

THE CONCEPT OF SOCIAL RESPONSIBILITY DISCLOSURES FOR ISLAMIC BANKS BASED ON SHARI'AH ENTERPRISE THEORY

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Abstract

This research aims to develop the concept and characteristics of social responsibility disclosure and items for the social responsibility disclosure of Islamic banks. This research was conducted based on the critical paradigm by using Habermas's Theory of Communication Action extended to spirituality in understanding social reality. This study also uses Shari'ah Enterprise Theory to analyze and to produce the concept of social responsibility disclosure for Islamic banks. Analysis was conducted on the annual reports of three Islamic banks in Indonesia, Bank Mega Syariah, Bank Syariah Mandiri and Bank Muamalat Indonesia. Interviews with stakeholders, including direct and indirect stakeholders were also conducted. Spiritual values were found during the research. These values are sharing, rahmatan lil alamin and maslaha. These values are used as guidance in developing items of social responsibility disclosure. Further more, a concept of social responsibility disclosure is derived based on the Shari'ah Enterprise Theory. This research proposes a form of social responsibility disclosure for Islamic banks that show efforts to meet vertical accountability to God, and horizontal accountability to people and environment, as well as to consider the material and spiritual needs of stakeholders and to disclose information both qualitatively and quantitatively.

Keywords: *Social Responsibility Disclosure, Shari'ah Enterprise Theory, Islamic Banking, Accountability, Theory of Communication Action*

Introduction

Recently there has been significant development in the world of Islamic banking. Some results of research conducted, such as the Financial Insights & General Council on Islamic Banks (2008), The Asian Banker (2007), and General Council for Islamic Banks and Financial Institutions (2008), show that the growth rate of Islamic banks have reached more than 15 percents, which makes it the fastest-growing segment in some Islamic countries. In addition, assets of Islamic banks worldwide has exceeded U.S. \$ 580 billion, until 66 percent compared to the year 2007 (U.S. \$ 350 billion). The number of banks has also increased from 176 banks on 1997 to over 396 banks in 2008 that operate in over 75 countries worldwide.

In Indonesia, similar developments have also occurred. Until the year 2008 there are five Islamic banks, 27 Islamic business units of conventional banks with the number of offices reach 953 and 131 BPRS. In 2008 the Islamic banking industry has increased as indicated by the volume of business at the end of 2008 which is Rp 49.55 trillion, with a share of total national banking assets amounted to 2.14% (Bank Indonesia 2008).

Islamic bank is a bank that should carry out its activities based on Islamic principles. The main factor underlying the establishment of Islamic banks is the desire to run an economic system based on the values and principles of sharia. Usmani

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(2000) states that the underlying philosophy of Islamic banks is aimed to distribute justice that is free from all forms of exploitation.

Viewed from the physical size and the material in the form of total assets, profitability, number of branches as well as many conventional banks opening Islamic business units, the growth of Islamic banks is quite encouraging. Islamic bank resilience to face the economic crisis a few years ago shows that this bank has shown its existence in the economic arena. However, the success of a company especially a company that claims to be operating in accordance with Islamic principles, can not be seen simply by measuring the physical and material development.

Haniffa & Hudaib (2004) state that one opportunity to demonstrate responsibility and commitment in meeting the needs of the Muslim community and society in general is through the disclosure of information that is relevant and reliable in the annual report. Through the disclosure of social responsibility, Islamic banks can provide information on the extent to which it has fulfilled the function as a means to improve the welfare of the community.

Nevertheless, some existing research indicate that Islamic banks does not fully fulfill their social role as desired by the principles of shari'ah (Aggarwal & Yousef 2000; Usmani, 2000; Maali *et al.* 2003). For example: Islamic banks should have put more emphasis on the financing of profit and loss sharing (*musharaka*), but in reality few Islamic banks are paying attention to this social aspect. In Indonesia, the financing structure is still dominated by *murabahah*, funds growth that is tended to use *murabahah* is constant in the range of 58.87% of total financing in the year 2008. On the other hand, growth of *musharaka* contract by using the concept of profit sharing is only 19% (Bank Indonesia 2008).

A study of 32 Islamic banks that was done by researchers from the International Institute of Islamic Thought in 1996 finds that economic goals have set aside the social goals of these banks. This study has also concluded that economic criteria has become a priority compared to social criteria in evaluating investment (Maali *et al.* 2003). Aggarwal & Yousef (2000) find that when Islamic banks are expected to help small entrepreneurs who do not have access to credit to the conventional banking system, on the contrary they rely on market financing. This is something that is in contradiction with Islamic principles regarding the welfare of the community. Furthermore Aggarwal & Yousef (2000) conclude that economic factors play a better role in shaping Islamic banks structure rather than religion.

Associated with social responsibility reporting, analysis undertaken by Maali *et al.* (2003) also suggest that social responsibility reporting of Islamic banks do not meet the standards for the company which operates under Islamic principles. Finding of Maali *et al.* (2003) show that social issues are not the issues faced by most Islamic banks. The findings of Haniffa & Hudaib (2004) regarding the disclosure practices of Islamic financial institutions show the lack of disclosure, clarity and consistency. Haniffa & Hudaib (2004) conclude that the practice of disclosure in these financial institutions is not sufficient to fulfill its obligations to God, society, the institution and to demonstrate accountability.

Another study of Haniffa & Hudaib (2007) concerning the annual report of seven Islamic banks in the world show that there is a large discrepancy between the information disclosed in annual reports and the values of Islamic business ethics. This discordance is related to the four dimensions, namely a commitment to the community, the disclosure of company mission and vision, contribution and management of *zakah*, charity and benevolence as well as information about management.

The social function of Islamic financial institutions, which has not been expressed through the disclosure of social responsibility which includes Islamic values, may occur because in some aspects, Islamic financial institutions are still holding on to conventional accounting standards, including in terms of disclosure. Harahap (2003) reveals that despite Accounting, Auditing Organization for Islamic Financial Institution (AAOIFI) has been developed, the accounting standards, including disclosure of social responsibility are still mostly based on conventional

accounting concept which are filled with the values of capitalism and secularism (See also Hameed 2000; Haniffa & Hudaib 2001; Triyuwono 2002; Harahap 2003).

The issues of corporate social responsibility are not new issues in accounting. These issues began to emerge in the early 20th century where companies at that time were criticized for their anti-social nature. The disclosure of corporate social responsibility is a way for companies to communicate with stakeholders to reassure that the companies pay attention to social and environmental impact caused by the companies. There are two theories employed that are often used to explain the practice of disclosure of corporate social responsibility, namely the legitimacy theory and stakeholder theory. Disclosure of social responsibility, under the view of both theories, aim to gain legitimacy from the community to the survival of the company. Ultimately, it is culminated in the interests of owners. Therefore it is not surprising that several studies have noted that companies, including Islamic financial institutions have a tendency to make a positive disclosure (Deegan & Rankin 1996; Maali *et al.* 2003). In addition there are many more research findings such as: Tilt (2001), Belal (2001), Hall (2002), Donovan (2002), Rahaman *et al.* (2004) and Ann *et al.* (2008) that show that disclosure of social responsibility that is based on both theories are nothing more than an attempt to maintain the status quo of the company in the community. Therefore, disclosure of social responsibility based on these two theories should not be used in an Islamic corporation because this institution is established based on the philosophy of Islam that emphasizes on spiritual values.

When we talk about Islamic financial institutions, then the issue of social responsibility becomes more interesting to be discussed. This is because the philosophy underlying the establishment of Islamic banking is to realize the welfare of society at large and to place public interest above individual interest. Islamic banking is established based on different philosophies with the companies in general. It was founded as an effort to meet not only the material needs, but especially the spiritual needs of the community. To be able to meet that goal, the practice should be based on the theories that fit to philosophy of Islamic banking. In connection with the disclosure of social responsibility, it is not appropriate if the practice is constituted by the capitalist theories such as legitimacy theory and stakeholder theory.

Enterprise theory is a concept that many have proposed as an alternative to the entity theory in an economic system of Islam, especially Islamic accounting (Harahap 1997; Triyuwono 2000; Adnan 2002). This is because this theory includes social aspects and accountability. Enterprise theory according to Slamet (2001) in Triyuwono (2006) is the most fitting theory for sharia accounting because it contains the values of justice, truth, honesty, trust and accountability. According to Slamet (2001) in Triyuwono (2006), Enterprise Theory is "worldly" and has no concept of *tawhid*. In order to act in accordance with sharia, this concept should be internalized by the values of unity. Shari'ah Enterprise Theory is an enterprise theory that has been internalized with the value of the Lordship. In the *Shari'ah* Enterprise Theory the most important axiom is God as creator and sole owner of all existing resources in the world. While the resources owned by the stakeholders is the mandate of God. Stakeholders must use the resources according to God's command.

Under view of Shari'ah Enterprise Theory the distribution of wealth or value added not only applies to participants who are associated directly or participants that contributed to the company's operations, such as shareholders, creditors, employees and governments but also to other parties who are not related directly or do not contribute either finance or expertise to the company. According to Triyuwono (2001) this thought is based on the premise that humans are *khalifatul fil ardh* which carries a mission of creating and distributing wealth for all mankind and nature. By seeing all the characteristics possessed by the Enterprise Theory of Shari'ah, it would be more appropriate if the Shari'ah Enterprise Theory is used as a concept to describe the disclosure of corporate social responsibility, especially the Islamic financial institutions. Islamic banking established with the goal to be an alternative to the capitalist economic system which has a major role in increasing economic prosperity

and social, material and spiritual for all stakeholders. Disclosure of social responsibility will provide information on how far the company has fulfilled its main role is.

Based on what has been described above, the focus of this research problem are: how is the concept and characteristics of social responsibility disclosures for Islamic banks based on *Shari'ah* Enterprise Theory? What are the information related to the social responsibilities that should be disclosed by the Islamic bank based on *Shari'ah* Enterprise Theory? The main objective of this research is to develop a form of social responsibility disclosure that has the material and spiritual values.

Research Methodology

This research was conducted based on the critical paradigm. This paradigm is considered more appropriate since, in accordance with the purpose of research it is not only trying to understand but also seeks to change social reality. The objective of research in this paradigm according to Sarantakos (1993:37) is to explain and criticize social reality and empower human beings to conquer it. To understand the reality of social responsibility disclosures, this study has used Habermas' communicative action theory as a framework of analysis. Habermas' perspective about "lifeworld" will be used to understand that the disclosure of social responsibility as a social process that is not separated from the underlying theory (knowledge) and interest of the parties involved in the disclosure. But in this case the researcher did not use Habermas' perspective as it is. This is because, according to researcher, self-reflection process is not always based on rationalism but also based on spiritual values. Based on this premise, the researcher is using *Shari'ah* Enterprise Theory as a theory that has been internalized by the spiritual values to derive the concept of social responsibility disclosure for Islamic banks.

Research methods

This study has used a qualitative approach in obtaining and analyzing data. Quantitative research generally has a large area, complex variations, but located on the surface. On the other hand, qualitative research is in a narrow space with a low level of variation but has an infinite depth discussion. Qualitative approach is a process of research and understanding based on a methodology to investigate human social phenomena and problems. In this approach, researchers create a complex picture, examine the words, reports detailed views of informants, and conduct studies on the natural situation (Creswell 1998:15).

Theoretical and Non-theoretical Data Collection

Theoretical data collection is done through literature review to explore the concepts and theories about the Corporate Social Responsibility Disclosure (CSR). Theoretical data in this case is the conceptual and operational model of the CSR that has been developed so far such as: Corporate Report (1975), Chen (1976), Social Bilan (1979), Jackman (1992), Gray *et al.* (1996), GRI3 (2006), Corporate Citizenship (Carrol 1991) as well as others who have tried to discuss from the viewpoint of Islam such as Solomon (2002), Hameed *et al.* (2004), Maali *et al.* (2003) and Haniffa & Hudaib (2004). While non-theoretical data derived from annual reports, documents and reports related to the corporate social responsibility disclosure.

Empirical Data Collection

Empirical data in this study are the data obtained from depth interviews with research informants. This activity was conducted in order to seek spiritual values that affect the interests of individuals. Although the interview results suggest that rational elements is tightly related to the influence of money and power but deeper exploration was done on the spiritual values which are values that have been marginalized in the social responsibility disclosure practices of Islamic banks. This study tried to see the character of the informant as a whole based on the *Shari'ah* Enterprise Theory, namely direct and indirect stakeholders. Direct stakeholders are those who are involved and contribute directly to the company's activities, while

indirect stakeholders are those who have no direct contribution to the bank, but according to *shari'ah* this party is entitled to receive welfare from the company.

Research Informant

Informants in this study consisted of: 1) sharia bank commissioner, 2) the head of Islamic bank branches, 3) marketing manager of Islamic bank, 4) customers of Islamic bank, 5) Sharia Supervisory Board, 6), Directorate of Islamic Banking Bank Indonesia, 7) Council National Shariah, 8) Indonesian Institute of Accountants Standards Board 9) environmental activists and 10) others.

Technical Analysis

Analysis was done by reading the disclosure in annual reports. The annual reports which were analyzed were the annual reports of Bank Syariah Mandiri, Bank Muamalat Indonesia and Bank Syariah Mega Indonesia. All three banks are selected for having long operation and are not *sharia* units or windows of conventional banks with the assumption of an Islamic commercial banks, these banks have a different authority with conventional sharia bank unit whose status is not independent and is still under the rules of conventional banking management.

Analysis was performed by using the Theory of Communicative Action which has been extended, by seeing the role of spirituality and rationality in the annual report. This was done by looking at the role of money, power and principle on disclosure practices. Through this analysis, it can be known the role of steering media (money, power and principle) on the disclosure made by the bank. This is important so that researcher could get an idea about the theme and what items have been disclosed by the Islamic bank associated with corporate social responsibility. In addition, the analysis was also performed by using the concepts of the *Shari'ah* Enterprise Theory in order to find and identify the interests of anyone who has been considered by the Islamic bank. This is useful for determining the appropriateness of social responsibility disclosures with concepts in the *Shari'ah* Enterprise Theory. These concepts include: vertical accountability to God; horizontal accountability to direct, indirect stakeholders and the environment, as well as the concept of balance.

Findings and Discussions

Annual Report

From the analysis of annual reports of three Islamic banks, it was found that the process of self-reflection that occurs in individuals who engage in the practice of Islamic banking is basically derived both from spirituality and rationality. This can be seen from the disclosure of information by these banks. Number of disclosures relating to profit and power shows that the process of self-reflection in this case is more influenced by rationality. The existence of the spiritual information has shown that in addition to rationality, spirituality is a resource for individuals in running the bank's operations. However from the disclosure can be seen that the spiritual values that become the source of self-reflection has not been widely applied in corporate operations.

When accountability to God is understood as adherence to the ruling National Islamic Council as indicated by the Shari'ah Supervisory Board opinion, it can be said that all three banks already meet the accountability to God. However, as noted by Al Mograbi (1996) that Islamic banks have two important roles in the community: the role of religious and financial. In a religious perspective, Islamic banks are responsible for compliance with Islamic principles. Concerning the role of finance, Islamic banks have a right to control the funds that actually gives them the opportunity to conduct social activities for the welfare of society and environment. The two roles should be done in parallel. Accountability to God and to humans and the environment in this case, like two sides of a coin that can not and should not be separated.

Accountability to stakeholders and the environment, which is the horizontal accountability of Islamic bank, is more targeted to specific stakeholder groups, especially

the owner. Instead of the two groups stakeholders who are discussed by the Shari'ah Enterprise Theory, the direct stakeholders are groups that get more attention in the form of information related to efforts to meet the welfare of this group. This indicates the absence of balancing the fulfillment the welfare of stakeholders as desired by *Shari'ah* Enterprise Theory. Efforts to meet the welfare of any direct stakeholders in this case did not show a balance because the information disclosed has more to do with the interests of owners and regulators. On the other hand, the disclosure of information related to efforts to meet the welfare of other groups takeholders such as direct customers and employees is very limited.

Disclosure of information relating to efforts to meet the welfare of the indirect stakeholders such as society and the natural environment is not widely applied. Besides, the information is commonly disclosed and associated with the material information only. Observing further, the contents of the disclosure show that most of the themes expressed in the annual report by the three banks associated with the Sharia Supervisory Board opinion, the value adopted by the company, human resources, attention to the Micro Small and Medium Enterprises, Good Corporate Governance and activities charity or philanthropy. Disclosure relating to the theme of environment was very few and almost none except at Bank Syariah Mandiri that disclosed cooperation with the Ministry of Environment. Disclosure of information relating to social responsibility activities did not reveal a clear source of funding and allocation in detail whether derived from zakat funds or qardhul hasan. Besides, the disclosure of information about the charity and qardhul hasan also very limited. Actually, this information should show real application of the values adopted by banks such as *rahmatan lil alamin*, sharing and devotion to God.

Role of Money, Power and Principle

In annual reports, information relating to the profit is the information that is always disclosed by the Islamic bank. The importance of money for the Islamic bank can also be seen from the statement following informants:

"After all, the bank was essentially looking for-profit institutions ..."

(Head of Islamic Banking Branch)

"The focus of the current Islamic bank is to socialize the effort to increase market share .." (Directorate of Islamic Banking, Bank Indonesia)

The same was confirmed by the manager of one Islamic bank, which stated:

"Basically, the purpose of Islamic banks or conventional bank is looking for profit, if not profit how we can survive ... just to make money in a way that permitted by the religion, leaving the usury ..." (Islamic bank manager)

In addition to "money" Habermas said that "power" is something else that may affect the "interest". Role of "power" can be seen very clearly in the annual report of the company through the disclosure of information relating to good corporate governance (GCG). The role of power from Bank Indonesia, Indonesian Institute of Accountants (IAI) and the National Shariah Board of Islamic banking activities in Indonesia were expressed by some informants:

"BI has its own regulations related to the characteristics of Islamic banks, among others: the way the assets quality Islamic bank, Islamic bank operational procedures both in terms of fund raising, operational funds and Islamic banking services in relation to compliance with shariah principles, guidelines for the listing of Islamic bank, reporting for Islamic banks" (Directorate of Islamic Banking, BI).

"In connection with the Sharia Supervisory Board Opinion there is provision of BI, which requires us to report every six months to the BI about the sharia compliance" (Member of the National Islamic Council).

"... in our everyday operations we are subject to the rules issued by the Directorate of Islamic Banking BI and fatwas issued by the National Islamic Council. So the same as conventional bank there are rules to follow, even more stringent in the Islamic bank because it must follow the Fatwa DSN, as well as the rules of the BI, the transaction must also consider the suitability of a fatwa" (Islamic bank branch head)

In addition to the informant's statements above, the influence of power to these interests can also be viewed from any disclosure of information in the annual report which states that banks have been practicing good corporate governance and the existence of the Sharia Supervisory Board Opinion. The principle as stated by Agustian (2005) is something that can affect the "interest". The principle in this case is a natural consciousness to cling to the eternal Creator, which makes men aware the relationship with the Creator and its function as 'Abduh'," *khalifatullah fil ard* "and realize their responsibilities in the noble task to spread" *rahmatan lil alamin* "in seeking" *mardhatillah* " .

From the analysis, there are several principles found (spiritual values), which are used as reference by the informant. These show that there is relationship between individuals and their Creator. These values include: sharing, *rahmatan lil alamin* and *maslaha*. These principles are the values that have been marginalized in corporate social responsibility disclosure activities. Use of these values are mostly still at the level of normative and do not show the true meaning. These values still need to be translated further to be used as guidelines for disclosure of social responsibility activities of Islamic bank.

Translating: Sharing, Rahmatan lil alamin and maslaha

In this section the researcher translates the values found in the previous stage into disclosure items for the social responsibility of Islamic bank. The process of self-reflection is an important thing that is used in this stage, by looking at the theory and exploring further the relationship between the values that have been found with the teachings of Islam. This is done in order to get to the themes and items that should be disclosed by the Islamic bank associated with the principle adopted. Application of the principle of sharing and *rahmatan lil alamin* can be seen in table 1 and table 2.

Maslaha as described in the previous chapter means the interests of many people. Giving priority to the interests of many people over the interests of certain groups is highly recommended in Islam. In this case the considerations in determining whether an activity will be done or not are the benefit and the damage. If an activity brings benefits to many people than the damage, then it is recommended to be done. And if an activity is causing damage to many people it should not be made. In this case the level of *maslaha* proposed by Al Shatibi provides guidelines about what and whose interests should take precedence so that injustice does not arise. Some writers like Kamali (1989a, 1989b, 1999); Chapra (2000a); Nyazee (2000); Mumisa (2002), Sardar (2003) and Hallaq (2004) considered that the classification of *maslaha* by Al Shatibi is related and have strong links with Islamic objectives to ensure that community interests are protected in the best manner.

By using *maslaha* principles in practices of social responsibility disclosure for Islamic bank this means that the *hajiyyat* and *daruriyyat* level should get more attention than *tahsiniyyat* level. This means that banks are required to disclose what they have done related to the fulfillment of social responsibility at the *daruriyyat* and *hajiyyat* level before disclosing what has been done at the *tahsiniyyat* level. For example, the disclosure of bank policies regarding the financing of companies that potentially or damaging the environment is more important than disclosure of bank's activities in contribute to environmental NGOs.

Table 1.
Application of Sharing Principle in CSR's Disclosure

Principle	Description	Practice	Disclosure
Fair Sharing	Not supporting the interests of certain stakeholder groups.	Giving priority to financing that based on PLS Running efforts to improve financing that based on PLS	Disclosing the amount of financing that based on PLS's scheme Disclosing the percentage of PLS's financing compared to other schemes Disclosing the efforts taken to improve PLS
	Giving balanced attention for the interests of all stakeholders Sharing goodness in the form of <i>amar ma'ruf nahi munkar</i> .	Giving zakat, infaq and sadaqah to the poor people Monitoring and evaluating the benefits of ZIS fund Running non-discrimination policies on employees in terms of wages, trainings, and career developing opportunities Reducing the practice of outsourcing	Disclosing audited ZIS's report Disclosing the overall results of ZIS's evaluation and benefits Report of Zakat fund and <i>qardhul hasan</i> . Audited report of zakat and <i>qardhul hasan</i>
		Not providing financing to the company indicated to the practice of discrimination on employees and violate human rights Make a donation to the institutions that benefit society	Explanation of the sources and uses of zakat funds Explanation of the sources and uses of <i>qardhul hasan</i> funds Explaining <i>qardhul hasan</i> grantees Disclosing non-discrimination policies applied on employees in terms of wages, trainings, and career developing opportunities. Wages and remuneration policy Providing trainings and education to employees Employees' number data based on gender, occupation, and education; including contract workers Number of trainings and education provided to employees Awards for employees Disclosing bank's policies in term of outsourcing Disclosing if there are any discrimination issues that will be used as consideration of providing financing. Disclosing donations given to activities/institutions that provide many benefits to society.

Table 2.
Rahmatan lil Alamin Application in CSR's Disclosure

Principle	Description	Practice	Disclosure
<i>Rahmatan lil alamin</i>	- Giving grace, benefit to all stakeholders, especially to those that had been marginalized in the modern banking system so far	<ul style="list-style-type: none"> - Professional DPS - Encouraging the development of UMKM by financing channel - Launching the energy saving policies in internal environment - Supporting efforts to conserve the environment in the forms of contribution/donations - Not financing companies indicated to the destruction of environment 	<ul style="list-style-type: none"> - DPS's opinion - Disclosing the fatwa and operational aspect that were obeyed and not obeyed along with reasons - DPS's member qualification and experience - Activities undertaken by DPS's member - Remuneration of DPS's member - Whether the transactions/source of income/expenses that do not fit syariah are present or not. - Number of transactions that do not fit syariah. - Reasons for the existence of such transactions. - Product information and underlying syariah concept. - Disclosing efforts done to encourage the development of UMKM - Disclosing the portion of UMKM's financing - Disclosing efforts done to support energy saving and global warming effect's reducing in the internal environment - Disclosing the amount of contribution for environmental conservation efforts.
<i>Rahmatan lil alamin</i>	- Giving grace, benefit to all stakeholders, especially to those that had been marginalized in the modern banking system so far	<ul style="list-style-type: none"> - Professional DPS - Encouraging the development of UMKM by financing channel - Launching the energy saving policies in internal environment - Supporting efforts to conserve the environment in the forms of contribution/donations - Not financing companies indicated to the destruction of environment 	<ul style="list-style-type: none"> - Disclosing policies taken relating to the financing of the company that is potential and indicated on environmental damaging - Bank's internal policy that supports the energy saving and conservation program. - Contribution to organizations that provide benefits to environmental conservation - Direct contribution to the environment (tree planting, etc)

Developing Basic Concepts of CSRD based on Shari’ah Enterprise Theory

Based on the Shari’ah Enterprise Theory, the characteristics of corporate social responsibility disclosure (CSR) reports for the Islamic bank are as follows:

1. Disclosure of social responsibility is a form of human accountability to God and is intended to gain legitimacy from God as the ultimate goal.
2. Disclosure of social responsibility must have a purpose to provide information to all stakeholders (direct, indirect and natural) in relation to how far the institution has complied with obligations towards all stakeholders. This is as part of an effort to comply with accountability for human.
3. The existence of social responsibility disclosures is mandatory, viewed from the Islamic bank functions as an instrument to realize the goals of sharia. CSR report will be a report that will complement the interests of all stakeholders who have been neglected in the modern accounting system.
4. Social responsibility disclosure should include material and spiritual dimensions associated with the interests of all stakeholders. Consideration of public interest (*maslaha*) will be the basis of disclosure.
5. Disclosure of social responsibility should contain both qualitative and quantitative information.

From the five basic concepts, it can be said that the first and third characteristic relate to the purpose and nature of the existence of disclosures of social responsibility. While the second and fourth characteristic are a guidance to produce disclosure themes and items, while the fifth characteristic relates to the priority guidelines for disclosure. The difference between the theoretical concept based on Shari’ah Enterprise Theory and based on stakeholder theory and legitimacy can be seen in table 3.

Next table 4 shows the items of social responsibility disclosures in order to meet the vertical accountability to God and the horizontal accountability of direct stakeholders as desired in the Shari’ah Enterprise Theory. While table 5 shows the items of social responsibility disclosures to meet the horizontal accountability to indirect stakeholders and the nature.

Table 3.
CSR’s Theoretical Concept Differences

Concept	Based on Shari’ah Enterprise Theory	Based on Legitimacy Theory and Stakeholders
Purpose	God’s legitimacy	The most important stakeholders’ legitimacy
Property	Normative mandatory	Voluntary
Stakeholders	Nature’s Direct stakeholders Indirect stakeholders	Human Nature
CSR’s priority	Benefits Daruriyyat Hajjiyyat Tahsinyyat	Profit and Power Economy Legal Ethic Philanthropy
Information	Material spiritual Qualitative Quantitative	Material Qualitative Quantitative

Research Contribution

1. This study has used non-mainstream paradigm and critical theory approach which aims to make the extension of the theory and concepts of social responsibility disclosures. In terms of methodology, this study provides an alternative methodology that is an extension of Habermas’ theory of communicative action.

2. In addition, this study has also produced a concept of social responsibility disclosures, as well as information that must be disclosed by the Islamic bank which is derived from the Shari'ah Enterprise Theory.
3. The results of this research may provide enlightenment to practitioners of Islamic banking to be able to create a balance of information to improve the welfare of all stakeholders.
4. Items that are proposed in this study can be used as a guide for Bank Indonesia to set up the rules on disclosure of social responsibility for Islamic bank.

Table 4. CSR's Items (Accountability to God and Direct Stakeholders)

Dimension	Disclosing Item	Value	Priority	Type
Vertical Accountability				
God	1. Shari'ah Supervisory Board's opinion*	<i>Rahmatan lil alamin</i>	D	Qualitative
	2. Disclosing fatwa and operational aspect those are obeyed and not obeyed, along with reasons	<i>Rahmatan lil alamin</i>	D	Qualitative
Horizontal Accountability: Direct Stakeholders				
Customer	1. Qualification and experience of DPS's* member	<i>Rahmatan lil alamin</i>	D	Qualitative
	2. Activities done by DPS's member*	<i>Rahmatan lil alamin</i>	D	Qualitative
	3. Remuneration for DPS's member*	<i>Rahmatan lil alamin</i>	D	Quantitative
	4. Whether the transactions/source of income/expenses that do not fit syariah are present or not.	<i>Rahmatan lil alamin</i>	D	Qualitative
	5. Number of transactions that do not fit syariah.	<i>Rahmatan lil alamin</i>	D	Quantitative
	6. Reasons for the existence of such transactions.	<i>Rahmatan lil alamin</i>	H	Qualitative
	7. Product information and underlying syariah concept*	<i>Rahmatan lil alamin</i>	H	Qualitative
	8. Reports of zakat funds and <i>qardhul hasan</i> *	<i>Rahmatan lil alamin</i>	D	Quantitative
	9. Audit of zakah and <i>qardhul hasan</i> reports*	Sharing	D	Qualitative
	10. Explanation of source and uses of zakat funds*	Sharing	D	Qualitative
Horizontal Accountability: Direct Stakeholders				
Customer	11. Explanation of the sources and uses of <i>qardhul hasan</i> funds*.	Sharing	H	Qualitative
	12. Explaining <i>qardhul hasan</i> grantees	Sharing	H	Qualitative
	13. Policy/effort to reduce non -syariah transaction in the future	Sharing	D	Qualitative
	14. Total financing with PLS's scheme	Sharing	D	Quantitative
	15. PLS's financing percentage compared to other financings	Sharing	H	Quantitative
	16. Policy/effort to enlarge the portion of PLS on the future.	Sharing	D	Qualitative
	17. Reason of the total (no.14)	Sharing	H	Qualitative
Employee	1. Wages and remuneration policies*	Sharing	D	Quantitative
	2. Disclosing non-discrimination policy applied on employees in the terms of wages, trainings, and career developing opportunities	Sharing	D	Qualitative
	3. Providing training and education to employees*	Sharing	D	Quantitative
	4. Employees number's data based on gender, occupation and education, including contract workers*	Sharing	H	Quantitative
	5. Number of trainings and education given to employees*	Sharing	H	Quantitative
	6. Awards for employees*	Sharing	T	Qualitative
	7. Whether there is any training related to spiritual quality improvement for employees	Sharing	D	Qualitative/Quantitative
	8. Efforts to improve spiritual quality of employees' family.	Sharing	D	Qualitative
	9. Availability of health services and counseling for employees and their families	Sharing	H	Qualitative
	10. Other facilities provided to employees and their families such as scholarships or special financing*	Sharing	T	Quantitative

Table 5. CSRD's Items (Accountability to Indirect Stakeholders and Nature)

Dimension	Disclosing Item	Value	Priority	Type
Horizontal Accountability: Indirect Stakeholders				
Community	1. Initiatives undertaken to improve public access to the financial services of Islamic banks	<i>Rahmatan lil alamin</i>	D	Qualitative
	2. Whether there is financing policy that considers discrimination issues and human rights (Eg: not finance companies or businesses that employ minors)	<i>Rahmatan lil alamin</i>	D	Qualitative
	3. Whether there is financing policy that considers the interests of public (Eg: no poor people's displacing, no fooling, marginalization)	<i>Rahmatan lil alamin</i>	D	Qualitative
	4. Efforts done to encourage UMKM's development*	<i>Rahmatan lil alamin</i>	D	Qualitative
	5. Total loans to UMKM*	<i>Rahmatan lil alamin</i>	H	Quantitative
	6. Financing's number and percentage provided to UMKM groups compared to financing of corporate and syndication.	<i>Rahmatan lil alamin</i>	H	Quantitative
	7. Contribution to improve the quality of public's life in the field of religion, education, and health*.	<i>Rahmatan lil alamin</i>	D	Qualitative
	8. Total contributions are given and the source	<i>Rahmatan lil alamin</i>	T	Quantitative
	9. Donations/charity to help community groups that receive disaster*	<i>Rahmatan lil alamin</i>	T	Quantitative
Horizontal Accountability: Nature				
Nature	1. Financing policy that considers environmental issues such as energy saving, forest destruction, water and air pollution.	<i>Rahmatan lil alamin</i>	D	Qualitative
	2. Disclose if there is financing given to businesses that may damage environment such as farming, forestry and mining	<i>Rahmatan lil alamin</i>	D	Qualitative
	3. Total financing to businesses that may damage environment such as farming, forestry and mining	<i>Rahmatan lil alamin</i>	D	Quantitative
	4. The reasons for undertaking such financing	<i>Rahmatan lil alamin</i>	H	Qualitative
	5. Increasing environmental awareness in employees with training, lectures or similar program	<i>Rahmatan lil alamin</i>	H	Qualitative
	6. Bank's internal policy that support energy saving and conservation program*	<i>Rahmatan lil alamin</i>	H	Qualitative/Quantitative
	7. Contribution to organizations that provide benefits to the preservation of environment*	<i>Rahmatan lil alamin</i>	T	Qualitative/Quantitative
	8. Direct contribution for environment (tree planting, etc)*	<i>Rahmatan lil alamin</i>	T	Qualitative
	9. Addition to policies above undertaken by the Islamic bank.	<i>Rahmatan lil alamin</i>	D/H/T	Qualitative/Quantitative

Table Information:

D = *Daruriyyat* (Very Important) , H = *Hajiyyat* (Complement)

T = *Tahsiniiyyat* (Addition)

* *item* that has been discussed by researchers before

Research Limitations

In analyzing the contents of the annual reports of Islamic bank in order to uncover the motivation behind the information disclosed, researcher conducted on their own. Researcher's subjectivity in this case greatly affects the result of reading. However, because this study used a qualitative approach that allows subjectivity so this limitation is not so substantial.

This study has identified three principles which indicate the form of human bondage with his Creator. These three principles are translated into items of social responsibility disclosures. This finding is probably still very modest compared to many names of God, which should be translated into human life.

Agenda for Further Research

If in this study, researcher used the Shari'ah Enterprise Theory as the basis to eliminate the use of legitimacy theory and stakeholder theory in Islamic financial institutions, then subsequent research can use other theories to reject or support this finding. Other studies can also be done by expanding the scope of research. For example by entering the values of local wisdom that may affect the views of stakeholders on corporate social responsibility. If what is proposed in this study is limited to the Islamic bank, perhaps the next study can bring the concept that has been established in this study to a broader level as in conventional banks, or even all types of companies, because Islam is *rahmatan lil alamin*.

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