

**DISCLOSURE AND IMPLEMENTATION OF CORPORATE SOCIAL  
RESPONSIBILITY (CSR) INDONESIAN SHARIA BANK IN ISLAMIC  
RELIGIOUS INSTITUTIONS IN BUTON ISLANDS  
(Case Study at BSI KCP Baubau)**

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**ABSTRACT**

The purpose of this study was to determine the disclosure and supporting factors for the implementation of CSR BSI Baubau Unit at Islamic religious institutions in the Buton Islands. The results of this study found that CSR disclosure at BSI KCP Baubau was mostly carried out by government institutions, namely the Office of the Ministry of Religion and State Madrasah and the supporting factors for CSR implementation were due to the cooperation agreement, the availability of CSR funds, and the establishment of good communication between the BSI KCP Baubau and other institutions. the. The greater the number of civil servant customers who borrow (credit) at BSI KCB Baubau, the greater the disclosure and implementation of CSR funds at the institution concerned in the Buton Islands.

**Keyword:** Disclosure, Support, Corporate Social Responsibility, Financial Performance.

**INTRODUCTION**

The idea of corporate responsibility has evolved. Initially, the responsibility was only addressed to the capital holders, so that the responsibility was only

financial. However, in line with the increasingly global understanding of human beings, accountability is also experiencing expansion. Global understanding brings company awareness that their existence lies

not only in the strength of capital, but also in other aspects, such as acceptance by the community and support of natural resources. The company's responsibility that experienced this expansion was later known as corporate social responsibility or Corporate Social Responsibility (CSR).

There are three important aspects for which the company is responsible, as Elkinton wrote in Sudaryanti and Riana (2017) which later became known as The Triple Button Line (TBL), namely profit (seeking profit), people (community empowerment), and planet (maintenance of natural conservation). ). There are several theories that try to explain the reasons why companies implement CSR. The three theories that are often used are legitimacy theory, stakeholder theory, and agency theory.

The three theories have different emphases in explaining the reasons why companies do CSR. The legitimacy theory emphasizes the company's need for recognition of their existence, while the stakeholder theory explains the scope of the company's recognition of the existence of parties outside the

company and all their interests outside the company. Agency theory explains the company's actions in implementing CSR in terms of the motivation of managers (agents) as CSR implementers. The three theories explain the same point regarding the reasons for CSR companies, namely that CSR will have a positive impact on companies.

There have been many studies linking CSR with financial performance with mixed results. Putri's research (2014) shows that CSR has a significant effect on ROE (Return On Equity) but does not have a significant effect on ROE (Return On Assets) While Habibah and Muthmainah (2013) show CSR has no effect on ROE, ROA, Net Profit Margin (NPM), Capital Adequacy Ratio (CAR). Husnan's research (2013) is in contrast to Putri's research (2014) that CSR has no significant effect on ROE but has a significant effect on ROA.

Research by Sudaryanti and Riana (2017) on CSR disclosure on the company's financial performance, in fact all hypotheses are rejected. This shows that not always what has been considered positive for the community by the

company, the community will also respond positively. Therefore, it is necessary to match the perspective between the company and the community, so that CSR will meet the expectations of both parties. Khaerunisa (2019) in his research on the Analysis of the Effect of CSR on the Performance of Islamic Commercial Banks in Indonesia, shows that there is a significant effect of investment and financial indicators, labor indicators, social indicators, and organizational governance indicators on ROE. To improve financial performance and disclosure of social performance, preferably through annual reports or other communication media. Another study on the financial performance of Islamic banking, conducted by Pratama, et al (2018), shows that CSR disclosure has an insignificant positive effect on the financial performance of Islamic banking, because some Islamic banks do not prioritize CSR disclosure compared to manufacturing companies that are directly related to the surrounding community.

Some of these studies, in principle, conduct a study of CSR disclosure on the financial

performance of manufacturing companies and Islamic banking. In general, CSR disclosures on financial performance vary through a quantitative research approach. Therefore, the authors are interested in conducting a mini research in the form of qualitative research on CSR disclosure in Islamic banking in Baubau City, namely the Islamic Sharia Bank (BSM) which in the author's observation the bank conducts socialization to prospective customers while disclosing CSR in attracting sympathy. customers in religious institutions that are characterized by Islam.

## **LITERATURE REVIEW**

### **Stakeholder Theory**

Stakeholder theory explains that the company is not an entity that only operates for its own sake, but must provide benefits to its stakeholders (shareholders, creditors, consumers, suppliers, government, society, analysts, and other parties). Thus the existence of a company is strongly influenced by the support provided by stakeholders to the company (Ghozali and Charir, 2007).

According to Ullman, the company and its management act

and report according to the wishes and strengths of different stakeholder groups (Auliyah and Basuki, 2021). This theory explains that every company applies stronger ethics to stakeholder satisfaction which demands special activities from ethical corporate behavior (Ibrahim, and Arif, 2020).

So, the implication of seeking stakeholder support is broader organizational accountability as financial performance by providing benefits to partner agencies, or their customers. Likewise, BSI chooses to voluntarily disclose financial performance information for its mandatory efforts to meet the actual expectations recognized by its stakeholders through CSR disclosure reporting activities to partner agencies or their customers.

### **Legitimacy Theory**

Legitimacy theory is part of the organization that seeks to bring harmony between the social values inherent in activities and behavioral norms that exist in the community system. The theory of legitimacy in the sense of O'Donovan (2002), is an idea or thought about the harmony between company operations and societal norms.

Legitimacy theory asserts that

companies try to convince people that they run their business according to the norms, rules, social contracts that apply in which they operate so that their activities are accepted by outsiders as "legitimate" (Deegan, Rankin, & Tobin, 2002). As people's expectations change over time, organizations must also make disclosures to show that they have changed in line with societal expectations (Deegan, Rankin, & Tobin, 2020).

So, organizations or companies should always try to ensure that they operate in accordance with the norms prevailing in society and gain legitimacy in society. Likewise, BSI conducts CSR programs in addition to disclosing and utilizing CSR to partner agencies, or its customers also gain legitimacy and acceptance by the community while improving the financial performance of the bank concerned.

### ***Corporate Social Responsibility***

Improving the welfare of the surrounding community can be done through Corporate Social Responsibility (CSR). CSR is a social action taken by the company to the community. Therefore. Corporate

CSR is here to assist the government in dealing with various social problems such as environmental pollution, unemployment, poverty, minimal health facilities, education, and so on.

According to Mardikanto (2014) that corporate responsibility in the CSR concept does not only cover the corporate environment, but CSR has a fairly broad field of ideas regarding ethics and sustainability at the market and local levels. Budiastuti (2012) states that CSR is closely related to sustainable development where a company carries out its business.

The scope of CSR according to Kotler and Lee in Pratama (2018) states that there are six initiative programs as a form of CSR commitment, including (1) cause promotions, providing fund contributions or raising funds to increase awareness of social problems, (2) cause related marketing, a form of company contribution by setting aside income as donations for certain social problems, (3) corporate social marketing, companies assisting the development and implementation of certain behavioral changes that have a negative impact, (4) corporate

philanthropy, company initiatives to contribute directly to a charitable activity, usually in the form of a donation or cash. This corporate philanthropy is usually carried out by organizations, (5) community volunteering, the company provides assistance and encouragement to its employees and business partners to be involved in helping the surrounding community, (6) social responsible business practices, this is a company initiative to adopt and conduct certain businesses and investments aimed at improving the quality of the community and protecting the environment.

CSR is the commitment of the company or the business world to contribute to sustainable economic development by paying attention to corporate social responsibility and emphasizing the balance between attention to economic, social and environmental aspects (Untung, 2009). According to The World Business Council for Sustainable Development (WBCSD), Corporate Social Responsibility or corporate social responsibility is defined as a business commitment to contribute to sustainable economic development through collaboration with employees and their representatives, their

families, local communities and the general public to improve quality. life in a way that is beneficial for both the business itself and for development (Shahnaz, 1998).

In essence, CSR is the value or soul that underlies the company's activities in general, because CSR becomes a comprehensive foothold in economic, social, welfare, and environmental aspects. Therefore, CSR includes four main foundations that are interrelated with each other, as Rahmatullah (2011) wrote, including the basic foundations of CSR in terms of: (1) economic activities, (2) environmental issues, (3) social issues, and (4) welfare issues.

The basic foundations of CSR in terms of social issues, include ensuring the health of employees or affected communities, not employing children, having a positive impact on society, protecting consumers, upholding diversity, maintaining privacy, conducting charity practices as needed, being responsible for the outsourcing process and off-shoring, access to goods at reasonable prices.

The implementation of ethics can be seen from the company's responsibility to the surrounding environment to improve the welfare

of the surrounding community as well as social welfare responsibility for its employees. Carrying out the practice of generosity in the current context of CSR, social activities are needed by companies to maintain their reputation.

Philanthropy (generosity) in Indonesia is still relatively new, especially those related to finance. Philanthropy can be described as gifts by companies for charitable causes for such things as promoting education, helping victims of natural disasters, and donating to health care programs and welfare services (Godfrey 2005; Seifert, Morris, & Bartkus, 2004). Philanthropy is usually not related to a company's economic activities or legal requirements but outside of these two phenomena. Carroll (1979) discusses the four stages of CSR, namely economics, law, ethics, and discretion. Philanthropy is a discretionary activity.

Philanthropy is considered as an action that utilizes high quality resources (resource optimization) for company resilience (Cavalli et al., 2008). This philanthropic practice in the form of practice is manifested in voluntary giving in the form of alms, and waqf as a form of love. This study

adds philanthropy as the implementation of CSR. The mass media first raised philanthropy in 1990 as a form of community mobilization to care for others.

The benefits of CSR according to Mardikanto (2014) that the benefits of CSR are not only felt by the government, but also by the community. Thus, CSR is a commitment to the welfare of the community and the surrounding environment through business practices carried out by the company.

### **Financial performance**

Financial performance is a description of the respective economic results achieved by a company in a certain period through the company's activities to generate profits effectively and efficiently. According to Zarkasyi (2008) that the company's performance is something produced by the organization in a certain period with reference to the standards that have been set.

From the opinion above, it can be said that financial performance is the ability of financial management to achieve its performance. Financial performance in CSR disclosure is a useful financial ratio to determine the effectiveness of BSI in managing

finances in the form of profits for CSR allotment to partner agencies, or their customers.

### **METHOD**

This research uses qualitative research, with data collection techniques through in-depth interviews, and document studies. Types of data in this study in the form of primary data and secondary data. Primary data were obtained from direct interviews with BSI management and recipients of CSR recipient institutions. Secondary data were obtained from financial reports and CSR program documentation. The data obtained were analyzed through several stages, namely data reduction, data presentation, conclusions and verification.

Through the interview and observation stages, through this interview and observation stage, the researcher tried to compare the results of the BSI report on the implementation of CSR with the reality in the field. At the data reduction stage, what the researcher did was to collect all field notes based on interviews and observations that had been made and then complete them with secondary



data. The data from interviews and observations at the data reduction stage, the researcher chose which data was relevant and related to the formulation of the problem.

Data analysis according to Nasution (1991) is the process of compiling data so that it can be interpreted, compiling data means classifying it into patterns, themes or categories. Furthermore, after interpreting the results of interviews and field observations at the stage of testing the data, the researcher made it in the form of a narrative. This kind of data presentation by researchers is because it is easier to understand and do. The table is presented as a supplement only. The final step in qualitative data analysis is drawing conclusions and verifying data.

## **RESULTS AND DISCUSSION**

### **Disclosure of BSI CSR at Baubau KCP in Buton Islands**

Based on the BSI KCP Baubau financial report document, it shows that CSR disclosure in Islamic religious institutions throughout 2019-2020 is 177, 350,000, - (one hundred seventy seven million three hundred fifty thousand rupiah). The funds are spread across

regencies/cities in the Buton Islands, namely Baubau, Buton, Central Buton, and South Buton. This is in line with the statement of the Head of the Baubau Branch, Samsul Alam that:

CSR funds are taken from the profit sharing of BSI in a year of 0.25%. to Islamic religious institutions, especially the Ministry of Religion and Madrasahs (Madrasah Tsanawiyah Negeri and Madrasah Aliyah Negeri). The CSR funds were handed over to the agency based on their request. From the request, we BSI see how much CSR funds from customers (especially civil servants who make loans) have been separated. So all the CSR funds that we hand over in the Buton Islands vary depending on the application and the CSR of each institution including the number of customers in it (interview, October 14, 2021). More details on the disclosure of CSR programs at Islamic religious institutions in the Buton Islands are seen in the following table:



**Table 1. Realization of CSR Funds at  
Islamic Religious Institutions  
(2019 – 2020)**

No.	Instansi/Nasabah	Jumlah (Rp.)	Kab./Kota
1	Kemenag Kota Baubau	45.725.000,-	Baubau
2	MTsN 1 Baubau	18.500.000,-	Baubau
3	MAN 1 Baubau	8.500.000,-	Baubau
4	Kemenag Buton	14.500.000,-	Buton
5	MAN 1 Buton	14.150.000,-	Buton
6	MTsN 1 Buton	7.750.000,-	Buton
7	MTsN 3 Buton	5.000.000,-	Buton
8	MTsN 4 Buton	1.925.000,-	Buton
9	Kemenag Buteng	24.300.000,-	Buton Tengah
10	MTsN 1 Buteng	3.000.000,-	Buton Tengah
11	MTsN 2 Buteng	3.000.000,-	Buton Tengah
12	MTsN 3 Buteng	3.000.000,-	Buton Tengah
13	MTsN 4 Buteng	3.000.000,-	Buton Tengah
14	MAN 1 Buteng	3.000.000,-	Buton Tengah
15.	Kemenag Busel	22.000.000,-	Buton Selatan
	<b>Jumlah</b>	<b>177.350.000,-</b>	

Sumber: Laporan Keuangan BSI KCP Baubau, 13 Oktober 2021

Disclosure of CSR in the agency, entirely submitted in the form of money and goods depending on the needs and desires of the institution. Mosque assistance is usually given in the form of cash and its utilization depends on the institution's mosque management. Likewise, assistance for the construction of the Gazebo in Buton Tengah Party was given in the form of cash. BSI received a letter of responsibility as material for a report on proof of CSR expenditure.

On the other hand, with the help of sacrificial cows, rice, sports clothes and TV were delivered in kind. The financial accountability letter is carried out by BSI. At the time of distribution, both in the form of goods and cash, photo documentation was carried out as evidence of the disclosure of the CSR program at BSI KSP Baubau at an Islamic religious institution in the Buton Islands.

The Head of KCP as manager is sensitive to the importance of CSR strategy and carries out its activities which are then disclosed in the annual financial report in order to gain stakeholder trust. The trust gained by the bank in the form of statements from stakeholders or prospective customers will encourage BSI to improve their financial performance.

During 2014 to 2020, BSI KCP Baubau under the name Bank Syariah Mandiri (BSM), since its establishment has implemented KSR in the form of goods or cash for mosque construction, sports costumes, rice for the poor to certain agencies and their citizens. Usually these agencies are vertical institutions such as the Office of the Ministry of Religion, and madrasas

in the Baubau, Buton, South Buton, and Central Buton areas that have entered into cooperation agreements (Syamsul Alam, Interview, 13 October 2021).

From the information of the informants above, it is clear that CSR disclosure in the form of social assistance is given to the institution because it is a partner as well as its employees and employees become customers of BSI KCP Baubau. The implementation of CSR provided by BSI to institutions and employees as a manifestation of the cooperation agreement by both parties between the bank and the office or madrasa.

Disclosure of CSR in the form of assistance provided to customers as a profit sharing system for BSI KCP Baubau is his responsibility to the stakeholders of the community who use BSI. This is in line with the opinion of Mardikanto (2014) that corporate responsibility in the CSR concept does not only cover the corporate environment but has a fairly broad field and idea regarding ethics and local markets.

According to information from the informant Yusri, the marketing staff of BSI KCP Baubau said that:

“The implementation of CSR as one of the bank's

marketing strategies to prospective customers so that the number of customers increases and has an impact on the bank's financial performance. The more customers there are, the more CSR from the bank's revenue sharing, that is, 0.25 percent for customers in the form of CSR. The accumulation of the more customers and CSR issued, the higher the financial performance of the banks we manage at the end of the year. That way, CSR can be calculated and submitted to whom according to the request of each partner agency”

From the information of the informants above, it indicates that CSR is one of the strategies to attract prospective bank customers, as well as an effort to improve the bank's financial performance which can be seen from the annual financial statements. In the financial report, there are sources for the use of zakat, infaq, and shadaqah funds. The collected funds are then distributed in the form of CSR in accordance with the provisions of Islamic banks and applicable laws and regulations.

### **Supporting Factors for the Implementation of CSR Disclosures**

There is a cooperation agreement. It was rare for BSI KCP Baubau to carry out socialization until a cooperation agreement with the institution was formed. This collaboration is the first step and facilitates the implementation of CSR programs. Armed with a memorandum of understanding between the two, the BSI management with the approval of the agency leadership approached the treasurer and operator so that employees and employees gradually became bank customers while taking advantage of the BSI program, including opening a savings account and salary/allowance and even applying for a credit loan.

Thus, the agency and its employees and employees are directly part of the CSR program every year, and will be provided with assistance after they submit their application. The implementation of the CSR program is carried out through mosque assistance packages, sports costumes, rice, masks, and others as needed. Targeted institutions such as the

Office of the Ministry of Religion, madrasas, and others. The distributed CSR funds are taken from the bank's revenue sharing in accordance with applicable regulations.

Availability of CSR funds. The CSR program at BSI KCP Baubau is one of the embodiments of social responsibility in partner agencies including the customers in it. The source of CSR funding comes from the Central BSI Amil Zakat Institution (LAZ) in Jakarta. LAZ funds are taken from voluntary contributions from customers throughout Indonesia from ATM banking applications when customers transact online. In addition to the LAZ Fund, according to Jusri (interview, 12 October 2021) that BSI KCP Baubau takes CSR funds from an annual profit of 0.25% of BSI's profit income of 10.75% per year after being separated.

This is in line with Rudito's statement in Hidayati and Harahap (2021) that the source of CSR funding every year is by setting aside annual profits, including in production costs or budgeting separate costs specifically for CSR. BSI KCP Baubau has budgeted a special fee for the marketing

department of the bank that manages the KCR program.

Good coordination and communication. Institutions and customers are interested in BSI KCP Baubau, because of the coordination and communication between leaders.

Furthermore, BSI management carried out socialization with employees and agency employees, where previously they were not interested then gradually became interested in BSI's programs and benefits.

Good coordination and communication, BSI has implemented CSR programs even though cooperation has not been carried out. This is as stated by the following informant, that BSM (now BSI) has been conducting socialization since 2018 but later in 2021 we will open and transfer the certification allowance account, performance allowance at BSI KCP Baubau. As a result of the coordination and communication between our principal and the BSI leadership, there was assistance for our student sports athlete costumes at the Baubau City POPDA even though our school had no collaboration with the BSI. This

assistance was the beginning of our joining the bank (Wine, interview 13 August 2021).

The statement above shows that the company's motives for doing CSR are complying with government regulations, obtaining a positive image, obtaining licenses to operate from the local community (Frynes, 2009). The implementation of the CSR program as a form of good coordination and communication creates a positive image and recognition in the community that BSI is the bank of choice for institutions in the Buton Islands region.

## CONCLUSION

Based on the results and discussion above, it can be concluded as follows: (1) CSR disclosure at BSI KCP Baubau is mostly carried out by government institutions, namely the Ministry of Religion and State Madrasah Offices. The greater the number of institutional customers, especially civil servants who borrow (credit) at BSI KCB Baubau, the greater the funds and the implementation of CSR in the institution concerned in the Buton Islands, (2) Supporting factors for implementing CSR in

office and madrasa institutions within the Ministry of Religion in the Buton Islands, including the existence of a cooperation agreement, the availability of CSR funds, and the establishment of good communication between the BSI KCP Baubau and the institution. The better the management relationship of BSI KCP Baubau, especially with government Islamic institutions including the willingness of civil servants as employees, the greater the disclosure of CSR and its implementation in the institution and its customers.

BSI management should carry out effective communication with other institutions so that the disclosure and implementation of CSR is more developed and for the wider social interest. Likewise, customers who have not joined, especially in government institutions within the Ministry of Religion, continue to be developed so that CSR funds can increase and benefit their respective institutions.

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