -20.130 was obtained from Bank Maybank Syariah in 2015. Furthermore, the mean value of the Return on Equity (ROE) variable was -0.92. The highest ROE value of 15.66 was obtained from the Bank Syariah Mandiri in 2019, while the lowest of -94.010 was obtained from Bank Panin Dubai Syariah in 2017.

**Table 2** Descriptive Statistics

	ROA	ROE	CSR_D All	CSR_D Ec	CSR_D En	CSR_D So	BDS	SIZE
Mean	-0.16	-0.92	0.37	0.47	0.22	0.37	4.39	27332233.22
Maximum	11.15	15.66	0.74	1.00	0.71	0.82	8.00	163236041.00
Minimum	-20.13	-94.01	0.09	0.11	0.03	0.09	2.00	336676.00
Std. Dev.	3.01	13.42	0.16	0.21	0.14	0.19	1.25	37214485.50
Observations	110	110	110	110	110	110	110	110

The mean CSR\_D\_All value of 0.392 determined the overall proportion of 92 items required in CSR disclosure. The BUS only disclosed the mean value of 0.37 for CSR\_D\_All. The highest of 0.74 was obtained from Bank Maybank Syariah in 2019, while the lowest CSR\_D\_All of 0.09 was obtained from Bank BNI Syariah in 2010.

In addition, the mean CSR\_D\_EC value of 0.47 determined the large proportion of CSR\_EC, which is nine items required in CSR disclosure. On average, BUS only disclosed Rp. 47%. The highest CSR\_EC value of 1 was obtained from Bank BNI Syariah in 2019, while the lowest CSR\_EC value of 0.11 was obtained from Bank Mega Syariah in 2015.

Furthermore, the mean CSR\_D\_EN value was 0.22, meaning that from the large proportion of CSR\_EN, which was 34 items required for CSR disclosure, on average, BUS only disclosed 22%, The highest CSR\_EN value was 0.71 obtained from Bank BNI Syariah in 2017, while the lowest CSR\_EN value was 0.03 obtained from Bank Victoria Syariah in 2010.

The mean CSR\_D\_SO value of 0.37 determined the total proportion of 11 items required for CSR disclosure. BUS only revealed 37% on average, with the highest CSR\_D\_SO value of 0.82 obtained from Bank BNI Syariah in 2015 and the lowest CSR\_D\_SO of 0.09 obtained from Bank BNI Syariah in 2010.

Then, the control variable, namely BDS, had a mean value of 4.39, with a maximum value of 8 and the minimum value of 2. Meanwhile, the SIZE variable had a mean value of 27332233.22, with a maximum value of 163236041.00 and a minimum of 336676.00.

The model created in this study produced perfect goodness of fit (GoF). This result has been proven by fulfilling all components of the fit model and quality indices as required. Table 3 shows the analysis results, namely model fit and quality indices.

Based on Table 3, it can be proven that all indexes based on the goodness of fit measurement could be fulfilled to be very satisfactorily. It can be seen that based on the output model fit and quality indices, the resulting APC value was 0.177; the ARS value was 0.374; the AARS value was 0.337. Based on these results, the APC, ARS, and AARS indexes were fit because of following the provisions, namely that the acceptance of the model on this index must be  $\leq 0.05$  of the significance values. Then, the AVIF value was 1.684, and the AFVIF value was 2.633, so the result value was much smaller than 5.00, indicating no multicollinearity problem in the study. The resulting GoF index model was 0.611, more significant than 0.36, indicating that the fit model was included in the large category. In addition, the SPR value obtained was 0.750, so it was greater than the required value of

0.700. Then, the RSCR index was 0.914, indicating greater than the specified 0.900. Besides, since the obtained SSR index of 1.000 was greater than the required value of 0.700 and the NLBCDR index obtained was 0.792 greater than the required value of 0.700, the model did not have a causality problem. Based on all interpretations of the fit model test results, it can be concluded that the research model could be accepted by testing out of ten fit model indices.

**Table 3** Model Fit dan Quality Indices

The goodness of fit index	Cut-off Value	Model Results	Description
Average block VIF (AVIF)	Acceptable if $\leq 5$	1.684	Received
Average full collinearity VIF (AFVIF)	Acceptable if $\leq 5$	2.633	Received
TenenhausGoF (GoF)	Small $\geq 0.1$ , Medium $\geq 0.25$ , Large $\geq 0.36$	0.611	Received
Sympson's paradox ratio (SPR)	Acceptable if $\geq 0.7$	0.750	Received
R-squared contribution ratio (RSCR)	Acceptable if $\geq 0.9$	0.914	Received
Statistical suppression ratio (SSR)	Acceptable if $\geq 0.7$	1.000	Received
Nonlinear bivariate causality direction ratio (NLBCDR)	Acceptable if $\geq 0.7$	0.792	Received
Average path coefficient (APC)= 0.177, P= 0.014			Received
Average R-squared (ARS)= 0.374, P<0.001			Received
Average adjusted R-squared (AARS)= 0.337, P<0.001			Received

Then, an outline of the analysis was carried out as in Table 4, namely path coefficients and P-values. The test results explain the direction of the connection between the experimental variables and, therefore, the variable through the trail analysis model administered. A model is often said to be accepted or rejected due to its significant value. The importance value during this study was 5%. The entire results of the direct effect hypothesis test are shown within the Table 4.

**Table 4** Results of Path Coefficients and P-Values

Independent and control variables	Dependent Variable: ROA			Dependent Variable: ROE		
	Coeff.	Std. Error	P-Value	Coeff.	Std. Error	P-Value
Independent variables						
CSR <sub>D</sub> _All	0.484	0.084	<0.001***	0.440	0.085	<0.001***
CSR <sub>D</sub> _Ec	0.184	0.091	0.023**	-0.043	0.094	0.323
CSR <sub>D</sub> _En	0.297	0.088	<0.001***	0.113	0.093	0.112
CSR <sub>D</sub> _So	-0.123	0.092	0.093	-0.074	0.094	0.217
Control variables						
BDS	0.019	0.095	0.420	0.152	0.092	0.050**
SIZE	-0.061	0.094	0.257	-0.130	0.092	0.080



Then, the path analysis results are also presented in the form of images, as shown in the following figure:

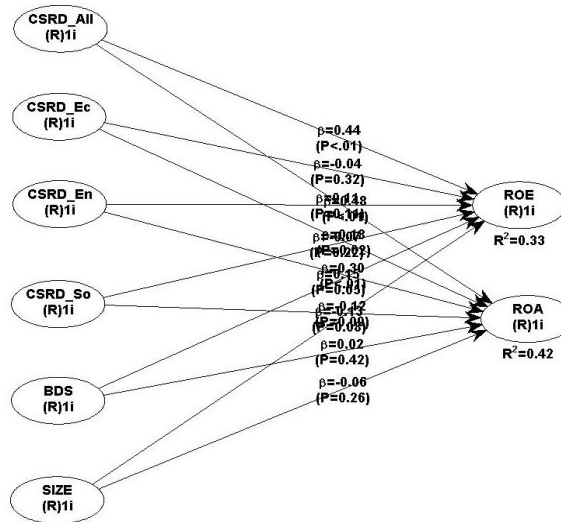


Figure 1 Path Analysis Results

From Table 4 and Figure 1, it can be concluded that, from the hypothesis testing results, there was a direct influence between variables, namely:

Hypothesis 1 states that the corporate social responsibility disclosure test results as a whole (CSR\_ALL) showed the path coefficients; the coefficients of the influence of CSRD\_All on ROA and ROE were 0.484 and 0.440. The P-values obtained were <0.001 and <0.001, respectively. Thus, CSRD\_All had a positive and significant effect on ROA and ROE.

Hypothesis 2 states that the corporate social responsibility disclosure test results on the economic aspect (CSR\_EC) showed positive and significant path coefficients on ROA. However, on the contrary, the effect of CSRD\_EC on ROE was negative and not statistically significant.

Hypothesis 3 states that the corporate social responsibility disclosure test results on environmental aspects (CSR\_EN) showed path coefficients. The coefficients of CSRD\_EN influence on ROA and ROE were 0.297 and 0.113, with P-values <0.001 and 0.112. It means that CSRD\_EN had a positive effect and was significant on ROA, while the effect on ROE showed a positive direction but was not statistically significant.

Hypothesis 4 states that the corporate social responsibility disclosure test results on the social aspect (CSR\_SO) showed a negative and insignificant direction for both ROA and ROE for path coefficients.

This subsection explains the meaning of the regression results from all independent variables to the dependent variable. This discussion discusses the meaning of conformity testing and all variables in the study.

### The Influence of Overall Corporate Social Responsibility Disclosure (CSR<sub>D</sub>\_ALL) on Bank Performance

Based on the results of this study, it revealed that the overall Corporate Social Responsibility Disclosure (CSR<sub>D</sub>\_All) had an influence on bank performance based on the ratio of Return on Assets (ROA) and Return on Equity (ROE). The findings conclude that Islamic Commercial Banks with greater CSR<sub>D</sub>\_All had higher ROA and ROE performance. This evidence indicates a more significant concern for CSR<sub>D</sub> in the economic field, CSR<sub>D</sub> in the environmental sector, and CSR<sub>D</sub> in the social sector, shown by Islamic Commercial Banks by producing higher bank performance based on the ratio of ROA and ROE. Then, Corporate Social Responsibility Disclosure (CSR<sub>D</sub>) will have a significant influence as a consideration for investors.

It certainly denotes that Islamic Commercial Banks in this study applied Corporate Social Responsibility Disclosure (CSR<sub>D</sub>) consistently to evoke the company's image, increasing its image. It will then be a good impact given by stakeholders to increase company profits. The profit generated by the company is also not only measured by the total money earned; social welfare is also an issue that must be considered. Timely social welfare plays a significant role in the survival of the company. Thus, CSR activities are considered by investors, thus encouraging banks to carry out greater CSR<sub>D</sub>.

Moreover, companies tend to disclose their corporate social responsibility information. By agency theory, this disclosure is explained that companies that disclose corporate social responsibility (CSR) aim to create a positive image and gain public attention. Companies then face lower scrutiny and contract costs, and higher political visibility. Therefore, corporate social responsibility disclosure is positively correlated with social performance, economic performance, and political visibility and negatively correlated with regulatory and agency costs.

The study's conclusions also align with Chakroun et al.'s (2019) research, proving that CSR positively affected financial performance. Their study suggests that corporate social responsibility disclosure has been calculated through various dimensions determined by the ISO 26000 standard. Consistent with a literature review, good corporate governance can improve a company's financial performance. CSR also reflects how Islam emphasizes the importance of considering the general public interest above private interests. Developing a company social responsibility business at Islamic banks is the responsibility of sharia governance and compliance with sharia principles, which can positively impact other stakeholders (Zafar & Sulaiman, 2020). It means showing the importance of social responsibility in pursuing a company's business activities. This research is also by the stakeholder theory, namely the stakeholder approach. Here, the organization is responsible to shareholders and must consider all other stakeholders who can support the achievement of organizational goals. Stakeholder theory includes business organizations that play an active role within the community environment where the company operates.

On the opposite hand, the results of this study are not in line with the research of Harun et al. (2020), which concludes no support for the thought that Islamic banks operating supported sharia principles can fulfill their social responsibilities through the promotion of corporate social responsibility (CSR) and supported the conclusions of the study that there is a negative relationship between CSR and bank performance in terms of CSR information provided. In this case, excessive disclosures can create uncertainty for investors.

#### The Influence of Corporate Social Responsibility Disclosure in the Economic Sector (CSR<sub>D\_EC</sub>) on Bank Performance

The results of this study indicated that Islamic Commercial Banks with greater Corporate Social Responsibility Disclosure in the economic field (CSR<sub>D\_EC</sub>) influenced bank performance to generate higher corporate profits, increased shareholder value, higher profits, share prices, and dividends and another advantage through the use of the ratio of Return on Assets (ROA). CSR<sub>D</sub> in the economic field (CSR<sub>D\_EC</sub>) is a company's obligation to maintain its existence and development.

CSR<sub>D</sub> in the economic field (CSR<sub>D\_EC</sub>) consists of the economic impact through the company's operational activities, namely the commitment to support the community's welfare through various corporate social responsibility programs.

CSR<sub>D</sub> in economics (CSR<sub>D\_EC</sub>) not only discloses the financial/banking balance sheet but also discloses the economic impact, either directly or indirectly, on the company's operations, both from internal parties and parties, which affect other companies.

However, CSR<sub>D\_EC</sub> was negatively related to ROE in this study, although it was not statistically significant. It indicates that CSR<sub>D\_EC</sub> tended to reduce the rate of return for shareholders. Every company's operational activity can positively or negatively impact the company. Still, CSR is a corporate social responsibility to seek profit in its business operations and maintain harmony with the environment through efforts that lead to improving the quality of life of local communities in all areas of life. In this case, Islamic banks carried out economic CSR<sub>D</sub> to provide margin-free or charitable loans through business assistance and business training to gain entrepreneurial independence.

The results that showed the positive and significant impact of CSR<sub>D\_EC</sub> on ROA are in line with Trihermanto and Nainggolan's (2018) research, suggesting that companies that invested in CSR in the economic field showed a considerable ability to generate more cash internally. Meanwhile, the results showing that CSR<sub>D\_EC</sub> did not affect ROE align with Nainggolan et al. (2017), who argue that there was no effect on the disclosure of costs on CSR in the economic field on Indonesia attach reports of their CSR activities in various ways. After all, there is no provision from applicable standards.

### The Effect of Corporate Social Responsibility Disclosure on Environmental Aspects (CSR<sub>D</sub>\_EN) on Bank Performance

This study revealed that Islamic Commercial Banks with greater corporate social responsibility disclosure within the field of environment (CSR<sub>D</sub>\_EN) influenced bank performance (ROA), leading to higher corporate profits. CSR disclosure includes operational activities administered by the corporate for the environment around the company, which will help improve the community's economy around the company. By sharia provisions, CSR<sub>D</sub> in the environment sector (CSR<sub>D</sub>\_EN) reflects that the company is committed to creating a healthy and safe environment, properly disposing of waste and producing environmentally friendly products, and protecting the natural environment, which can be in the form of abiotic or abiotic environment, both renewable and non-renewable. Non-renewable is an obligation that Islamic banks must fulfill. Implementing a CSR program by a company also brings a positive image so that the company's commercial and marketing activities are successful, where people are more familiar with the company so that the company's goals are achieved.

However, the environmental CSR<sub>D</sub> research (CSR<sub>D</sub>\_EN) results in this research were negatively related to ROE. Although not statistically significant, this could be due to a reduction in the benefits of using funds to implement CSR in the environmental sector. In this case, the corporate also benefits by improving the company's image, which may indirectly affect the company's profits.

The results showing the positive and significant effect of CSR<sub>D</sub>\_EN on ROA is in line with the research of Chakroun et al. (2019), suggesting that better disclosure of CSR in the environmental field provides higher financial performance for companies. Meanwhile, the results showing that CSR<sub>D</sub>\_EN did not affect ROE align with Trihermanto and Nainggolan (2018) that the insignificant results of environmental CSR on ROE are due to the lack of observations made on environmental aspects of CSR.

### The Influence of Corporate Social Responsibility Disclosure in the Social Sector (CSR<sub>D</sub>\_SO) on Bank Performance

This study uncovered that Islamic Commercial Banks with corporate social responsibility disclosure in the social sector (CSR<sub>D</sub>\_SO) negatively influenced bank performance using ROA and ROE ratios, but not statistically significant. It is because the company needs to carry out various activities that can help meet the community's needs, requiring high expenditures. It should come from excellent and sincere intentions, not because of coercion from the surrounding community. To strengthen this commitment to social responsibility, companies must view that CSR<sub>D</sub> is a future investment because, in the future, CSR is no longer seen as a cost center but as a profit center through harmonious relationships and image. In return, the community is involved in maintaining the company's existence properly. Companies also need to realize that the community has an essential role for the company because the support of the community, especially the surrounding community, is essential for the existence, continuity, and development of the business as an integral part of the environmental community. Thus, the company must

strive to maximize the community's benefit. Responsibility for the company's social impacts, either directly or indirectly, is in the form of education, religion, health, arts, sports, other social activities, and opening up job opportunities for the surrounding community.

Furthermore, other empirical evidence showed that Islamic Commercial Banks with higher performance (ROA and ROE) did not focus their CSR activities on social aspects but prioritized CSR activities on economic and environmental aspects.

The results of this study are consistent with the research of Nainggolan et al. (2017), explaining that there was no significant relationship between CSR on performance because companies in Indonesia attached reports of their CSR activities in various ways without applicable standards.

#### Effect of Control Variable on Bank Performance

This study revealed that BDS positively affected ROA and ROE, but BDS had no significant effect on ROA. This evidence indicates that Islamic Commercial Banks with higher BDS will produce better bank performance. It supports the research results of Harun et al. (2020), who researched CSR disclosure, corporate governance, and corporate value in Islamic Banks, suggesting that a giant board of directors size is involved in CSR practices and CSR activities; the involvement of the board of directors in CSR activities will affect the increase in performance in commercial sharia banks. Then, it is in line with the research of Khan and Zahid (2020), examining the impact of corporate governance on the performance of Islamic banks. Their results showed that the variables associated with governance are very influential in determining bank performance. However, it is different from Rouf and Hossan's (2020) results. They tried to spot whether there was a relationship between the board size and the board composition with CSR disclosure and proved that CSR disclosure was not significantly associated with the dimensions of the bank's board of directors, so there was no direct correlation with bank performance. Saidat, Silva, and Seaman's (2019) research also revealed that the size of the board of directors had a negative relationship with bank performance.

Furthermore, the results of this study revealed that the control variable bank size (SIZE) did not affect bank performance based on the ratio of ROA and ROE. It happens because the larger a company, the higher the costs required, so it will negatively impact its performance; it is because the grouping of company sizes is based on total assets owned and total annual sales. It is in line with the research results by Hassan Al-Tamimi and Charif (2011), which examined various approaches in performance appraisal, explaining that there were differences and statistics between small and enormous banks regarding bank performance indicators reflecting the importance of capital adequacy for commercial banks. However, it is different from the results of Saha (2019), who investigated the connection between disclosure of corporate social responsibility performance at banks in Bangladesh, stating that CSR seems to be associated with company size to affect bank performance.

## Conclusion

Based on the analysis results of the impact of corporate social responsibility disclosure (CSR) on performance at Islamic Commercial Banks (BUS) during the 2010-2019 period, it is concluded that CSR activities tended to be strongly related to higher performance. It is indicated by the many positive effects of CSR\_All on ROA and ROE. Additionally, it is shown by the many positive effects of CSR\_Economic and CSR\_Environment on ROA. However, this study could not prove that social CSR significantly affected performance, both ROA and ROE. Still, the results of this study contribute to the financial literature, particularly regarding the connection between CSR and performance in Indonesian BUS. This research can also provide input for management regarding CSR activities and performance and be a guide for investors who choose to take a position in Indonesian BUS shares. Thus, the subsequent research agenda is recommended to look at the determinants of CSR and the proxy for performance variables, including Economics Value Added (EVA).

The limitation of the primary study is that this research sample only used data from Islamic Commercial Banks (BUS). However, it may be better if the information from Sharia Business Units (UUS) and Sharia People's Financing Banks (BPRS) is added to samples so that it can be seen further how the influence of Corporate Social Responsibility Disclosure (CSR) has an impression on Islamic companies in Indonesia. Then, the second limitation is that the research variables utilized in profitability only on ROA and ROE ratios. Therefore, future research can predict feature variables other than profitability ratios so that the benchmark utilized in Corporate Social Responsibility Disclosure (CSR) on bank performance is getting stronger.

## References

- Chakroun, S., Salhi, B., Ben Amar, A., & Jarboui, A. (2019). The impact of ISO 26000 social responsibility standard adoption on firm financial performance: Evidence from France. *Management Research Review*, 43(5), 545–571. <https://doi.org/10.1108/MRR-02-2019-0054>
- Dinar Standard. (2019). *State of the Global Islamic Economy Report. Driving the Islamic Economy Revolution 4.0*. Dinar Standard. Retrieved from <https://www.salaamgateway.com/specialcoverage/SGIE19-20>
- Harun, M. S., Hussainey, K., Mohd Kharuddin, K. A., & Farooque, O. Al. (2020). CSR Disclosure, Corporate Governance and Firm Value: a study on GCC Islamic Banks. *International Journal of Accounting and Information Management*, 28(4), 607–638. <https://doi.org/10.1108/IJAIM-08-2019-0103>
- Hassan Al-Tamimi, H. A., & Charif, H. (2011). Multiple approaches in performance assessment of UAE commercial banks. *International Journal of Islamic and Middle Eastern Finance and Management*, 4(1), 74–82. <https://doi.org/10.1108/17538391111122212>
- Hidayati, N. D. (2011). Pattern of corporate social responsibility programs: A case study. *Social Responsibility Journal*, 7(1), 104–117. <https://doi.org/10.1108/17471111111114576>
- Ho, A. Y.-F., Liang, H.-Y., & Tumurbaatar, T. (2019). The Impact of Corporate Social Responsibility on Financial Performance: Evidence from Commercial Banks in

**Aula, Sumiyati & Mai**  
The Effect of Corporate Social Responsibility Disclosure ...

- Mongolia. *Advances in Pacific Basin Business, Economics and Finance*, 109–153. <https://doi.org/10.1108/s2514-465020190000007006>
- IBTimes.ID. (2020). *Data Populasi Penduduk Muslim 2020: Indonesia Terbesar di Dunia*. Retrieved from <https://ibtimes.id/data-populasi-penduduk-muslim-2020-indonesia-terbesar-di-dunia>
- Kamaliah. (2020). Disclosure of corporate social responsibility (CSR) and its implications on company value as a result of the impact of corporate governance and profitability. *International Journal of Law and Management*, 62(4), 339–354. <https://doi.org/10.1108/IJLMA-08-2017-0197>
- Khan, I., & Zahid, S. N. (2020). The impact of Shari'ah and corporate governance on Islamic banks performance: evidence from Asia. *International Journal of Islamic and Middle Eastern Finance and Management*, 13(3), 483–501. <https://doi.org/10.1108/IMEFM-01-2019-0003>
- Ledhem, M., & Mekidiche, M. (2020). Economic growth and financial performance of Islamic banks: a CAMELS approach. *Islamic Economic Studies*, 28(1), 47–62. <https://doi.org/10.1108/IES-05-2020-0016>
- Lisa, O. (2016). Determinants Distribution of Financing and the Implications to Profitability: Empirical Study on Cooperative Sharia Baitul Maal wa Tamwil (BMT) in Indonesia. *Asian Journal of Accounting Research*, 1(2), 44–51. <https://doi.org/10.1108/ajar-2016-02-b002>
- Nainggolan, Y., Famiola, M., Siahaan, A. R., & Trihermanto, F. (2017). The importance of corporate social responsibility: the case of Indonesian firms in 2008 - 2015. *Working Paper*, Institut Teknologi Bandung.
- Nobanee, H., & Ellili, N. (2016). Corporate sustainability disclosure in annual reports: Evidence from UAE banks: Islamic versus conventional. *Renewable and Sustainable Energy Reviews*, 55, 1336–1341. <https://doi.org/10.1016/j.rser.2015.07.084>
- Platonova, E., Asutay, M., Dixon, R., & Mohammad, S. (2018). The Impact of Corporate Social Responsibility Disclosure on Financial Performance: Evidence from the GCC Islamic Banking Sector. *Journal of Business Ethics*, 151(2), 451–471. <https://doi.org/10.1007/s10551-016-3229-0>
- Rendtorff, J. D. (2019). *Corporate Social Responsibility, Sustainability, and Stakeholder Management*. Philosophy of Management and Sustainability: Rethinking Business Ethics and Social Responsibility in Sustainable Development, 43–52. <https://doi.org/10.1108/978-1-78973-453-920191004>
- Rouf, M. A., & Hossan, M. A. (2020). The effects of board size and board composition on CSR disclosure: a study of banking sectors in Bangladesh. *International Journal of Ethics and Systems*, 37(1), 105–121. <https://doi.org/10.1108/IJOES-06-2020-0079>
- Saha, A. K. (2019). Relationship between corporate social responsibility performance and disclosures: commercial banks of Bangladesh. *Social Responsibility Journal*, 15(4), 451–468. <https://doi.org/10.1108/SRJ-07-2017-0137>
- Saidat, Z., Silva, M., & Seaman, C. (2019). The relationship between corporate governance and financial performance: Evidence from Jordanian family and nonfamily firms. *Journal of Family Business Management*, 9(1), 54–78. <https://doi.org/10.1108/JFBM-11-2017-0036>
- Trihermanto, F., & Nainggolan, Y. A. (2018). Corporate life cycle, CSR, and dividend policy: empirical evidence of Indonesian listed firms. *Social Responsibility Journal*, 16(2), 159–178. <https://doi.org/10.1108/SRJ-09-2017-0186>
- Zafar, M. B., & Sulaiman, A. A. (2020). Measuring corporate social responsibility in Islamic banking: what matters? *International Journal of Islamic and Middle Eastern Finance and Management*, 13(3), 357–388. <https://doi.org/10.1108/IMEFM-05-2019-0227>