

CORPORATE SOCIAL RESPONSIBILITY ANALYSIS THROUGH SHARIAH ENTERPRISE THEORY APPROACH IN AN EFFORT TO REALIZE GOOD CORPORATE GOVERNANCE

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Article History

Received: 14-01-2022

Revision: 23-03-2022

Accepted: 19-04-2022

Published: 29-04-2022

Abstract. *The purpose of this study is to analyze the implementation and disclosure of Corporate Social Responsibility (CSR) at Bank Muamalat Indonesia (BMI) with the concept of Shariah Enterprise Theory in an effort to realize Good Corporate Governance (GCG). This study uses descriptive qualitative research methods with Bank Muamalat Indonesia (BMI) as the object of research. The data collection method used is a document study, while the data source in this study comes from secondary data, obtained through the BMI annual report in 2012, especially the CSR and GCG BMI reports in 2012. The result of this study is that BMI has applied the concept of Shari'ah Enterprise Theory to its social activities with regard to vertical accountability and horizontal accountability (indirect stakeholders and nature) on its social responsibility report. As for horizontal accountability to direct stakeholders explained in the corporate governance report on human resources, but the application of horizontal accountability to nature is still very little. The application of sharia enterprise theory concept to the implementation and disclosure of BMI CSR has an impact on social activities carried out will be based on the law or Islamic shari'ah to get the pleasure of Allah and to create GCG on BMI.*

Keywords: *Corporate Social Responsibility, Good Corporate Governance, and Shariah Enterprise Theory*

Abstrak. Tujuan dari penelitian ini adalah menganalisis pelaksanaan dan pengungkapan Corporate Social Responsibility (CSR) pada Bank Muamalat Indonesia (BMI) dengan konsep Shariah Enterprise Theory dalam upaya mewujudkan Good Corporate Governance (GCG). Penelitian ini menggunakan metode penelitian kualitatif deskriptif dengan Bank Muamalat Indonesia (BMI) sebagai objek penelitian. Metode pengumpulan data yang digunakan adalah studi dokumen, sedangkan sumber data dalam penelitian ini berasal dari data sekunder, yang didapatkan melalui annual report BMI tahun 2012, khususnya laporan CSR dan GCG BMI tahun 2012. Hasil dari penelitian ini adalah BMI telah menerapkan konsep Shari'ah Enterprise Theory pada kegiatan sosialnya dengan memperhatikan akuntabilitas vertikal dan akuntabilitas horizontal (indirect stakeholders dan alam) pada laporan tanggung jawab sosialnya. Sedangkan untuk akuntabilitas horizontal kepada direct stakeholders dijelaskan pada laporan tata kelola perusahaan pada bagian sumber daya insani, namun penerapan akuntabilitas horizontal terhadap alam masih sangat sedikit. Penerapan konsep Shariah Enterprise Theory pada pelaksanaan dan pengungkapan CSR BMI berdampak pada kegiatan sosial yang dijalankan akan berlandaskan sesuai hukum atau syari'at Islam untuk mendapatkan ridha Allah dan untuk menciptakan GCG pada BMI.

Kata Kunci: Corporate Social Responsibility, Good Corporate Governance, dan Shariah Enterprise Theory

How to Cite: R. Nur, S & Puspitasari, N. (2022). Corporate Social Responsibility Analysis Through Shariah Enterprise Theory Approach in an Effort to Realize Good Corporate Governance. *Indo-Fintech Intellectuals: Journal Economics and Business*, 2 (1), 01-08. <http://doi.org/10.54373/ifijeb.v2i1.68>

INTRODUCTION

Corporate Social Responsibility Disclosure (CSRD) has received attention for the Indonesian government as evidenced by the issuance of the Law of the Republic of Indonesia No. 40 of 2007 and investment law No. 25 of 2007. CSR is a social responsibility that is not only a social activity in the form of charity or the giving of goods or money to the community, CSR has a very broad scope that ensures the welfare of stakeholders (internal and external parties of the company). (Praswoto, Joko, Huda, 2011). Many large and older companies invest their considerable effort and money for information disclosure in the implementation of their CSR. Companies use annual reports as a tool to disclose social accountability and serve as a means of communication to increase public attention to the company. (Susanto & Joshua, 2018).

The company's better reputation will increase public confidence so that it can increase the company's profits. A high level of public trust will make the community continue to use the products offered by the company and also the community will support the company's production activities. This will certainly have an impact on increasing the company's profits. In addition, CSR is useful as a medium of corporate communication with various audiences. Various CSR activities carried out by the company can be used for good means of communication with the community.

CSR disclosure is also carried out by shari'ah banking. Shari'ah banking in operation must adhere to the values and ethics of the Shari'ah business, as well as for CSR reporting carried out. Meutia (2010: 3) Shari'ah banks should have more spiritual dimensions than conventional banks. The spiritual dimension here is done by providing welfare to society at large, especially weak economic communities, so the spiritual dimension here is not just running non-riba business. In addition, CSR reporting carried out by shari'ah banks is not only to carry out legal orders but also to prosper the community and all stakeholders.. Menurut Meutia (2010) Csr disclosures made today aim to increase profits for owners, using theories that are still thick with selfish and materialist capitalist values, namely legitimacy theory and stakeholder theory. So these theories are not worth using to disclose CSR reporting on Islamic financial institutions, especially shari'ah banks.

CSR disclosure is one form of implementation of the concept of good corporate governance (Good Corporate Governance or GCG). The implementation of GCG is expected to be a directive for business people to manage the relationship of all parties in the company (stakeholders). (Selvia et al., 2018). The implementation of good corporate governance and corporate social responsibility can be a positive indicator of the company's performance, this

is because the company not only has profit goals but also guarantees the company's continuity. (Hamzah, 2016). The Islamic banking industry in Indonesia has experienced significant development in the past decade. It is characterized by the ever-increasing growth of its assets and its mockup share. Therefore, to maintain consistency and momentum, Islamic banking must always improve the corporate governance system in order to be more competitive compared to existing conventional systems. A good governance system will certainly maintain and increase public confidence in the management and operations of Islamic banking institutions. (Rama & Novela, 2015).

From the description above, it can be known the understanding, benefits, and relationship between CSR and GCG, especially in Shari'ah banking. Thus CSR and GCG are important to be carried out by shari'ah banking. CSR is a social responsibility carried out by companies as a result of activities and policies taken, in an effort to realize GCG as an implementation of the principle of responsibility. (Syafaat & Nurfitriani, 2019). The implementation and disclosure of CSR and GCG in shari'ah banking must be in accordance with Islamic values, so that in this study will be reviewed the implementation and disclosure of CSR and GCG in shari'ah banking, namely Bank Muamalat Indonesia (BMI) with the concept of Shariah Enterprise Theory. (Riyanto & Adriani, 2021). BMI is the first shari'ah bank in Indonesia and is not a unit of conventional banks, bmi is a pioneer of shari'ah banks in Indonesia, so BMI continues to forge itself for the better, continuously trying to grow with the times by sticking to the values and ethics of the shari'ah business. (Nabilah et al., 2019). In addition, BMI continues to contribute to improving the economy of society professionally so that it can provide tangible benefits to society. Thus, BMI deserves to be the object of research because it has a longer experience than other shari'ah banks. The study used bmi annual reports in 2012, particularly in CSR and GCG reports.

METHOD

This research uses qualitative methods of description i.e. research methods that analyze and compare between data with the actual circumstances that are happening on the subject or object of the study and further try to provide problem solving. (Widi, 2010). This study describes the current situation in the object of the study, namely Bank Muamalat Indonesia (BMI). In this study, reviewed CSR reporting on BMI with the concept of Shariah Enterprise Theory. In addition, it also reviews CSR with sharia enterprise theory approach as an implementation of GCG.

The type of data used in this study is qualitative data which is data presented with words that have meaning. While the source of the data in this study is secondary data obtained through the BMI annual report in 2012. Secondary data on the study is the 2012 CSR and GCG BMI report. In addition, secondary data is obtained from literature, literature, the internet, previous research and reading sources related to this study to add insight into researchers about CSR, GCG, and Shariah Enterprise Theory.

In this study analyzed the level of conformity of Corporate Social Responsibility Disclosure (CSRD) of shari'ah banking with the concept of Shariah. Enterprise Theory to realize Good Corporate Governance (GCG) at BMI. The steps taken by researchers in this study are as follows: (1) Reading and analyzing annual reports in particular BMI CSR and GCG reports, (2) Identifying and making descriptive analyses of what information BMI discloses in its social responsibility report. It aims to find out how csr implementation in BMI, (3) The next stage is to review CSR reporting on BMI based on the concept of Shariah Enterprise Theory. The purpose of this stage is to determine the conformity between CSR disclosures that have been done with the concepts in Shariah Enterprise Theory, (4) Review CSR reporting on BMI based on sharia enterprise theory concept in an effort to realize GCG.

RESULTS

The results of this research, seen from the side of BMI shareholders, are: Islamic Development Bank (IDB) which holds 32.74% of BMI shares, Saudi Economy and Development Cooperation (Sedco Group) which holds 24.87%, Doubyan Bank with a total shareholding of 19.03%, National Bank of Kuwait with BMI share ownership of 6%. In addition, the ANNUAL BMI report is also accompanied by photos of activities to visually describe the activities that BMI has done.

The *Corporate Social Responsibility* Program that has been implemented by BMI is, (1) Kafala Orphan Program is a community empowerment program, which is devoted to orphans, orphans and families of victims of the tsunami earthquake disaster in Aceh. This program is a cooperation program, between the Islamic Development Bank (IDB), the Organization of Islamic Cooperation (OIC) and a number of Amil Zakat Institutions. One of the LAZ that received the mandate to run the program was Baitulmaal Muamalat. (2) Islamic Solidarity School (ISS) is an integrated educational facility intended for orphans victims of the Aceh tsunami. The school was built by the Islamic Development Bank (IDB) in collaboration with the Aceh Besar Regional Government. And (3) Islamic Development Bank (IDB) also funded the establishment of a graphic vocational high school located in Lhoong, Aceh Besar. The

school is called Madinah Al Munawaroh Solidarity School (MMS). At the end of the BMI Social Responsibility Report presented the BMM Fund Change Report. During 2012 the funds raised by BMM from zakat, infaq bound, infaq unbound, waqf, non-halal funds, and amil amounted to Rp 34,836,013,893, while the amount of use of funds in 2012 amounted to Rp 34,082,936,150.

The results of the report related to Good Corporate Governance (GCG), BMI has applied 5 GCG principles, namely: transparency, accountability, responsibility, professional, fairness. One of them is about the application of the responsibility principle, so that the GCG report is also slightly reviewed about BMI CSR activities. This principle has been through an assessment of the implementation of GCG BMI in 2012. (Ridhwan & Wijaya, 2016).

DISCUSSION

Analysis of CSR disclosure on BMI with sharia enterprise theory approach to answer the second problem formulation of this study. According to (Meutia, 2010) The most appropriate theory for disclosing CSR reporting on shari'ah banks is the concept of Shariah Enterprise Theory. Shariah Enterprise Theory itself is a theory where Allah as the main source of trust, Allah is the creator and owner of all available resources. Stakeholders are entrusted to manage and distribute resources fairly and wisely in accordance with the provisions of the Trustee. The concept of Shariah Enterprise Theory was proposed by (Triyuwono, 2009), This concept offers a process of accountability not only to man and nature (enterprise theory), but also primarily to God. So that the appropriate theory in the disclosure of CSR reporting on shari'ah banks is Shariah Enterprise Theory, because this theory emphasizes broader accountability, namely horizontal accountability and vertical accountability. (Amaroh, 2016).

In GCG BMI practice, the principle of responsibility implemented by CSR activities is associated with the concept of Shariah Enterprise Theory. For BMI, csr implementation is not only a form of social responsibility and concern for the environment, more than that CSR is a practice of GCG. This can be seen in BMI's 2012 Annual Report on Social Responsibility, which is stated as follows: "For BMI, the implementation of corporate social responsibility, or better known as Corporate Social Responsibility (CSR), is not only a form of social responsibility and concern for the surrounding environment, but also part of good corporate governance practices (GCG). (Farida, 2018). Therefore, BMI manages CSR activities in a transparent, equitable and accountable manner through the existence of Baitulmaal Muamalat (BMM), a BMI affiliate established for social activities." The implementation of GCG BMI is

expected to be asset management can be done with the principle of high prudence and business that is carried out in accordance with applicable ethical standards so as to create high accountability and transparency.(Abadi et al., 2020).

Understanding and application of GCG in Shari'ah banking is expected to be in accordance with Islamic values, as well as the theory used. According to (Chinn, 2000) Theories that are often used to understand the application of GCG are agency theory and stewardship theory. Before knowing which theory is in accordance with the shari'ah bank, we first see the understanding of GCG, which is a system of corporate governance that regulates the fulfillment of the interests of all stakeholders fairly. Based on the understanding of GCG, agency theory is not appropriately used for shari'ah banking because this theory has not been able to regulate the fulfillment of the interests of all stakeholders fairly.(Ghofur & Sukmaningrum, 2018).

CONSLUSION

The information presented in BMI's social responsibility report is about Baitulmaal Muamalat (BMM) which is BMI's representative in carrying out social activities, namely in managing and disbursing ZIS funds and Non-ZIS funds. In addition, various social activities that have been carried out by BMI through BMM are presented as many as 30 pages and accompanied by photographs as documentation of the activities that have been carried out. It is also presented in a two-column and two-language format, i.e. Indonesian on the left and English on the right position. The use of English because overseas shareholders also participate in BMI social activities.

Shariah Enterprise Theory is an ideal concept for expressing CSR reporting in shari'ah banking. BMI has applied the concept of Shariah Enterprise Theory to its social activities with due regard to vertical accountability and horizontal accountability (inderect stakeholders and nature) on its social responsibility reports. As for horizontal accountability to derect stakeholders described in the corporate governance report on human resources, but the application of horizontal accountability to nature is still very little done by BMI. In addition, social activities carried out by BMI are still widely carried out in large cities, so small cities in the area have not been able to feel the significant impact of BMI social activities.

The application of shariah enterprise theory concept to bmi CSR implementation and disclosure results in good GCG at BMI. Bmi CSR implementation pays attention to three stakeholders, God, humans, and nature, all BMI CSR activities are carried out to get God's pleasure. With this, all activities carried out by BMI, especially social activities, will be based

on Islamic law or shari'ah to get the pleasure of Allah and can create GCG on BMI. In addition, the concept of Shariah Enterprise Theory can also be used to understand GCG in Shari'ah banking.

RECOMMENDATIONS

Researchers suggest that BMI adds to social activities aimed at nature. BMI has paid attention to nature in CSR activities, but the activities that BMI does for nature are still very few. In addition, it also adds social activities in small cities and in various regions so that the impact of social activities carried out by BMI is felt also by the community in the region. This research is expected to give an idea of Shari'ah banking in general and about CSR, GCG and sharia enterprise theory concepts in particular. It is expected that researchers can further research similar topics or conduct research with similar methods to this study. In this research the object studied is shari'ah banking is expected for further research to examine the concept of sharia enterprise theory in other shari'ah financial institutions, because the concept of sharia enterprise theory can not only be applied in shari'ah banking. The addition of research objects is also very necessary so that the results of research conducted can be generalized for similar institutions. In addition, the addition of research time is needed so that the results of the study are much better. (Wandriani, 2017).

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