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The Impact of Good Corporate Governance, Company Size nn Corporate Social Responsibility Disclosure: Case Study of Islamic Banking in Indonesia

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Abstrak

Pengungkapan Corporate Social Responsibility (CSR) sangat penting bagi perbankan syariah, terutama dalam jangka panjang. Pengungkapan CSR diharapkan dapat meningkatkan reputasi perusahaan, sehingga kinerja perusahaan dapat meningkat. Pengungkapan CSR sangat dekat dengan penerapan Good Corporate Governance di perusahaan. Tujuan *dari penelitian ini adalah untuk menganalisis pengaruh elemen tata kelola perusahaan (GCG) dan ukuran perusahaan terhadap pengungkapan Corporate Social Responsibility (CSR) dengan menggunakan indeks Islamic Social Reporting (ISR). Ada 10 bank syariah di Indonesia dari tahun 2011-2014 yang menjadi sampel penelitian, maka ada 40 laporan tahunan yang ditentukan melalui purposive sampling. Metode penelitian ini menggunakan content analysis untuk mengevaluasi pengungkapan CSR dengan menggunakan indeks ISR. Sedangkan regresi panel digunakan untuk mengetahui pengaruh unsur GCG (dewan komisaris, komisaris independen, dewan pengawas syariah, dan dewan direksi) dan ukuran perusahaan terhadap pengungkapan CSR. Analisis regresi menunjukkan bahwa proporsi dewan komisaris independen memiliki pengaruh negatif terhadap pengungkapan CSR di perbankan syariah. Temuan penelitian ini menunjukkan bahwa komisaris independen tidak mampu memberikan pengawasan yang maksimal terhadap perusahaan. Hal ini dipengaruhi oleh kurangnya kualitas yang dimiliki, dan rangkap jabatan yang dimiliki oleh komisaris independen di perusahaan lain. Sedangkan, ukuran perusahaan berdampak positif terhadap pengungkapan CSR, karena ketatnya regulasi dan persepsi masyarakat. Temuan penelitian ini dapat menjadi masukan penting bagi regulator untuk mengatur dengan benar terkait dengan jumlah komisaris independen, kualifikasi dan ISR sebagai alat dalam mengungkapkan CSR mereka.*

Kata Kunci*: Tata Kelola Perusahaan, Ukuran Perusahaan, Keterbukaan CSR, Pelaporan Sosial Islam.*

Abstract

Corporate Social Responsibility (CSR) disclosure is very important for Islamic banking, especially in the long term. CSR disclosure is expected can improve the reputation of the company, thus the performance of the company can increase. CSR disclosure is very close with the implementation of Good Corporate Governance in the company. The objectives of this research is to analyze the influence of the elements of good corporate governance (GCG) and company size on corporate social responsibility (CSR) disclosure by using Islamic Social Reporting (ISR) index. There are 10 Islamic banks in Indonesia *as the sample of the research, from 2011 to 2014, then there are 40 annual reports that are determined through purposive sampling. Method of this research uses content analysis to evaluate CSR disclosure by using ISR index, whereas panel regression is employed to know the influence the elements of GCG (commissioners' board, independent commissioners, shariah supervision board, and directors' board) and company size on the CSR disclosure. The regression analysis suggest that the proportion of independent board of commissioners has negative effect on the CSR disclosure in Islamic banking. This research finding shows that independent commissioner is not able in providing maximum supervision on the company, which is affected by the lack of quality, and the dual job of independent commissioners at another company. While, company size has positive impact on the CSR disclosure, due to the strict regulation and society perception. This research finding may serve as an important input for the regulator to regulate properly related to the number of independent commissioner, its qualification and Islamic Social Reporting as a tool in disclosing their CSR.*

Keywords: *Good Corporate Governance, Company Size, CSR Disclosure, Islamic Social Reporting.*

INTRODUCTION

Corporate Social Responsibility is a discourse that raises in economics and business field. This phenomenon becomes something needs to be disclosed in financial statement as an evidence that there is a real CSR activity in that business. Fitria and Hartanti (2010) explain that CSR disclosure has been applied in capital market by stock index that has been practiced CSR. For example: New York Stock Exchange has *Dow Jones Sustainability Index* (DJSI), London Stock Exchange with *Socially Responsible Investment* (SRI) *Index, Financial Times Stock Exchange* (FTSE) has FTSE4Good, Hanseng Stock Exchange and Singapore Stock Exchange (Effendi, 2009).

The main idea of CSR is to create a company into triple bottom-line concept that include finance, social and environment. Single bottom-line concept as a value of company through financial statement is not relevant in this age because it is only profit oriented without caring about others aspect (Putri, 2014). This CSR practically has been used in many public companies in Indonesia. This global trend of CSR also has been applied in banking industry include Islamic banking. Islamic banking as a financial institution which is operated based on shariah principles needs to pay attention for this CSR because it is related to pursuit of shariah as basic concept of that Islamic banking.

Expansion of CSR disclosure in Islamic economics will improve society awareness on shariah based industries especially Islamic banking. Moslem entrepreneurs should to show that they run business properly with Islamic law. Haniffa and Hudaib (2002) advice to make full disclosure on financial statements that are relevant and contain reliable information which can lead Moslem stakeholder to make decision both of economic decision and religious decision. Thus, they can manage accountability to Allah SWT and society (Othman and Thani, 2010).

Generally, companies use Global Reporting Initiative (GRI) Index in CSR disclosure. However, as the shariah based companies develop, the usage of index in CSR disclosure in shariah based companies need to be adapted, to make it more relevant. Haniffa (2002) argues that the index which is more relevant in CSR disclosure for shariah based companies is called Islamic Social Reporting (ISR) Index. There are many research that develop this index, such as a research done by

Othman and Thani (2010) with 43 items and Hafiez et al (2012) with 38 items.

CSR disclosure has tight relationship with Good Corporate Governance (GCG) concept in company. This concept has main point of internal balances and external balances. Internal balances include company's organ. They are General Meeting of Shareholders, Commissioner, and Director. External balance is a responsibility of companies to society and stakeholder (Dipika, 2014).

To the best of author's knowledge, research of ISR in Islamic bank is very limited in Indonesia. Some of research has been conducted in other countries, but have inconsistent results. Therefore, it encourages to the researcher to discuss again the influence of GCG's elements (Commissioner, Independent Commissioners, Shariah Advisory Board, and Directors) and size of company to CSR disclosure with ISR index method. The result of course, can contribute significantly into the development of CSR disclosure in Islamic Banking. In addition, this study also can bridge the gap of theory and practice of CSR disclosure.

The structure of this paper is as follows. The following section describes concept of GCG and Islamic Social Reporting Index. Following it, discuss the hypothesis development and explains research methodology. Next is to discuss the estimation results and ended with the conclusion.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Concept and Structure of Good Corporate Governance (GCG)

The term of *Good Corporate Governance* (GCG) is used for the first time in 1970 after the corruption case of two of big companies in US that are Enron Corporation and WorldCom (Abdullah, 2010). World Bank defines *Good Corporate Governance* (GCG) as compilation of law, regulation, and rule that must be obedient and it is able to support the performance of company resources to be more efficient in getting long term and economic value sustainability for shareholder and society (Effendi, 2009).

The implementation of GCG is needed to build the trust of society, national and international, as an absolute requirement for banking to grow well. Structure of governance in Islamic bank has been arranged in Peraturan Bank Indonesia Nomor 11/33/PBI/2009 (PBI-2009). This rule can support Islamic banking industry to implement GCG well, that will create strong industry.

Islamic bank has to implement good corporate governance based on five principles; those transparency, accountability, responsibility, independence, and fairness (PBI Nomor 8/4/PBI/2006 in Jundiani, 2009). It means that those principles are so important because banking industry is industry base on trust (uqud al-amanah). Thus justice and honest are very important.

Implementation of GCG that is appropriate with shariah rule in Islamic banking is very important to do. Laws of Islamic banking do not mention about who has responsibility of that implementation explicitly, but, it is implicitly mention about regulation of fit and proper test. In paragraph 30 subsection (1), there is an explanation that fit and proper test propose to guarantee competence, credibility, integrity and implementation of GCG from owner, management, and supervision board. So, it means that Shareholder, Board of Director, Board of Commissioner, and Shariah Supervision Board (SSB) have a responsibility of the implementation (Abdullah, 2010).

Kasri (2009) explains that the main difference of GCG in Islamic and conventional system is on philosophy that covers purpose of company, type of contract involvement, key player in practice of GCG, and relationship between that key players. In Islam, practice of GCG is an obligation for the Moslem to Allah SWT; it will create implicit contract between human and Allah, and explicit contract between human. However, practically, the difference GCG between Islamic and conventional system is minor (Raditya, 2012).

This research uses number of Commissioner Board, proportion of Independent Commissioner, number of Shariah Supervision Board, and number of Director Board. Commissioner Board is an organ of company that does monitoring generally and especially based on consideration and gives advice to Director (UU No 40/2007).

PBI-11/3/PBI/2009 explains that Islamic banks organize obligation of Commissioner Board member and Director Board member to qualify integrity, competence, and financial reputation. The duty of Commissioner Board of Islamic banks are to monitor the task and responsibility of Director Board, and give advice to Director.

According to the laws, the people who will be Commissioner need to have fiduciary duties to company about stock ownership. Thus, the activity that has conflict of interest will be prohibited (Sutedi, 2011). Utama (2007) explains that governance system in Indonesia tell that commissioner board and director board in managing company have to give priority for company interest. It means that not only shareholder's interest but also stakeholder's interest have to be paid attention.

Number of independent commissioner must be up to 50% from all number of commissioner board. It has purposes to create well and more objective environment and to put fairness and balance among some interests include minority shareholders and stakeholders (Jundiani, 2009). Effendi (2009) says that independent commissioner has function as balancing power for making decision by commissioner board. Board of director and board of commissioner are chosen by shareholder in General Meeting of Shareholders. Role of director and commissioner are very important and significant to determine the success in implementation of GCG. In Islamic banking, there is also shariah supervision board that is very important in implementing shariah compliance.

Shariah supervision board has a function for monitoring shariah principle in running of Islamic bank independently. SSB is affiliated party and part of bank (Muhammad, 2011). Lewis and Algoud (2005) in Abdullah (2010) explain that SSB is important because SSB need to ensure that the bank operate the business appropriately with shariah principle and most of Ulama have opinion that distinc of Islamic principle can minimize the incentive problems. It has impact to trust of customer and investor of Islamic bank because it is related to reputation. CSR disclosure based on ISR index has some main disclosure related to shariah compliance structure, payment of zakah, and others that have relationship with roles of SSB in Islamic bank. Minimum number of SSB are 3 persons (AAOIFI standard), more number of SSB can improve the effective and consistent monitoring of shariah principle and minimize asymmetric information (Rahman and Bukair, 2013). Whereas, minimum number of SSB in Indonesia is 2 persons (PBI 2009).

Director board at least has 3 person and maximum number is based on bank needed (PBI-2006). Susilo and Simarmata (2007) explain that management that must be done by Director board related to implementation of GCG are to arrange guideline and work mechanism, to run bank as professional, to ensure the running function of compliance director and internal audit unit in implementation of internal control, to ensure implementation of risk management effectively, and to ensure the fund availability (Abdullah, 2010).

Board of Director also must keep transparency based on banking operational standard which has been determined by Basel Committee on Banking Supervision (BCBS), Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Islamic Financial Service Board (IFSB), or supervision authority. This principle is reflected from the information delivered honestly to all stakeholders that have many interests (Chapra and Ahmed, 2008). Furthermore, the existence of director board that has priority in transparency has impact to disclosure on financial statement.

The size of company is showed by total of asset, total of sales, average of total sales, and average of total assets. In fact, many research show the consistence and significance from impact of total asset. Generally, the big company will have high cost with complex information. So, disclosure of that company is larger to guarantee transparency in GCG. A big company also becomes center of attention then there is pressure of politics that influence company to do CSR. More of CSR disclosure can reduce politics cost for company (Dipika, 2014).

Development of *Islamic Social Reporting (ISR) Index*

CSR is a commitment of company to contribute in sustainability economic development by paying attention to CSR and put priority into balancing between economics, social and environment (Untung, 2008). According to World Business Council on Sustainable Development (WBCSD), CSR is a commitment of company to do behavioral ethics and contribute to sustainability economic development (Effendi, 2009).

Reporting system that consist of CSR information as triple bottom line reporting, that are statement which provides financial performance, environment, and social from company. The purpose is in order to make stakeholder get more comprehensive information to evaluate performance, risk, business prospect, and sustainability of company (Lako, 2011). Matthews (1997) explains that content analysis served in complete and comprehensive CSR report gives clear indication about how far company responsible to stakeholder (Raditya, 2012). Meanwhile, Abu Tapanjeh (2009) says that the highest accountability for Moslem is to Allah SWT and just between human.

Full disclosure principle in accounting expects that financial statement can provide full information. However, this principle is explained more in many standards which regulate it. Generally, there are three definitions of disclosure, they are full disclosure, adequate disclosure, and fair disclosure. Accounting standard is very conservative because it gives obligation to use adequate disclosure only (Harahap, 2008).

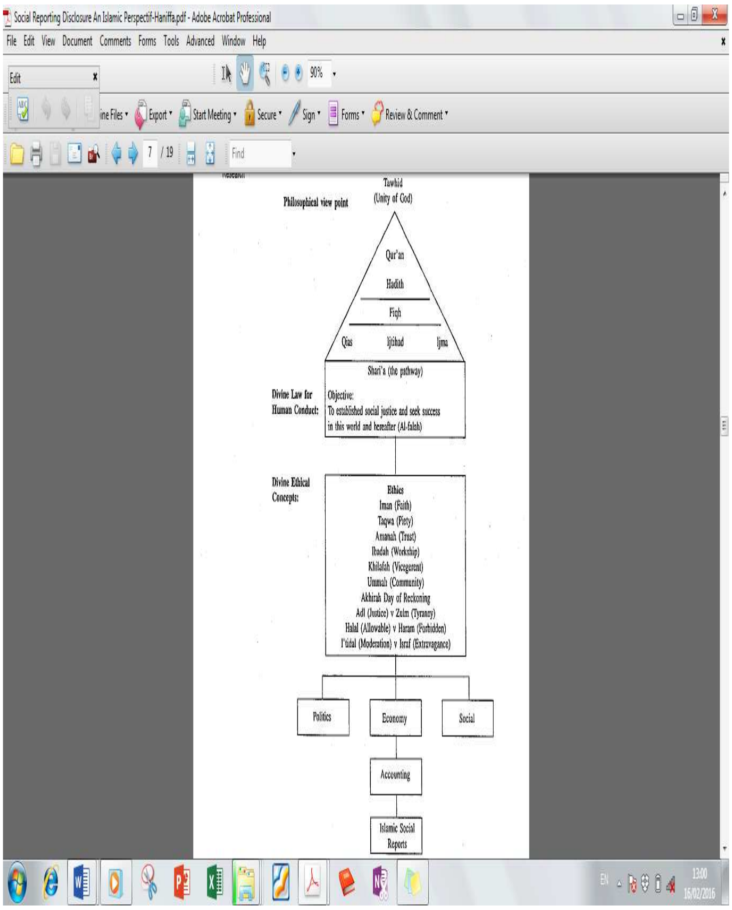
Lako (2011) suggests company in Indonesia to adapt *Sustainability Reporting Guideliness* (SRG) from *Global Reporting Initiative* (GRI) for year 2000, 2002, and 2006 (G3) to start using financial statement based on triple bottom line reporting because there is no guide from government and Indonesian Accountant Association about it. Then, Haniffa (2002) says that it is needed special framework for CSR reporting that appropriate with Islamic principle. That framework is useful not only for Moslem decision maker, but also for company based on shariah principle to fulfill obligation to Allah SWT and society. This framework is named *Islamic Social Reporting* (ISR). Shariah principle is a basic from of comprehensive ISR. This principle result material, moral, and spiritual aspects that become main focus from CSR reporting.

ISR concept is created by Ros Haniffa in 2002 in his article *"Social Reporting Disclosure: An Islamic Perspective"*. This concept is developed by Rohana Othman, Azlan Md Thani, and Erlane K Ghani in 2009 in Malaysia and it is still developed by many researchers. ISR index consists of disclosure items which are used as indicator of reporting of social performance in Islamic institution. Haniffa (2002) arranges five disclosures themes of ISR index, they are finance and investment, product and service, employee, society, and environment. Then Othman et al. (2009) developed it by adding one theme that is corporate governance.

The frame below explains about ISR index that is developed by Haniffa (2002):

Picture 1

Frame of ISR index



Based on frame above, we can see that tauhid is a basic in Islam. In hierarchy, resource of shariah principle is coming from Al Qur'an, hadis, fiqih, and other resources such as qiyas, ijtihad, and ijma. This principle focus to stand up social justice and achieve the success in this world and hereafter (al falah). Ethics concept in Islam is formed based on shariah principles. Ethics values in Islam consist of ten-concepts which are relationship between human and Allah, human and human, and human and environment. Ten concepts are *iman (faith), taqwa (piety), amanah (trust), ibadah (workship), khilafah (vicegerent), ummah (community), akhirah day of reckoning, adl (justice)* and *zulm (tyranny), halal (allowable)* and *haram (forbidden)*, and *I'tidal (moderation)* and *israf (extravagance).*

Shariah principle not only consist of ethics concept in Islam, but it also consist the direction of daily life such as politics, economics, and social aspects. ISR based on those frame above is in economics aspect, especially accounting aspect. Thus, ISR is reporting frame of CSR based on shariah principle.

This research uses ISR frame which is arranged from some previous research with main reference from Othman et al (2009). There are six disclosures themes in this research for ISR frame, they are: *First,* finance and investment. Basic of this theme is about tauhid, halal and haram, and obligation. Haniffa (2002) says that there are operational practices which are needed such as practice about riba, gharar, and zakah management. Othman et al (2009) added policy of overdue credit payment and client bancruptcy, current balance sheet, and value added statement. Then Haniffa and Hudaib (2007) say that other added aspect is type investment by Islamic bank and finance project (Gustani, 2015).

Second, products and services. Othman et al (2009) explain that some aspects in this theme are halal status of products and services and consumer complaint. Haniffa and hudaib (2007) also said to add about definition of all products and contracts which base on the product. Because it needs the explanation about the name of product in order to be undestood by people (Gustani, 2015). *Third,* employees. Ethics concept of amanah and justice are basic for everything about employees. According to Haniffa (2002) and Othman and Thani (2010), Moslem want to know that employees are treated fairly and in justice by disclosure information. Haniffa (2002) and Othman *et al.* (2009) explain some related information with employees, those are work time, holiday, employee benevolent, and training and education. Other aspects are remuneration, equality, gender, health, safety, contribution in company policy, physical defect employee, pray room, time for pray activity, and welfare and number of employee (Haniffa and Hudaib, 2007 in Gustani, 2015).

Forth, community. *Ummah, amanah*, and *adl* are the basic concepts of this theme. This concept give main point in sharing and caring society. The aspects consist of sadaqah, waqf, and benevolence fund (Haniffa, 2002). Then, Othman et al (2009) give some more aspects, they are volunteer from employee, scholarship, internship, youth development, improving poverty's welfare, children, social activities, healthy, entertainment, sport, culture, education, and religion.

Fifth, environment. The basic concepts of this theme are *mizan, I'tidal, khalafah,* and *akhirah.* This concept emphasizes in balance, simplicity, and responsibility to save environment. Disclosure information of this theme are environment conservation, no pollution, environment education, award, and system management of environment (Haniffa, 2002; Othman *et al*, 2009; Haniffa and Hudaib, 2007).

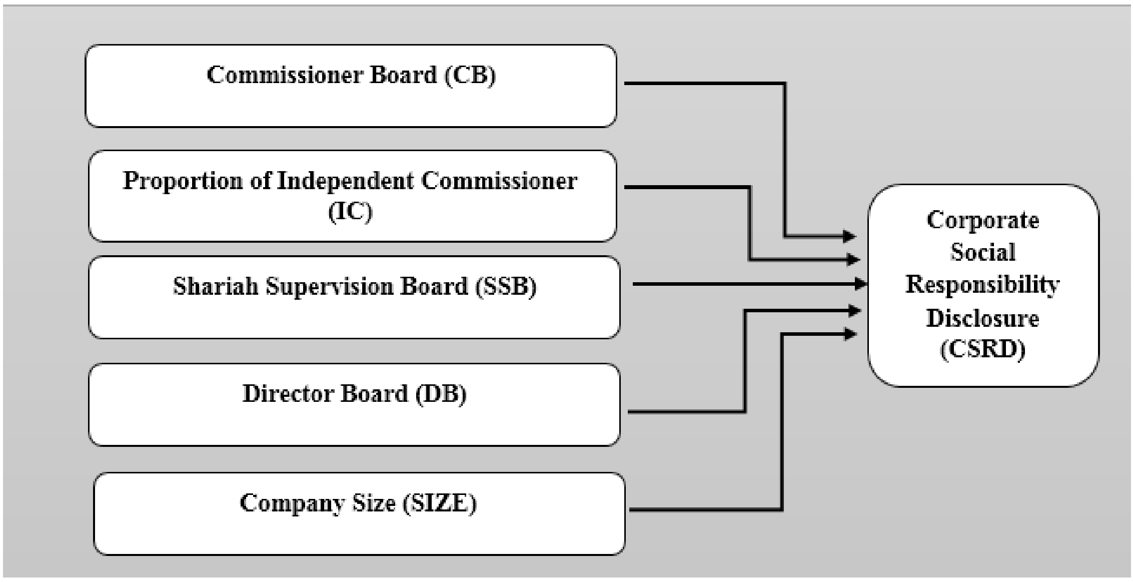
Sixth, corporate governance. Basic concept of this theme is *khalifah.* The information of this theme are shariah compliance, profile of director, SSB and commissioner, performance statement, remuneration policy, statement of non halal revenue and usage, statement of law case, stock ownership structure, anti-corruption policy, and anti-terrorism.

HYPOTHESIS DEVELOPMENT

Based on explanation before, the framework of this research is:

Picture 2

Research Framework



a. Commissioner Board and CSR Disclosure

Commissioner board has the highest structure after stock holder in management. Commissioner board has duties to monitor performance of director and give advice to director

(Sembiring, 2005). Greater number of commissioner board will improve performance monitoring. This is appropriate with previous research by Sembiring (2005), he said that commissioner board has positive influence to CSR disclosure in conventional company. Khoirudin (2013) also showed that commissioner board has positive influence to ISR disclosure in Islamic banking in Indonesia. Based on previous research, the hypothesis that can be developed is:

H1: Number of commissioner board influences positive significantly to CSR disclosure

b. Proportion of Independent Commissioner and CSR Disclosure

Muntoro (2006) says that independent commissioner is needed to improve independence of commissioner board to shareholder interest and put on company's interest in priority. If number of independent commissioner increase, the ability of commissioner board in making decision to save stakeholder and to put on company in priority will be more objective (Untoro, 2013). Some previous research from Haniffa and Cooke (2002) said that proportion of independent commissioner will affect significantly to CSR disclosure. Therefore, the hypothesis is:

H2: Proportion of Independent Commissioner influences positive significantly to CSR disclosure

c. Shariah Supervision Board (SSB) and CSR Disclosure

SSB consists of *ulama* who are expert in shariah that will be responsible to monitor Islamic bank's activities and to ensure about its shariah compliance. Islamic banking has intrinsic superiority in ethics through its shariah. It encourages and charges industries to contribute in business which is responsible in social, capital, and ethics (Abdullah, 2010). Farouk and Lanis (2005) through their research about transparency of CSR disclosure in shariah banking around the world gave the result that Islamic governance affected positive significantly to

CSR disclosure. Variable of Islamic governance consists of SSB, greater number of SSB will increase CSR disclosure.

Chariri (2012) shows that Islamic corporate governance affects to CSR disclosure in Islamic banking in Asia. Conclusion of that research is SSB affects to CSR disclosure. Greater number of SSB will make monitoring of shariah principle and CSR disclosure can be more effective. The hypothesis is:

H3: Number of SSB influences positive significantly to CSR disclosure

d. Director Board and CSR Disclosure

Empiric studies show that number of board director affect to monitoring, controlling, and disclosure. Board of director has role in implementation of company operation professionally and has to pay attention to all stakeholders. Board of director also has main function to determine strategic goal and principle which are became benchmark of Islamic bank. This is in line with CSR concept, that CSR is also strategic management that has long term impact to company sustainability. So, greater number of director board can improve CSR disclosure level. Previous research about director board and CSR disclosure has been done by Oktafia and Khairin (2014). The hypothesis of this statement is:

H4: Number of Director Board influences positive significantly to CSR disclosure

e. Company size and CSR Disclosure

Commonly, company with large size will make CSR disclosure larger than small company because of its ability of large company and legitimation. Social activity expect can affect internal and external parties who have interest in that company. Sembiring (2005) explains that company size is used in many research as variable to show variation of financial statement disclosure. It is related to agency theory that large company has higher agency cost, then company will disclose more information to minimize agency cost. Sembiring (2005), Lestari (2013), and Dipika (2014) have same result with this statement. The hypothesis is:

H5: Company size influences positive significantly to CSR disclosure.

RESEARCH METHODOLOGY

a. Sample

The samples of this research are ten Islamic Banks which fullfil some criterias: 1) Islamic Banks that issued the annual report from December 31 2011 to 2014; 2) Islamic Banks that provide information on CSR and the related variables in the annual report for the period 2011-2014. The data used in this research is secondary data. This data collected from the annual reports and GCG reports GCG in 2011-2014, press releases, and other documents related to the company's social activity.

b. Research Variables

The dependent variable in this study is the level of CSR (symbol ISR) in the annual report measured by the value of the ISR index. This value is obtained from the content analysis. Content analysis is done by creating a list of ISR index according to Othman et.al (2009) and developed by Fitria (2010), which consists of 58 items of disclosure. ISR used consists of six categories, namely finance and investment theme, product and service theme, employee theme, society (community involvement) theme, the theme of environment and corporate governance theme.

The independent variables in this study consisted of elements of good corporate governance and company size. GCG element proxied by the size of board, size of independent board, size of sharia supervisory board, and the size of the board of directors.

c. Research Technique

The data analysis was conducted using the method of content analysis and panel regression analysis. Content Analysis is the method of collection of research data through observation and analysis of the content or message of a document (journals, reports). Destination Content Analysis is the identification of the characteristics or specific information contained in a document to produce a description that is objective and systematic (Indriantoro and Supomo, 2014: 159). Content analysis (content analysis) using scoring or weighting approach in order to assess the social performance conducted and reported by a research object. Each execution and reporting of social activities will be assigned a value (score) "1" and if it is not reported to be rated "0".

While the technique of multiple regression analysis (multiple regression analysis) aimed to test the data have been obtained through SPSS 16.0. The equation of multiple regression analysis in this study is as follows:

$$ISR = a + \beta_1 DK + \beta_2 KI + \beta_3 DPS + \beta_4 DD + \beta_5 SIZE + \bar{e}$$

Where:

ISR = ISR Disclusure

a = Constant

 = Regression Coefficient

DK = Size of Commissioners

KI = Proportion of Independent Commissioners

DPS = Size of Syariah Advisory Board

DD = Size of Board of Directors

SIZE = Company Size

ē = *Error Term*

RESEARCH FINDING AND DISCUSSION

a. Research Finding

According Widarjono (2009: 231), there are at least 3 types of panel regression approaches are: (1) Common Effect approach; (2) Fixed Effect; (3) Random Effect. In the selection of the best model, Chow test is used to compare between common effect and fixed effect, Hausman test to compare between fixed effect and random effect, and Lagrangian Multiplier test to compare between common effect and random effect.

Lagrangian Multiplier Test can be done if Chow test shows that the best method is common effect than fixed effect. So the next step in determining whether the common effect is better than the random effect used Lagrangian Multiplier test. In addition, if the Hausman test shows that the best method is a random effect rather than a fixed effect. Therefore, to determine whether the random effect is better than the common effect, it is also necessary to test the Lagrange Multiplier.

The results of the Lagrange Multiplier test are as follows:

There are several approaches in conducting Lagrangian Multiplier test with Breusch-Pagan approach, Honda, King-Wu, and GHM. The Lagrangian Multiplier test has the following hypothesis:

H0: the model follows the common effect

Ha: model follows random effect

Based on Breusch-Pagan approach can be obtained the result that the value of P-value is 0.1226> 0.05 (at alpha 5%). So the decision is to accept H_0 where the best model is the common effect.

Table 1

Lagrangian Multiplier Test Result

Null (no rand. effect)	Cross-section	Period	Both
Alternative	One-sided	One-sided	
Breusch-Pagan	٢,٣٨٣٣٨٠	١,٢٩٢٨٧٦	٣,٦٧٦٢٥٦
	(0.1226)	(0.2555)	(0.0552)
Honda	١,٥٤٣٨٢٠	١,١٣٧٠٤٧	١,٨٩٥٦٥٩
	(0.0613)	(0.1278)	(0.0290)
King-Wu	١,٥٤٣٨٢٠	١,١٣٧٠٤٧	١,٧٥٦٦٢٢
	(0.0613)	(0.1278)	(0.0395)
GHM	--	--	٣,٦٧٦٢٥٦
	--	--	(0.0674)

After the model selection test, it is obtained that the best model is the common effect model as follows:

Table 2

Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.900.169	0.480356	-3.955.754	0.0004
DK	-0.003942	0.023314	-0.169097	0.8667
KI	-0.312835	0.121629	-2.572.048	0.0147
DD	-0.013406	0.026645	-0.503123	0.6181
DPS	0.082779	0.045528	1.818.180	0.0779
SIZE	0.080399	0.018063	4.451.098	0.0001
R-squared	0.775122	Mean dependent var		0.367750
Adjusted R-squared	0.742052	S.D. dependent var		0.164402
S.E. of regression	0.083498	Akaike info criterion		-1.990.516
Sum squared resid	0.237043	Schwarz criterion		-1.737.184
Log likelihood	4.581.033	Hannan-Quinn criter.		-1.898.920
F-statistic	2.343.867	Durbin-Watson stat		1.626.026
Prob(F-statistic)	0.000000			

The F-statistic value of 0.000 <0.05 (at 5 percent alpha) indicates that the variables of board of directors, independent directors, shariah supervisory board, board of directors and the size simultaneously affect the CSR disclosure. While, the t test results are presented in the following table:

Table 3

T test Result

Variable	Coefficient	*P-value*	Decision (α = 5%)	Conclusion
C	-1.900169	0.0004	Accept	Has No effect
DK	-0.003942	0.8667	Accept	Has No effect
KI	-0.312835	*0.0147	Reject	Has Effect
DD	-0.013406	0.6181	Accept	Has No effect
DPS	0.082779	**0.0779	Accept	Has No effect
SIZE	0.080399	*0.0001	Reject	Has Effect

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The coefficient of determination (Adjusted R-Squared) shows the figure of 0.742 which means that the variable of CSR disclosure can be explained by the variable board of directors, independent directors, shariah supervisory board, board of directors and the size of 74.2%, while the remaining 25.8% is explained by other variables out of the study (table 2).

The regression equation based on the above table is as follows:

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Variable board of commissioners has no effect on the disclosure of CSR at alpha 5%. It can be concluded that the first hypothesis is rejected (0.8667> 0.05), independent commissioner variables negatively affect the disclosure of CSR at alpha 5%. It can be concluded that the second hypothesis is rejected (0.0147 <0.05), variable board of directors has no effect on the disclosure of CSR at alpha 5%. It can be concluded that the third hypothesis is rejected (0.6181> 0.05), variable shariah supervisory board affect the disclosure of CSR at alpha 5%. It can be concluded that the hypothesis is rejected four (0.0779> 0.05). Variable size affect the disclosure of ISR at alpha 5%. It can be concluded that the hypothesis is accepted to five (0.001 <0.05).

b. Discusssion

According to the agency theory, the BoC has the highest position after the shareholders in the order management (Trisnawati, 2014). So expect more the number of commissioners, the performance monitoring is increasing and positive effect on the disclosure of CSR. Sutedi (2011) says there are several trends that exist in Indonesia, one of which is the superior position of the board of directors, so the directors reluctant to share authority and does not share enough information for others. Competence and integration commissioners quite weak, this can happen because of the appointment of the commissioners only by the award alone. Thus, in practice no longer based on responsibility and mandate, so as not sufficiently encourage broader disclosure.

In addition, according to the Utama (2007) in a speech to the measurement of a great teacher FEUI also explained that the system of governance in Indonesia said the board of commissioners and directors in managing the company must put the interests of the company, which implies that not only the interests of shareholders to consider, but also the interests of stakeholders other (in accordance with the concept of CSR). However, the appointment of the two organs through the AGM, the necessary organs that support CSR in particular, such as CSR committee or the expansion of existing organs such as the expansion of the role of the audit committee.

In fact, if we look from the understanding, GCG aims to enable companies to run efficiently and generate sustainable long-term economic value for the company and society as a whole (Effendi, 2009). However, in practice the board of directors which is an element of GCG itself only has the rule on the basis of the regulation and not on the substance of accountability that has been the teachings of Islam taught mankind.

Trisnawati (2014) also states that the CSR policy is a strategic step of the management and board of directors are not involved directly against the policy. The results of this study are in line with research conducted by Ramdhaningsih and Main (2013) and Pramono (2013) that the commissioners had no effect on the disclosure of CSR. Another similar study was also conducted by Untoro (2013), Trisnawati (2014), and Dipika (2014) with a sample of the banking company. Thus, contrary to the results of this research study conducted by Sembiring (2005), Chariri (2012) and Khoirudin (2013).

In the agency theory, the separation of ownership with company management agency can lead to conflict. Such conflicts may occur because of the management by the owners have conflicting interests which may cause management to commit fraud. Intensive supervision so that fraud can be minimized needs to be done, so that independent board is required to do that. Independent board does not come from an affiliated group, so expect the greater the composition of the board of commissioners, the better to take an objective decisions included in protecting all stakeholders (Dipika, 2014). It is also expected to encourage the disclosure of CSR more widely.

Independent commissioners allegedly not been able and effective in providing maximum control in the company. In addition, the appointment of an independent commissioner is possible only for reasons not due to regulatory accountability, so there is no incentive supposed effectiveness of an independent commissioner. It also may be caused by disclosure of CSR is voluntary and the existence and consideration of costs and also benefits from CSR. Thus, when a high proportion of independent commissioners, the more consideration and coordination carried out, which in the end the company did not do a full disclosure related to CSR.

In addition, the dual tasks of independent directors in other companies could also be the cause of ineffectiveness. Independent commissioner is also not uncommon selected by the management so that its independence in monitoring not optimal. Despite having the average is quite high at 71%, showing that the proportion of independent directors in compliance with the applicable regulations (at least 50% of the number of commissioners), but the independent directors have not been able to do their jobs effectively because there is no big role independent commissioner against disclosure carried out by Islamic banks and majority shareholders still plays quite larger than the independent commissioner.

These results support the research conducted by Lestari (2013) in his study of Islamic banks in Indonesia in 2010-2011 and Oktafia and Khairin (2014) that an independent commissioner has no effect on the disclosure of CSR. There is a possibility of the presence of independent directors only driven by regulatory pressures, so it will encourage them to give priority to the interests of shareholders rather than stakeholders and does not encourage independent commissioner to oversee the management of the company. This can have a negative impact on the implementation of CSR. Existence of sharia banking industry in Indonesia has not been tested. This means that Islamic banks have relatively little experience in the publication of the financial statements.

Research conducted by Chariri (2012) and Dipika (2014) also showed similar results that the independent board proved negative effect on CSR disclosure. This study therefore provides different results with previous research conducted by Nurkhim (2009) with a sample of companies listed on the Stock Exchange in 2007.

Sharia Supervisory Board (DPS) consists of the scholars of sharia experts, responsible for overseeing the activities of Islamic banking and ensure compliance with the rules and principles of sharia. The success of DPS perform its function very influential for the confidence of stakeholders (Abdullah, 2010). Their DPS is also expected to provide a boost for the company to produce quality financial statements and in accordance with sharia. DPS members often occupy multiple memberships of more than one Islamic bank, making it possible conflict of interest between the Islamic financial institutions. In addition to the interest relating to compliance with sharia, Islamic bank stakeholders also have a financial interest. So that Islamic banks are also facing the agency theory as a result of information asymmetry. With no significant effect, so much or the least amount of DPS does not affect the broad disclosure of CSR. Due to the amount of DPS that there are only about 2 to 3 people in a fairly large company, all information concerning the fatwa and sharia advice delivered by DPS not guaranteed to be known by the general public. The results support the research conducted by Khoirudin (2013) and Dipika (2014) which states that the DPS does not affect the disclosure of CSR.

Empirical studies show that the number of boards of directors have an impact on the supervision, control and disclosure. The more the number of members, then it can increase the value of the company because they prove that the company has members with diverse expertise. Instead, have large numbers of members may also result in a negative impact on the decision making, a huge cost, coordination to resolve the issue, and the ineffectiveness of the management top level

(Akhatruddin et al., 2009; Jensen, 1993; Bukair and Rahman , 2015).

Islamic principles teach that a Muslim and the organization is a responsibility that should be implemented as well as possible. So it makes no difference for better disclosure on banks that have a number of directors little or much. Therefore, in the context of Islamic banks, it is likely that the number of board of directors has no effect on the disclosure of CSR (Bukair and Rahman, 2015: 510).

The results are consistent with research conducted by Bukair and Rahman (2015) which states that the corporate governance structure does not affect the disclosure of CSR with one variable's board of directors. Another study conducted by Oktafia and Khairin (2014) also show that the size of the board is likely not play a role in monitoring, but with smaller amounts it can be more effective monitoring mechanisms. Instead of this study is different from the research conducted by Majeed et.al. (2015) which showed that the number of board of directors of a significant effect on the disclosure of CSR in companies listed on the Karachi Stock Exchange (KSE) Pakistan.

The size of companies is one important measure that has been widely used to describe various disclosures in the annual reports of companies (Sembiring, 2005). If related to the agency theory, the large companies will have greater agency costs so that they would reveal information more widely to reduce agency costs. The results of testing this hypothesis indicates that the probability value for the size of the company of 0.00 with a regression coefficient of 0.080. Because the probability value is less than the alpha (0.05), it can be concluded that the size of the company's significant positive effect on CSR disclosure.

Legitimacy theory explains that the company and the surrounding communities have close social relations as both are engaged in a "social contract". According to the theory of social contract, the existence of the corporation in an area for political support and guaranteed by government-issued regulatory mechanisms as well as the parliament is also a representation of society (Lako, 2011).

Companies with a larger size has a more complex regulatory mechanisms with huge costs and public concern. So as to reduce the cost of major political in the future to popular demand, the company's social activities beneficial to the community so that the company can easily be accepted and supported by the community.

In this study, the size of the firm measured by total assets. Companies with total assets of great maturity age, generally have a positive cash flow and has good prospects for the long term. In addition, large companies got more attention from the public, so the pressure to do more social responsibility activities. Thus the additional disclosure may improve the public perception of the company (Pramono, 2013).

The results support the research conducted by Isa and Muhammad (2015) on food company in Nigeria, Sembiring (2005) in companies listed on the Jakarta Stock Exchange, as well as research Bukair and Rahman (2015) conducted on Islamic banks in GCC countries and Dipika (2014) conducted on Islamic banks in Indonesia. However, this study contradicts the results of research Lestari (2013) which concluded that company size does not affect the disclosure.

CONCLUSION

The number of commissioners has no effect on the disclosure of social responsibility on Islamic banking in Indonesia in 2011-2014. The proportion of independent board of commissioners has negative effect on the social responsibility disclosure in Islamic banking in Indonesia in 2011-2014. Number of sharia supervisory board does not affect the disclosure of social responsibility on Islamic banking in Indonesia in 2011-2014. Number of the board of directors does not affect the disclosure of social responsibility on Islamic banking in Indonesia in 2011-2014. Size companies significant positive effect on social responsibility disclosure in Islamic banking in Indonesia in 2011-2014.

This research finding shows that Independent Commissioner is not able in providing maximum supervision on the company.

It is affected by the lack of quality, and the dual job of independent commissioners at another company. While, company size has positive impact on the CSR disclosure, due to the strict regulation and society perception. This study also implies that Banks that have not made the disclosure of social responsibility in order to improve reporting in the next period, because the disclosure of social responsibility has long-term impact. While banks are already doing well disclosure, in order to continue to be consistent and take notice disclosure also relates to spirituality.

GCG structure that exists in Islamic banking's is not merely regulation based, but also their sense of responsibility as a leader (caliph), thus practices and CSR disclosure can be better. Governments and regulators such as the Financial Services Authority and Bank Indonesia by standard setters such as AAOIFI, IFSB, and IAI (Institute of Accountants Indonesia) jointly establish strict regulations and is clearly associated practices and disclosure and supervisory actions CSR in companies in Indonesia, especially Financial Institutions Sharia (LKS). Therefore, the practice and disclosure of CSR in Indonesia is increasing, especially Indonesia as one of the countries with the largest Muslim population.

Further research can use other additional variables that can affect the disclosure of CSR with an index approach ISR outside variables performed in this study. The addition of the sample by comparing the Islamic banks from other countries can also be done, as in other Muslim countries such as Malaysia, Pakistan and Bahrain are reviewing many related disclosure of CSR in Islamic banks. Further research relating to the annual report of sharia banks in Indonesia still needs to be improved, because there is still a lot of information that needs to be studied from the reporting and disclosure of sharia banks.

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