

Corporate Social Responsibility in Islamic Banking. Case of Indonesia



Atina Shofawati

Abstract Islamic banking conduct intermediary function and social function. Social function of Islamic banking was characterized by the zakat function and qardhul hasan. The aim of the paper is to describe the implementation of Corporate Social Responsibility in Islamic banking in Indonesia. Dimensions of CSR covers Modes of CSR Activities, CSR Collaborative Agencies, CSR Beneficiaries. This paper uses qualitative method especially the descriptive qualitative method. This paper analyzes the annual report in 2016 of Islamic Banking in Indonesia with content analysis method. Islamic banking in Indonesia were reflected by the Bank Muamalat Indonesia and Bank Syariah Mandiri which have the similarity of size, business scale and age. The result of this paper can describe the implementation of Corporate Social Responsibility of Bank Muamalat Indonesia and Bank Syariah Mandiri through social function and all dimensions of Corporate Social Responsibility. Corporate Social Responsibility in this paper covers Modes of CSR Activities, CSR Collaborative Agencies, CSR Beneficiaries.

Keywords Corporate social responsibility · Social function · Islamic banking

1 Introduction

Islamic bank in Indonesia have many functions, it is included intermediary function, social function, investment manager and investor. This study emphasizes social function of Islamic banking. Social function of Islamic banking was characterized by the zakat function and qardhul hasan. Social function reflect the implementation of Corporate Social Responsibility in Islamic bank, although theoretically the concept of social function is different with Corporate Social Responsibility. Social function was derived from the Islamic jurisprudence. One pillars from five pillar of

A. Shofawati (✉)
Faculty of Economics and Business, Universitas Airlangga,
Surabaya, Indonesia
e-mail: atinashofawati@yahoo.com

© Springer Nature Switzerland AG 2018
R. Orăștean et al. (eds.), *Innovative Business Development—A Global Perspective*,
Springer Proceedings in Business and Economics,
https://doi.org/10.1007/978-3-030-01878-8_29

muslim is conducting zakat. Implementation of zakat also adopted by Islamic bank in implementing social function. Although the function of Islamic bank is conducting social function, but in the annual report of Islamic banking in Indonesia uses the terminology of Corporate Social Responsibility which actually refers to the implementation of social function, because of the sources of fund to conduct Corporate Social Responsibility from zakat and qardhul hasan which reflect the social function of Islamic bank. Social function was derived from Islamic jurisprudence. Social function in Islamic bank consist of Zakat and Qardhul Hasan.

There are some research about Corporate Social Responsibility in Islamic Bank which become the reference in this research which cover the research of Chintaman (2014), Wan Jusoh and Uzaimah (2017), Abdullah and Azis (2011), Abubakar (2016). According to Chintaman (2014), the CSR activities lead to the upliftment of the destitute among the society. Banks established according to the principles of any religion may have more inclination towards fulfilling their religious duties as well as their social duties by practicing CSR. On the other hand Conventional banks guided by their moral duties and social and mandatory compulsions for undertaking CSR activities. The study of Chintaman (2014), examines the preferences and patterns of both the kinds of banks and compares their CSR practices, evaluate the effects of Islamic Tenets on the CSR practices and looked into the preferences of the banks regarding CSR Collaborating Agencies. Case study method, Content Analysis and Dimension Score Analysis have been undertaken to fulfill the objectives of the study. The result of the Chintaman (2014)' study reveals that the Islamic Banks are more innovative in their CSR practices and the effects of Islamic Tenets could be envisaged in their practices.

According to Wan Jusoh and Uzaimah (2017), Corporate Social Responsibility (CSR) term has rapidly developed and is no longer a strange concept among business communities. As part of business entities and concurrently guided by Shari'ah principles, Islamic banks face even more expectations in performing CSR as Islamic financial institutions. It was found that there are significant issues that need to be addressed in order to ensure the efficiency of Islamic banks CSR applications especially regarding corporate social Responsibility disclosure (CSRD), CSR department and CSR fund (Wan Jusoh and Uzaimah 2017).

Abdullah and Azis (2011) identify the importance of and relationships between the three key concepts of corporate reputation, stakeholder relations, and corporate social Responsibility from a managerial perspective of corporate communication and corporate marketing and employed in-depth interviews with selected companies from GICs, MNCs, and IPCs and found that, despite the significant alignment and integration between corporate reputation, stakeholder relations, and corporate social Responsibility in their practice, all these have been managed as business duties (regulated), not genuinely for the substantial contribution to a larger social community and environment (self-regulated).

Abubakar (2016), conduct research aims to look at the CSR of the Islamic financial institutions and to what extent they achieve maqasid al-Shariah through this concept. It is found that several Islamic financial institutions are involved in activities that promote corporate social Responsibility, such as payment of Zakat to the

needy, charity takaful product, donations, program funding and institutions of social services, training students, and protecting the environment which is in line with maqasid al-Shariah. It is recommended that the Islamic financial institutions should engage in more activities that will bring more benefits to the society to ensure that they are not left behind in serving the community—which is the main purpose of the Shariah—when compared to its conventional counterpart (Abubakar 2016). A business's CSR can include a wide variety of tactics, from giving away a portion of a company's profits to charity, to providing "greener" business operations. Regarding Maqasid Shariah, the main objective of the Shari'ah is to attain mercy for mankind by ensuring their benefits and moving their harms. Hence Maqasid al-Shari'ah, or the objectives of Shari'ah, aims to "promote benefits and repel harms, which is achieved through *maslahah* (public interest)" (Abubakar 2016).

This study especially refers to the research of Chintaman (2014). The aim of the paper is to describe the implementation of Corporate Social Responsibility in Islamic banking in Indonesia. Dimensions of CSR covers Modes of CSR Activities, CSR Collaborative Agencies, CSR Beneficiaries. Research question in this study are How about the implementation of Corporate Social Responsibility in Islamic banking in Indonesia which is consist of Dimensions of CSR which covers Modes of CSR Activities, CSR Collaborative Agencies and CSR Beneficiaries?

2 Concept of CSR

Concept of CSR revolves around the issues like ethics, social upliftment, environmental protection and solution to other global problems. The organizations direct their efforts towards the upliftment and benefit of the stakeholders (Chintaman 2014). Who are stakeholders? If stakeholders are "those individuals or groups who depend on the organization to fulfill their own goals and on whom, in turn, the organization depends" (Johnson and Scholes 2002) in Chintaman (2014), then one organization is concerned with a very large amount of people, if not everyone since many people depend, either directly or indirectly, on an organization's activity. And, if the organization is accountable to all its stakeholders (i.e., everyone) rather than to one constituency (i.e., the shareholders), then the notion of accountability becomes valueless because it is too broadly set and useless from a managerial point of view (Hummels 1998; Vinten 2000) in Chintaman (2014). In the 1960s, in an outline of CSR, Frederick (1960) defined CSR as an action taken by businessmen to direct the operations of an economic system so as to fulfill the expectations of the public. That is to say, production and distribution are required to be conducted in such a way that will improve total socio-economic welfare (Abubakar 2016; Fig. 1).



Fig. 1 Corporate social responsibility. *Source* www.industryplayer.com in Chintaman (2014)

3 Islamic Financial System

The need for understanding the concept of Islamic Finance System arises before understanding the concept of Islamic Banks as Islamic Banks are part of Islamic Financial System. Islamic Financial System is based on the principal of Sharia (Chintaman 2014).

3.1 Sharia

The literal translation of the Arabic term Sharia is “the way”, but it is now widely understood to mean the principles of Islamic law. Sharia is not a finite standard: it is a set of rules, principles and parameters. The primary sources of Sharia are the Chintaman (2014): Quran (the sacred book of Islam believed to record the Word of God as revealed to the Prophet Muhammad). Sunna (the practices of the Prophet Mohammed). The Sunna is found in the series of narrations (Hadith) resulting from dialogue or interaction with the Prophet Muhammad, transmitted by his companions and later collected by scholars (Chintaman 2014). Sharia governs every aspect of a Muslim’s life. A practicing Muslim is required to lead a just and pure life to achieve piety. In this endeavor, a Muslim’s income and expenditure must remain free of impurities (such as the receipt or payment of interest). To do otherwise would be to commit a sin. The need for Islamic finance is therefore a spiritual necessity rather than an economic convenience. Sharia sets out what constitutes “just” and “pure” for a Muslim. While some parts of Sharia are quite specific and incapable of further interpretation, some of its requirements are of wider application and take the form

of principles or guidelines. To that extent, Sharia is therefore subject to a further process of interpretation (Chintaman 2014).

3.2 Principles of Islamic Finance

The following are fundamental principles of Islamic finance that Islamic finance transactions must comply with (Chintaman 2014).

- Prohibition of Interest or Usury
- Ethical Standards
- Moral and Social Values
- Liability and Business Risk.

3.3 Islamic Banks

There is no standard way of defining what an Islamic bank is, but broadly an “Islamic bank is an institution that mobilizes financial resources and invests them in an attempt to achieve predetermined islamically-acceptable social and financial objectives. Both mobilization and investment of funds should be conducted in accordance with the principles of Islamic Shari’a”. (www.albarakah.com, 2014) in Chintaman (2014). The Qur’anic verse “...Allah has permitted trade and has forbidden riba (interest)” (Qur’an 2:275) is the reason why Islamic finance encourages entrepreneurship and trade, and denies riba (interest) in all business transactions. Islamic banks deal in goods and documents, but not in money. Money is used only as a medium of exchange for purchasing assets and then engaging in sale, lease or investment. On the other hand, conventional banks deal with money and documents and ignore goods. Money is treated as goods or a commodity which is purchased and disposed off (Chintaman 2014).

This is well demonstrated in a hadith narrated by Urwa when the Prophet (peace be upon him) gave him one dinar in order to buy a sheep for him. Urwa bought two sheep for him with the money. Then he sold one of the sheep for one dinar, and brought one dinar and a sheep to the Prophet. On that, the Prophet invoked Allah to bless him in his dealings. (Bukhari) If Urwa had borrowed the first dinar with the condition that he would return the dinar plus a sheep that would be pure interest (ribā). By engaging in business and trade, money is converted into something useful which in turn generates legitimate profit for the financier (Chintaman 2014).

Distinct functioning of Islamic Banks (Chintaman 2014):

- Following are the simple steps to be followed in Islamic Banking system (IBS): Money is deposited in a bank and the bank guarantees to return the money. Money can be withdrawn at anytime. Bank may charge you a fee for looking after your money and may pay hibah (gift) to you if it deems fit. This concept is normally used

in deposit-taking activities, custodial services and safe deposit boxes (Chintaman 2014).

- Mudharabah (Profit Sharing)
- Bai' Bithaman Ajil (BBA) (Deferred Payment Sale)
- Murabahah (Cost Plus)
- Musyarakah (Joint Venture)
- Ijarah Thumma Bai' (Hire Purchase)
- Lease-to-Own
- Islamic Forwards.

4 Literature Review

CSR has irreversibly become part of the corporate fabric (Pearce and Doh 2005) in Chintaman (2014). Many organizations have developed a detailed corporate social responsibility (CSR) programs designed to generate goodwill among various stakeholders and to increase market value. Banks are pouring millions of rupees into different kinds of CSR programs and strategies in the race to strengthen their reputation and improve relationships with stakeholders (Chintaman 2014).

4.1 *Notion of CSR*

The impact of CSR on corporate reputation is shaped by how the firm communicates its CSR activities to its external stakeholders and how its activities are reported in the national media and other communication mediums (Rettab et al. 2008) in Abdullah and Azis (2011). Dow Jones Index (2005) defined CSR as a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. business in the Community (BITC) defined CSR as “a company’s positive impact on society and the environment through its operations, productions or services and through its interaction with key stakeholders such as employees, customers, investors and suppliers” (Katsoulakos and Katsoulakos 2006, p. 13). On the other hand, Carroll (1979, p. 500) states that businesses that practice social Responsibility attend to “economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time” (Abdullah and Azis 2011).

4.2 *CSR and Banking Sector*

Banking sector has yield positive impacts of CSR initiatives. A study by Lemke (1987) in Chintaman (2014) reports that a Massachusetts bank succeeded in

promoting new 138 accounts (worth \$11 million) by assisting endangered animal species with donations made to the World Wildlife Fund (WWF). A study conducted by Ararat (2005) in Chintaman (2014) in Middle East and North Africa (MENA) on the notion of “corporate social responsibility” (“CSR”). The reports are prepared as a prologue for a workshop organized by the World Bank (MDF5) which took place in Beirut in 2005. It suggests that it will take some time before the local societies will play a significant role in driving the “CSR” in the region. This change will involve a shift in values towards universal values, a process which will continue to be driven by democratization and globalization. A study by Muhamat (2010) in Chintaman (2014) reveals that one needs to distinguish between ethical banking product and Corporate Social Responsibilities (CSR) and there is much to be learnt for the local Islamic banks from the Cooperative Bank of Britain if one aspires to be a complete bank with ethical banking products.

A Study was conducted by Islam et al. (2010) in Chintaman (2014). It identified the distinctive features of the social Responsibility of banking business in different countries, and also formulated the conclusion that the American model of CSR is the most widespread in the world because of simplicity of its implementation in the short term. A Study by Scholtens (2009) in Chintaman (2014) revealed that the interest of banks to develop the social report and to disclose their CSR policies is increasing.

Many studies were conducted to measure the effect of CSR on financial performance of banks, amount of funding and stock price. The study by Simpson and Kohers (2002) in Chintaman (2014) revealed positive impact of CSR on financial performance. And study by Callad Muñoz and Utrero-Gonzalez (2009) in Chintaman (2014) also endorsed the same result on amount of funding and stock price stability.

Hence, while the virtues of Islam have always advocated social Responsibility, the challenge to Islamic banking communities lies in its application. For Islamic banks, good CSR practices should have already been embedded in all aspects of their operations. Indeed, Islamic banking should endeavor to be the epicenter in the financial galaxy of promoting good CSR practices (Dusuki and Dar 2007) in Wan Jusoh and Uzaimah (2017).

While Islamic banking industry has progressed to become an increasingly considerable segment within the global financial market, it has been renowned as a viable and competitive form of financial intermediation not only in Muslim countries but also outside the Muslim region and offers an extensive range of financial products and services (Dusuki 2008). The basic differences between Islamic banking and conventional banking, is not only in the ways they perform their businesses, but also in terms of all the values which guide Islamic banking whole operations and outlook (Dusuki 2008) in Wan Jusoh and Ibrahim (2017).

5 Data Collection and Methodology

This present study analyzes the CSR practices from Islamic Bank in Indonesia. The rationale behind the selection of Islamic bank is that the similarity of size,

business scale and age. Total two banks selected for this study that are Bank Muamalat Indonesia and Bank Syariah Mandiri. The study is based on the secondary data. The data was collected from annual reports, journals, websites of the banks. According to Chintaman (2014), an objective coding scheme is applied to the data which is commonly known as content analysis. Content analysis method makes the data systematically comparable.

This paper uses qualitative method especially the descriptive qualitative method. Adopted the study of Chintaman (2014), the methodology of this study is use qualitative method with content analysis method. Content analysis which is integrated with Dimension score analysis and then followed by Case Study to explain the implementation of Corporate Social Responsibility in Bank Syariah Mandiri (BSM) and Bank Muamalat Indonesia (BMI). This paper analyzes the annual report in 2016 of Islamic Banking in Indonesia with content analysis method. Islamic banking in Indonesia were reflected by the Bank Muamalat Indonesia (BMI) and Bank Syariah Mandiri (BSM) which have the similarity of size, business scale and age.

According to Chintaman (2014), the key finding of the content analysis of the study of Chintaman are present with the Percentage Scores of various CSR Areas and CSR Activities, but the content analysis in this study with the disclosure of the item and dimension of Corporate Social Responsibility in annual report of Islamic bank. If the item and dimension of Corporate Social Responsibility was explained in annual report get the value of 1 but if the item and dimension of Corporate Social Responsibility was not explained in annual report so get the value of 0.

6 Case Study of CSR Practices

6.1 Case Study of Bank Syariah Mandiri (BSM)

Corporate Social Responsibility (CSR) reflect the commitment of BSM to the environment to give added value to the stakeholder to encourage the growth of the firm. Policy of CSR in BSM is conducting through triple bottom lines which cover economic indicator, environmental indicator, and social indicator. CSR BSM based on 3 pillars which cover Spirituality (Character Building), Nationalism (National Contributor), welfare (Economic Empowerment). In implementing CSR, BSM conduct cooperation with Laznas BSM to conduct channeling of firm zakat fund and implementation of humanity program (Annual Report of BSM 2016; Fig. 2).

Implementation of CSR program in BSM have two sources of fund which cover Zakat, Infak, Shadaqah (ZIS) Fund and Dana Kebajikan (fund of goodness). Zakat channeling was implemented through Program:

- a. Mitra Umat, Didik Umat, and Simpati Umat which refers to 8 ashnaf zakat (mustahik) which cover needy, poor, Amil, Muallaf, Riqab, Gharimin, Fisabilillah, Ibnu Sabil.
- b. BSM Fellowship Program for the orphan and pension employee which is death.

Fig. 2 Graphics of concept scheme of CSR-BSM.
 Source Annual Report BSM (2016)



Zakat fund from BSM through LAZNAZ BSM was distributed in three Programs (1) Program mitra Umat; (2) Program Didik Umat; (3) Program Simpati Umat (Table 1).

Fund of Goodness (Qardhul Hasan/Non-profit Loan)

Qardhul hasan have source from fine, non halal earning, and another social fund. The kind of activity which have distribution of qardhul hasan cover the development/renovation of public facility which cover school, disaster aid, healthy aid, book distribution and computer for the school. Realization distribution of Fund of Goodness (Qardhul Hasan) in 2016 covers Spirituality consist of dakwah and ibadah equipment; Nationalism consist of education, ambulance, operational car, social, public facility; welfare consist of community development and Laznas BSM (Table 2).

CSR Program of Life Environment cover giving the fish seed and plants seed, disaster aid, home renovation and Use material and energy which can recycle.

CSR which is related with labor force, healthy and work safety which cover Facility of life insurance in health and BPJS. Considering Environment aspect in giving credit/financing to the customer.

Gender equality and work opportunity

The rate of work accident is Zero Accident

CRS which is related development of community social.

Table 1 Receiver benefit of Zakat fund 2016

Program	Zakat	
	Individual	Institution
Mitra Umat	–	–
Didik Umat	313	13
Simpati Umat	9347	30
Total	9660	43

Source Annual Report BSM (2016)

Table 2 Realization distribution fund of goodness (Qardhul Hasan) in 2016 (IDR million)

Pilar CSR	Total
Welfare	1,422,576,443
Nationalism	3,548,444,076
Spirituality	3,589,012,250
Laznas BSM	28,430,000,000
Grand total	36,990,032,769

Source Annual Report BSM (2016)

Table 3 Distribution of ZIS LAZNAS BSMU (BSM) fund in 2016

No.	Kind	Corporate	Nominal (IDR)
1.	Disaster	23	237,178,080
2.	Healthy	217	1,815,257,543
3.	Education	199	2,823,374
4.	Social	405	4,753,806,563

Source Annual Report BSM (2016)

CSR activity with Laznas BSM cover Mitra Umat consist of micro entrepreneurship, the young muzakki, kampung berdaya; Didik Umat consist of scholarship and aid for school equipment: Simpati Umat consist of healthy aid and disaster also environment aid.

Development of Umat Economy Program of Education and Training

Program of Community social cover care for dhuafa, Ramadhan care, care for natural disaster, renovation of mosque and school.

Dana kebajikan in Islamic terminology is Qardhul hasan (non-profit loan) (Table 3).

Related with CSR Customer, BSM have target to finish complaint handling from customer.

6.2 Case Study of Bank Muamalat Indonesia (BMI)

Throughout 2016, Bank Muamalat has conducted various targeted and measured CSR program are to achieve a better quality of social, economic and education life for all beneficiaries. The programs cover four activities aspects including Environment, Community Development, Employment, Occupational Health & Safety (K3), as well as Responsibility towards the Customer (Annual Report BMI 2016).

The focus of other Bank Muamalat CSR programs are regarding the Environment and social economic Development. In carrying out the programs, Bank Muamalat cooperate synergically with its affiliates, namely Baitulmaal Muamalat (BMM) and Zakat Management Board (LAZ) on criteria determined by Bank Muamalat. In terms

of Health, Safety and Employment (K3) as well as Responsibility towards customers are conducted and organized independently by Bank Muamalat (Annual Report BMI 2016).

Bank Muamalat implements CSR activities with several funding sources, among others from the company's funds, employees and companies zakat, as well as other halal funds such as infaq and shadaqoh and other sources that cannot be recorded as the banks's revenue (Annual Report BMI 2016).

Responsibility Towards Environment

Internal Green Campaign

Responsibility Towards Social and Society Development.

Empowering community in terms of economic, educational and humanity.

1. Economy—Green Horti Cianjur program based agricultural business program
2. Education—MES-Muamalat Scholarship
3. Humanity
 - a. Proud to give Blood Donation for Indonesia
 - b. Muamalat Sharing the Light of Qurban
 - c. Muamalat Rapid Response
 - d. Infrastructure Donation.

Responsibility Toward Employment, Occupational health, and Work Safety. Disaster Mitigation (Thematic).

Responsibility Toward Customer.

Service excellence relied on the Responsibility toward customer to deliver the extra miles satisfaction to customer. Customer Complaints Handling.

7 Analysis and Findings

The key finding of the content analysis of the study with the disclosure of the item and dimension of Corporate Social Responsibility in annual report of Islamic bank. Dimensions of CSR in this paper according to Chintaman (2014), that explain Dimensions of CSR consist of Modes of CSR Activities, CSR Collaborative Agencies and CSR Beneficiaries.

Table 4 represents the Individual Dimension Scores of the Islamic Banks under study. The implementation of Corporate Social Responsibility in Islamic banking in Indonesia consist of Dimensions of CSR covers Modes of CSR Activities, CSR Collaborative Agencies, CSR Beneficiaries. Modes of CSR Activities consist of Providing Aids/Equipments/booklets etc., Financial Assistance (Non-Zakat Funds), Construction Work, Qard al Hasana, Financial Assistance (Zakat Funds), Cooperation with Other Institutions, Organizing Programmes, and Projects. CSR Collaborative Agencies consist of with NGOs, with Government Agencies, with Charity Organizations, with other Organizations. CSR Beneficiaries consist of Educational

Activities, Training and Skill Development, for differently abled, to Needy, Down-trodden, for Marriage, for Medical Treatment, for Diversified Activities, for Medical equipments, for Prisoners, for Fishermen, for People affected by Natural Calamity, for Zakat Fund Campaign, for Traffic Awareness, for Religious Activities, for Retiring Employees, for Heritage Club, for Women, Employment to Nationals, For Sports, For other Events and Festivals, For Environmental Education.

Bank Syariah Mandiri (BSM) and Bank Muamalat Indonesia (BMI) conduct Dimensions of Modes of CSR Activities in 2016 for all item (7 item). Modes of CSR Activities consist of Providing Aids/Equipments/booklets etc., Financial Assistance (Non-Zakat Funds), Construction Work, Qard al Hasana, Financial Assistance (Zakat Funds), Cooperation with Other Institutions, Organizing Programmes, Projects. Bank Syariah Mandiri (BSM) conduct Dimensions of CSR Collaborative Agencies in 2016 for one item that is With Charity Organizations. Charity Organizations for BSM is Laznas BSM. Bank Muamalat Indonesia (BMI) conduct Dimensions of CSR Collaborative Agencies in 2016 for 3 item that is With NGOs that is Zakat Management Board (LAZ), With Charity Organizations that is Baitulmaal Muamalat (BMM), With Other Organizations that is MES. Bank Syariah Mandiri (BSM) conduct Dimensions of CSR Beneficiaries for almost of all item except For Differently abled, For Marriage, For Prisoners, For Traffic Awareness, For Heritage Club, For Sports. Bank Muamalat Indonesia (BMI) conduct Dimensions of CSR Beneficiaries for almost of all item except For Differently abled, For Marriage, For Prisoners, For Fishermen, For Traffic Awareness, For Retiring Employees, For Heritage Club, For Women, For Sports.

Table 5 represents total the Individual Dimension Scores of the Islamic Banks under study which show that total disclosure of implementation Corporate Social Responsibility in Bank Syariah Mandiri in 2016 is 23 which is consist of dimensions of Modes of CSR Activities is 7 item, CSR Collaborative Agencies is 1 item and CSR Beneficiaries is 15 item. Total disclosure of implementation Corporate Social Responsibility in Bank Muamalat Indonesia in 2016 is 22 which is consist of dimensions of Modes of CSR Activities is 7 item, CSR Collaborative Agencies is 3 item and CSR Beneficiaries is 12 item. Therefore the implementation of Corporate Social Responsibility in 2016 from Bank Syariah Mandiri is better than implementation of Corporate Social Responsibility in 2016 from Bank Muamalat Indonesia.

According to Abubakar (2016), the research finds that the concept of social Responsibility (CSR) requires businessmen and corporations to direct the operations of an economic system so as to fulfill the expectations of the public. That is to say, production and distribution are required to be conducted in such a way that will improve total socio-economic welfare of the public. Furthermore, CSR from Islamic perspective requires business men and corporations to safeguard the interests and welfare of the society as a whole and this is in line with maqasid al-Shari'ah. Moreover, it is found that several Islamic financial institutions are involved in activities that promote corporate social Responsibility, such as payment of Zakat to the needy, charity takaful product, donations, program funding and institutions of social services, training students, and protecting the environment.

Table 4 Individual dimension scores of Bank Syariah Mandiri (BSM) and Bank Muamalat Indonesia (BMI) in 2016

Dimensions	BSM	BMI
<i>Section 1: Modes of CSR Activities</i>		
Providing aids/equipments/booklets etc.	1	1
Financial assistance (non-Zakat funds)	1	1
Construction work	1	1
Qard al Hasana	1	1
Financial assistance (Zakat funds)	1	1
Cooperation with other institutions	1	1
Organizing programmes, projects	1	1
Total Section 1	7	7
<i>Section 2: CSR Collaborative Agencies</i>		
With NGOs		1
With government agencies		
With charity organizations	1	1
With other organizations		1
Total Section 2	1	3
<i>Section 3: CSR Beneficiaries</i>		
Educational activities	1	1
Training and skill development	1	1
For differently abled		
To needy, downtrodden,	1	1
For marriage		
For medical treatment	1	1
For diversified activities	1	1
For medical equipments	1	1
For prisoners		
For fishermen	1	
For people affected by natural calamity	1	1
For Zakat fund campaign	1	1
For traffic awareness		
For religious activities	1	1
For retiring employees	1	

(continued)

Table 4 (continued)

Dimensions	BSM	BMI
For heritage club		
For women	1	
Employment to nationals	1	1
For sports		
For other events and festivals	1	1
For environmental education	1	1
Total Section 3	15	12

Source Annual Report BSM (2016) and BMI (2016)

Table 5 Total individual dimension scores of Bank Syariah Mandiri (BSM) and Bank Muamalat Indonesia (BMI) in 2016

No.	Dimension of corporate social responsibility (CSR)	Bank Syariah Mandiri (BSM)	Bank Muamalat Indonesia (BMI)
1.	Modes of CSR activities	7	7
2.	CSR collaborative agencies	1	3
3.	CSR beneficiaries	15	12
	Total	23	22

Source Annual Report BSM (2016) and BMI (2016)

8 Conclusions

Implementation of Corporate Social Responsibility in Islamic banking in Indonesia which were reflected by Bank Muamalat Indonesia and Bank Syariah Mandiri through social function and all dimensions of Corporate Social Responsibility consist of Modes of CSR Activities, CSR Collaborative Agencies, CSR Beneficiaries. Total disclosure of implementation Corporate Social Responsibility in Bank Syariah Mandiri in 2016 is 23 which is consist of dimensions of Modes of CSR Activities is 7 item, CSR Collaborative Agencies is 1 item and CSR Beneficiaries is 15 item. Total disclosure of implementation Corporate Social Responsibility in Bank Muamalat Indonesia in 2016 is 22 which is consist of dimensions of Modes of CSR Activities is 7 item, CSR Collaborative Agencies is 3 item and CSR Beneficiaries is 12 item. Therefore the implementation of Corporate Social Responsibility in 2016 from Bank Syariah Mandiri is better than implementation of Corporate Social Responsibility in 2016 from Bank Muamalat Indonesia.

References

- Abdullah, Z., Abdul Azis, Y.: Managing corporate reputation, stakeholder relations, and corporate social responsibility: a southeast Asian perspective. *Int. J. Econ. Manag.* **5**(1), 299–318 (2011)
- Abubakar, Y.S.: Corporate social responsibility of Islamic financial institutions: a look from the Maqasid Al-Shariah (Purpose Of Shariah) approach. *Bus. Econ. J.* (4) (2016). <https://doi.org/10.4172/2151-6219.1000255>
- Bank Syariah Mandiri: Annual Report. <https://www.syariahamandiri.co.id> (2016)
- Bank Muamalat Indonesia: Annual Report. www.bankmuamalat.co.id (2016)
- Carroll, A.B.: A three-dimensional conceptual model of corporate performance. *Acad. Manag. Rev.* **4**(4), 497–505 (1979)
- Chintaman, S.A.: A comparative study of CSR practices of Islamic banks and conventional banks in GCC region. *J. Islamic Banking Fin.* **2**(1) (2014)
- Frederick, W.C.: The growing concern over business responsibility. *California Manag. Rev.* **2**, 54–61 (1960)
- Hummels, H.: Organizing ethics: a stakeholder debate. *J. Bus. Ethics* **17**(1) (1998)
- Katsoulakos, P., Katsoulakos, Y.: A multi-dimensional view of corporate responsibility. Working paper, Athens University of Economics and Business (2006)
- Pearce, J.A., Doh, J.P.: The high impact of collaborative social initiatives. *Sloan Manag. Rev.* **46**(3), 30–39 (2005)
- Rettab, B., Ben, B.A., Mellahi, K.: A study of management perceptions of the impact of corporate social responsibility on organisational performance in emerging economies: the case of Dubai. *J. Bus. Ethics* **89**(3), 371–390 (2008)
- Vinten, G.: The stakeholder manager. *Manag. Decis.* **38**(6), 377–383 (2000)
- Wan Jusoh, W.N.H., Uzaimah I.: Corporate social responsibility of Islamic banks in Malaysia: arising issues. *Islamic Econ. Stud.* **25**, 155–172 (2017). <https://doi.org/10.12816/0036188>