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## **Analysis of the Disclosure of Islamic Social Reporting Index At Sharia Banking in Indonesia**

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### **Abstract**

The purpose of this study was to determine and analyze the Islamic Social Reporting Index at Islamic banks and the Islamic Social Reporting Index at Bank Syariah Indonesia (BSI). The method used in this study is a qualitative approach through interviews and content analysis. The subject of this research is the Islamic Social Reporting Index. The object used in this research is the publication report of Bank Syariah Indonesia (BSI). The Islamic Social Reporting Index items used in this study amounted to 50 items, covering 6 themes including investment and finance, products and services, employees, social, environment, and organizational governance. The results of the analysis of the Islamic Social Reporting Index in the annual report show that there are 43 items that are in accordance with the Islamic Social Reporting Index. The percentage of Islamic Social Reporting Index obtained by Bank Syariah Indonesia (BSI) is 86%. This shows that Bank Syariah Indonesia (BSI) in the disclosure of social responsibility reports is in accordance with sharia values. From the results of this study, it is expected that the Financial Services Authority will make rules for Islamic banks in presenting their annual reports.

**Keywords:** islamic social reporting index; sharia bank; BSI

### **Abstrak**

Tujuan dari penelitian ini adalah untuk mengetahui dan menganalisis Islamic Social Reporting Index Bank Syariah dan Islamic Social Reporting Index Bank Syariah Indonesia (BSI). Metode yang digunakan dalam penelitian ini adalah pendekatan kualitatif melalui wawancara dan analisis isi. Subjek penelitian ini adalah Islamic Social Report Index. Subyek penelitian ini adalah laporan yang diterbitkan oleh Bank Syariah Indonesia (BSI). Item Islamic Social Reporting Index yang digunakan dalam penelitian ini terdiri dari 50 item yang mencakup enam tema termasuk investasi dan keuangan, produk dan layanan, karyawan, masyarakat, lingkungan dan tata kelola organisasi. Analisis Islamic Social Reporting Index untuk laporan tahunan menunjukkan bahwa 43 item konsisten dengan Islamic Social Reporting Index. Persentase Islamic Social Reporting Index yang ditetapkan Bank Syariah Indonesia (BSI) adalah 86%. Hal ini menunjukkan bahwa Bank Indonesia Syariah (BSI) selaras dengan nilai-nilai Syariah dalam mengungkapkan laporan tanggung jawab sosialnya.

**Kata Kunci:** islamic social reporting index; bank syariah; BSI

## **Introduction**

The growth of Islamic banks in Indonesia is well known by the upper to middle class. Along with the rapid growth of Islamic banks, encouraging the birth of Islamic banks to carry out ethical disclosure of social responsibility. In accordance with Law no. 21 of 2008<sup>1</sup> concerning Islamic Banking, the second part, namely the Form of Legal Entity Article 7 which contains "The legal entity form of a sharia bank is a Limited Liability Company", so that Islamic banks in their social and environmental responsibilities must be guided by Law no. 40 of 2007 article 74 concerning Limited Liability Companies (PT).

In Law No. 40 of 2007 Article 1 No. 5 which contains "Social and environmental responsibility is the Company's commitment to participate in sustainable economic development in order to improve the quality of life and the environment that is beneficial, both for the Company itself, the local community, and society in general". And in Law No. 40 of 2007<sup>2</sup> Chapter V Social and Environmental Responsibility Article 74 concerning Limited Liability Companies explains that the annual report must contain some information, one of which is a report on the implementation of social and environmental responsibility.

Every company including banking that runs its business must have social responsibility towards the community related to its business operations. The social responsibility includes economic (profit), social (people) and environmental (planet) aspects or commonly called the triple bottom line (3P), which is manifested in the form of Corporate Social Responsibility (CSR). The main goal of CSR is to make the company not only on the single - bottom - line (SBL) concept in terms of finance, but also on the triple - bottom - line (TBL) concept which includes aspects of finance, social life and the environment.<sup>3</sup>

So far, CSR disclosures carried out by Islamic institutions or institutions still refer to the Financial Services Authority Regulation Number 6/POJK.03/2015<sup>4</sup> concerning Transparency and Publication of Bank Reports and Financial Services Authority Regulation No. 29/POJK.04/2016<sup>5</sup> concerning Issuers Annual Reports or

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<sup>1</sup> Undang-Undang Republik Indonesia No. 21 Tahun 2008 tentang Perbankan Syariah, Pasal 7.

<sup>2</sup> Undang-Undang Republik Indonesia No. 40 Tahun 2007 tentang Perseroan Terbatas, Pasal 74.

<sup>3</sup> Fajar Ardiansyah, Pramelani pramelani, "Implementasi Corporate Social Responsibility Berdasarkan Konsep Triple Bottom Line Pt Bank Syariah Xyz Tahun 2018, 2019 dan Q3 2020", *Jurnal Ekonomi dan Bisnis (EK&BI)*, [S.l.], v. 4, n. 1, p. 393-402, june 2021. ISSN 2621-4695.

<sup>4</sup> Peraturan Otoritas Jasa Keuangan Nomor 6/POJK.03/2015 tentang Transparansi dan Publikasi Laporan Bank

<sup>5</sup> Peraturan Otoritas Jasa Keuangan Nomor 29/POJK.04/2016 tentang Laporan Tahunan Emiten atau Perusahaan Publik

Public Company. These two regulations are enforced by the Financial Services Authority for all conventional banks and Islamic banks. Whereas the practice of disclosing social responsibility according to the Islamic perspective should be different from the conventional perspective. This is because the accountability carried out by sharia institutions is not only to humans, but also to God, the creator of the universe.

In connection with the need for disclosure of social responsibility in Islamic financial institutions, currently there is a lot of discussion about the Islamic Social Reporting Index, hereinafter referred to as the ISR Index. The ISR index is a standard issued by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions), it's just that the standard issued by AAOIFI does not mention all items related to CSR that must be disclosed by companies<sup>6</sup>. With the existence of the ISR Index, it is believed that it can be a first step in terms of compiling standards for the disclosure of social responsibility of a sharia-based institution.

The difference between ISR and CSR is that there is an indicator of zakat in the ISR Index which causes ISR to be different from CSR. The public may also argue that examining zakat from an Islamic perspective in terms of reporting is equally important because it attracts stakeholder confidence, especially Muslim stakeholders in meeting their spiritual needs.<sup>7</sup> From the problems described above, the Islamic Social Reporting Index (ISR Index) can be used as a reference for the need for reporting the performance of Islamic Financial Institutions in an Islamic perspective.

The development of the ISR Index in Islamic financial institutions in Indonesia has also become a concern for the public regarding the disclosure of the annual report which is expected to be in accordance with Islamic law.<sup>8</sup> In addition, the development of the Islamic finance industry is increasingly rapid, both in terms of quantity growth in terms of the number of institutions, increasingly diverse and innovative products, fast financial performance, and continuously improving service quality. This causes the Islamic finance industry to report its operational performance in accordance with the disclosure of the ISR Index.<sup>9</sup>

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<sup>6</sup> Nur Afifah Kumalasari Mulyadi, "Studi Empiris Penilaian Laporan Keuangan Bank Syariah Di Indonesia Berdasarkan Standar Ifrs Dan Aaoifi", *Jurnal Akuntansi*, Vol 5, No 2 (2019), 46-63.

<sup>7</sup> Kasmir, *Analisis Laporan Keuangan*, Depok: Rajawali Press, 2018.

<sup>8</sup> Novi Febriyanti, Nur Syam, Sirajul Arifin, "Patterns of Sharia-Based SMEs' Mentoring and Development in K-UKM Clinic East Java. *Proceedings of Islamic Economics, Business, and Philanthropy*, 1(2), (2022), 318-331.

<sup>9</sup> Namla Elfa Syariati, "Pengungkapan Islamic Corporate Social Responsibility (ICSR) Perusahaan Di Jakarta Islamic Index (JII)", *Syntax Literate*, Vol 7 No 9 (2022), 1308-13039.

Islamic banks are one of the Islamic finance industries which annually report their performance in the form of an annual report or annual report to the public. The annual report of a sharia bank can be a written evidence of the performance carried out over a period. The annual reports that have been published by Islamic banks and other financial industries are weapons for each company in showing the quality of their respective performance.<sup>10</sup> One of the Islamic banks or the Islamic finance industry that has a good annual report is Bank Syariah Indonesia (BSI) Imam Bonjol Branch Office, Padang City. Based on the above background related to the ISR Index which is suitable for reporting the Islamic finance industry and the Indonesian Islamic Bank (BSI) the Imam Bonjol Branch Office of Padang City which is the object of research has good reporting.

### **Method**

The research method that will be used in writing is a qualitative research. Qualitative research is research that is descriptive and tends to use analysis and prioritizes process and meaning.<sup>11</sup> This study focuses on the disclosure of the Islamic Social Reporting Index, hereinafter referred to as the ISR Index for Islamic Banks in Indonesia. The data collected is the annual report data of Bank BSI KC Padang Imam Bonjol which has been published and the most recent is 2021. And interviews were conducted with the leadership of Bank BSI KC Padang Imam Bonjol. The subject of this research is Indes ISR (Islamic Social Reporting index). While the object of this research is Bank BSI KC Padang Imam Bonjol. Data collection techniques in this study used secondary data and primary data. The primary data was conducted by interviewing the head of the employees of Bank BSI KC Padang Imam Bonjol. The interview was conducted by asking several questions about the reporting mechanism in the 2021 report by Bank BSI KC Padang Imam Bonjol. Secondary data in this study is in the form of a 2021 report obtained from the official website of Bank BSI KC Padang Imam Bonjol (<https://www.bankbsi.co.id/jaringan/682>).

The data analysis technique used by researchers in assessing Islamic Social Reporting (ISR) is to use the content analysis method. The content analysis used in this study is by giving a checklist (√) on each item that reveals social activities in the annual report of Islamic banks. If certain items are disclosed, they will get a score of "1", and if they are not disclosed, they will get a score of "0". This study uses the Islamic Social Reporting Index which has been developed by previous researchers with components consisting of 50 items and consisting of 6 themes, namely investment and finance, products and services, labor or employees, social

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<sup>10</sup> Thomas G. Evans, *Accounting Theory: Contemporary Accounting Issue*, USA: South Western, 2003.

<sup>11</sup> Sugiyono, *Metode Penelitian Kuantitatif dan R&D*, Bandung : Alfabeta, 2015.

or community, environment, and organizational governance. And the results of the interviews were analyzed using inductive analysis in the form of written and oral. Analysis of the theory and data obtained.

## **Result and Discussion**

### **Islamic Social Reporting Index**

Islamic Social Reporting is one of the many models of reporting social responsibility based on sharia.<sup>12</sup> We need to discuss the disclosure of Islamic Social Reporting (ISR) in Islamic financial institutions. Before discussing ISR, we discuss the rules used by Islamic banks in presenting their social responsibility reports or annual reports. Disclosure or presentation of reports by Islamic banks still follows the rules of the Financial Services Authority. The regulation is the Financial Services Authority Regulation Number 6/POJK.03/2015 concerning Bank Transparency and Publication.

Islamic banks in the presentation of their annual reports are prepared based on the Financial Services Authority Regulation Number 6/POJK.03/2015 concerning Bank Transparency and Publication. Based on the regulation from the OJK, Islamic banks need to disclose or present an annual report containing; 1) General information, 2) Financial statements, 3) Financial performance information, 4) Disclosure of capital and risk management practices applied by the Bank, at least including a description of the types of risks, potential losses faced by the Bank, and risk mitigation, as stipulated in the provisions concerning capital and risk management, 5) Other disclosures as stipulated in financial accounting standards, and 6) Other information determined by the Financial Services Authority.<sup>13</sup>

In the OJK regulations, it can be seen that there are still shortcomings in its sharia values. It is evident from some of the indicators mentioned in the regulation, Islamic banks are only required to disclose several reports on the distribution of profit sharing, zakat reports, benevolence fund reports and related investment reports.<sup>14</sup> From this we can see that the regulations issued by the OJK are still not in accordance with the Islamic values applied by Islamic banks. Therefore, Islamic Social Reporting grew and was born so that Islamic banks could adjust their annual reports or social responsibility reports based on their Islamic values.

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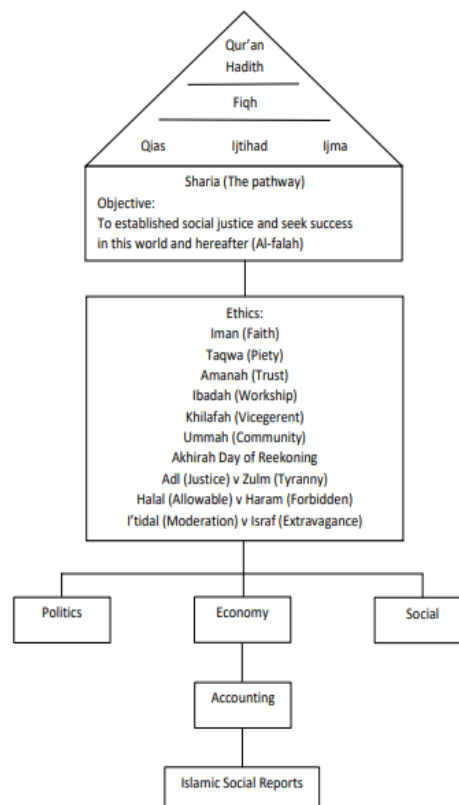
<sup>12</sup> Sadia Majeed, "The Effect of Corporate Governance Elements on Corporate Social Responsibility (CSR) Disclosure: An Empirical Evidence from Listed Companies at KSE Pakistan", *Journal of Financial Studies*, 3(4), (2015), 530–556.

<sup>13</sup> Arin Setiyowati, Kholifatu Azqiya, "Corporate Sosial Responsibility (CSR) pada Bank Syariah Mandiri KC. Jemur Handayani Surabaya Dalam Perspektif Maqhasid Syariah Indeks", *Jurnal Ilmiah Ekonomi Islam*, 8(02), (2022), 2010-2019.

<sup>14</sup> Syarifah Zuhra, "Lembaga Keuangan Syariah Dan Tanggung Jawab Sosial (Csr): Pengungkapan Berdasarkan Islamic Social Reporting (Isr) Indeks", *Jurnal Profita: Akuntansi dan Bisnis*, 3 (1), Mei (2022), 51-64.

In the Islamic Social Reporting Index there is a discussion about transactions that are forbidden in Islam. Transactions that are forbidden in Islam such as uncertainty or gharar and usury. In Islamic banks today, there are still transactions that contain usury or what is known as interest. This is contrary to the teachings of Islam that in transactions it is forbidden to have usury or interest. Therefore, this item should not be disclosed in the liability report of a financial institution. This discussion is an important point of the Islamic Social Reporting Index.<sup>15</sup>

**Picture 1.** *Islamic Social Reporting*



In picture 1, Islamic Social Reporting Islamic banks need to disclose or present their reports based on their Islamic values. Islamic Social Reporting Index is a measuring tool used in a corporate social responsibility report, especially Islamic banks. The Islamic Social Reporting Index has sharia values in each of its items and it is natural for Islamic banks to present their reports based on sharia. The Islamic Social Reporting Index can be measured on Islamic banks that present their complete annual reports, not only on one aspect.

<sup>15</sup> Inten Meutia, *Menata Pengungkapan CSR di Bank Islam (Suatu Pendekatan Kritis)*, Jakarta: Citra Pustaka Indonesia, 2020.

## Items Islamic Social Reporting Index

The ISR index is the disclosure items used as indicators in reporting the social work of Islamic business institutions. This study refers to the ISR index used by previous researchers. The ISR index used in this study consists of six themes, each of which consists of several items.<sup>16</sup>

### 1) Investment and Finance Theme

The first theme is the theme of Investment and Finance. This theme contains investment and financial activities carried out by Islamic banks. The items contained in this theme will be presented in Table 1 as follows:

Table 1. Investation and Finance

No.	Items Revealed	Skor
1	Riba Activity	0
2	Gharar	0
3	Zakah	1
4	Policies in overcoming late payments by <i>insolvent clients</i>	0
5	<i>Current Value Balance Sheet</i>	1
6	<i>Value Added Statement</i>	1

In this first theme, Bank BSI KC Padang Imam Bonjol revealed that there are 3 items in accordance with the ISR Index, namely; Zakat, Current Value Balance Sheet, Value Added Statement. The first item disclosed by Bank BSI KC Padang Imam Bonjol is zakat. This item must be disclosed by all Islamic financial institutions, because Islamic institutions including Bank BSI KC Padang Imam Bonjol are required to issue zakat obtained from profits. In contemporary jurisprudence, zakat issued by agencies is considered as corporate zakat.

The second item is the Current Value Balance Sheet, which is the present value disclosed in the balance sheet. In this item, Bank BSI KC Padang Imam Bonjol disclosed it in the financial statements of the accounting policy section. In the disclosure made by Bank BSI KC Padang Imam Bonjol related to the calculation of the present value of the estimated future cash flows of murabahah receivables. This item is used as a reference in determining how much zakat will be issued by adjusting PSAK.

The last item in this theme is Value Added Statements, namely statements about added value. Islamic financial institutions are not required to disclose this item in their reporting. Because this item is more developed in developed countries compared to developing countries such as

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<sup>16</sup> Annual Report 2021, Bank BSI KC Padang Imam Bonjol.

Indonesia. Thus, in this study, the term value added statement refers more to the added value statement in the company's annual report.

This first investment and financial theme, Bank BSI KC Padang Imam Bonjol has expressed it well. Items regarding non-halal transactions were not disclosed by Bank BSI KC Padang Imam Bonjol in its reporting, proving that its operational activities are free from transactions that are prohibited in Islam.

## 2) Tema Investasi dan Keuangan

The second theme in the ISR Index is the theme of Products and Services. This theme contains Islamic bank products and services consisting of four items. These theme items will be presented in Table 2 as follows:

**Table 2.** Product and Service

No.	Items Revealed	Skor
7	Halal or sharia status in the product	1
8	Product Development	1
9	Service improvements	1
10	Customer complaints/events arising from non-compliance with applicable regulations	1

In this second theme, Bank BSI KC Padang Imam Bonjol revealed all items based on the ISR Index. The first item to be disclosed is the halal or sharia status in the product. In this first item, a sharia agency or institution is required to disclose the existence of halal status in the products they have. Halal status does not merely express the word halal, but through a statement from the Sharia Supervisory Board. The statement is contained in the annual report which can be an opinion of the Sharia Supervisory Board or the determination of the DSN-MUI Fatwa.

The second item disclosed by Bank BSI KC Padang Imam Bonjol is product development. This item needs to be disclosed in the annual report, because it shows that the performance of Bank BSI KC Padang Imam Bonjol in 2021 is carried out by carrying out product development. Product development carried out by Bank BSI KC Padang Imam Bonjol must be discussed first by the Sharia Supervisory Board (DPS) and after DPS has issued a DSN-MUI fatwa related to new products or those that will be developed, then Bank BSI KC Padang Imam Bonjol can market their products.

The third item disclosed is service improvement. In this item, all institutions or institutions, both sharia and conventional, should improve their services, so that customers can become loyal to the institution itself. In



addition, service for customer complaints must also be a priority for Islamic banks in order to maintain customer trust. Currently, almost all businesses prioritize aspects of service for their consumers or customers. Because good service will have an impact on the level of customer loyalty.

The fourth item disclosed is customer complaints/events arising from non-compliance with applicable regulations. A company is expected not only to focus on the products produced (product-oriented) but also to provide satisfactory service to consumers (consumer-oriented) by providing a customer complaint service center after the buying and selling process. In this fourth item, Bank BSI KC Padang Imam Bonjol made a disclosure with an explanation regarding the mechanism and process for customer complaints and handling.

The second theme is the products and services that have been disclosed by Bank BSI KC Padang Imam Bonjol. Bank BSI KC Padang Imam Bonjol revealed all the items in this second theme, proving that an Islamic bank needs and must disclose items about the clarity of the products and services they have.

### **3) Labor Theme**

The third theme in the ISR Index is the theme of Manpower. This theme consists of six items that explain the treatment of Islamic banks towards employees who are employed. Items on this theme will be presented in Table 3 below:

**Table 3.** Labor

<b>No.</b>	<b>Items Revealed</b>	<b>Skor</b>
11	Job Characteristics	1
12	Education and Training	1
13	Equal opportunity	1
14	Occupational Health and Safety	1
15	Work environment	1
16	Special Recruitment	1

In this third theme, all ISR Index items are disclosed in the 2021 report of Bank BSI KC Padang Imam Bonjol. The first item is job characteristics. Job characteristics do need to be disclosed so that readers or stakeholders know the position of each employee. This item was disclosed by Bank BSI KC Padang Imam Bonjol not in detail as there must be a statement regarding the number of hours worked, salary ratio, and others. Bank BSI KC Padang Imam Bonjol disclosed this item in the employee opinion survey column. And the questions that became the survey were related to the scope of work such as interactions among employees, mutual respect, facilities provided by the company, and so on.

The second item disclosed is education and training. It is necessary to disclose the education and training provided by the company to its employees, considering that the company can work because of the help of its employees' experience. In the second item, Bank BSI KC Padang Imam Bonjol revealed it in detail. Bank BSI KC Padang Imam Bonjol explained the training and development methods carried out throughout 2021. This second item is required for sharia agencies or institutions to disclose it in the annual report because it relates to the services provided by the institution to its employees.

The third revealed item is equal opportunity. In this item, Bank BSI KC Padang Imam Bonjol disclosed in a statement that it provides equal opportunities to all its employees. As employees of Bank BSI KC Padang Imam Bonjol get the same opportunity for fair promotion. And also Bank BSI KC Padang Imam Bonjol provides equal opportunities to all people or employees in being nominated as commissioners and directors. At the evaluation stage, Bank BSI KC Padang Imam Bonjol did it the same way regardless of gender, race, or the source of the initial recommendation.

The fourth item is occupational health and safety. Providing occupational health and safety to employees is one form of responsibility given by the institution or company. In this item, BSI KC Padang Imam Bonjol said that the health and safety of employees is the company's commitment. BSI KC Padang Imam Bonjol also revealed that the employees' families are provided with health facilities with applicable regulations. BSI KC Padang Imam Bonjol also provides work accident risk management. BSI KC Padang Imam Bonjol succeeded in creating a conducive work environment through employee turnover tables.

The fifth item is the existing work environment. The work environment has a social impact on its employees and the company or company needs to ensure a good work environment for its employees. This item was disclosed by BSI KC Padang Imam Bonjol in terms of employee turnover. In the work environment item, BSI KC Padang Imam Bonjol manages its human resources in a fair and transparent manner, in line with BSI KC Padang Imam Bonjol culture which is trustworthy and congregational.

The last item is special recruitment. The sixth item was disclosed by BSI KC Padang Imam Bonjol in its report. This item is shown to prospective employees who have previous work experience. BSI KC Padang Imam Bonjol revealed that prospective employees who have experience must be referenced by checking at their previous workplace, to prove that the prospective employee does have a good track record. This item is only for prospective employees who have good experience. This item is not required to be disclosed, but if the agency does disclose it that is much better.

In this third theme, BSI KC Padang Imam Bonjol expresses it very well. All items disclosed by BSI KC Padang Imam Bonjol can provide clear information for prospective employees and stakeholders.

#### 4) Social Theme

The fourth theme in the ISR Index is the Social theme. The items in this theme contain social activities carried out by the company. Several items in this theme are in accordance with sharia principles, including the provision of donations (sadaqoh), endowments and loan funds for virtue (Qard Hasan). These items in full can be seen in Table 4 as follows:

**Table 4.** Social

No.	Items Revealed	Skor
17	Shodaqoh/donation	1
18	Wakaf	1
19	Qardul Hasan	1
20	Zakah/donations from employees/customers	1
21	Education	1
22	Health Assistance	1
23	Economic empowerment	1
24	Caring for orphans	1
25	Mosque construction or renovation	1
26	Youth activities	0
27	Other social activities (giving books, going home together, etc.)	1
28	Sponsor Health, sports, educational events, etc.	1

All items in this theme were disclosed by Bank BSI KC Padang Imam Bonjol except for one item, namely youth activities. The first item to be disclosed is shadaqoh/donations. Shodaqoh/donations must be included in the accountability report, because this item indicates that an institution or agency is taking social action to the surrounding community. And this item is highly recommended to fellow Muslims that charity is necessary to help others.

The second item is waqf. Waqf is also an item that is expected to be included in the disclosure of the annual report, because this item is mutually helpful. This item is disclosed in order to show that financial institutions have a responsibility to help others. In this second item, Bank BSI KC Padang Imam Bonjol proves that a company or institution is obliged to carry out social work by helping others in the form of waqf. It is hoped that other financial institutions will be able to disclose this item in

order to inform Muslim stakeholders that the company or institution has good social responsibility.

The third item is *qard hasan*. This third item is intended to provide information about benevolent loan loans for underprivileged people. This loan is expected by Bank BSI KC Padang Imam Bonjol to be able to support the poor. Bank BSI KC Padang Imam Bonjol revealed in his report that it provides business capital for the poor. The fourth item is zakat or donations from employees or customers. The fourth item is expected by all agencies or institutions to disclose it so that employees have a social nature, even though only zakat is obtained from their salaries.

The fifth item is education. Education does need to be disclosed in the annual report or accountability, because this item can prove that an institution or company provides assistance to others through education. Bank BSI KC Padang Imam Bonjol provided several educational assistance, namely; provide 17 reading gardens/libraries, 20 mobile libraries, 730 scholarships, 5 schools to be renovated. The sixth item is health assistance. Bank BSI KC Padang Imam Bonjol revealed that the health assistance they provide is in the form of health program services and free eyeglasses program.

The seventh item is economic empowerment. Bank BSI KC Padang Imam Bonjol revealed this item that it provided was a pesantren economic development program, economic empowerment in 6 housewife communities, and economic empowerment through hasanah ambassadors of Bank BSI KC Padang Imam Bonjol. The eighth item is concern for orphans. Bank BSI KC Padang Imam Bonjol revealed this item based on the activities they have carried out since 2015 namely providing compensation programs to orphans and poor people. The ninth item is the construction or renovation of the mosque. Bank BSI KC Padang Imam Bonjol revealed this item that they provided social assistance with the construction of 2 mosques in Lebak and Mentawai. Bank BSI KC Padang Imam Bonjol hopes that the mosque they built will be well maintained and used properly.

The tenth item is other social activities (giving books, going home together, etc.). Bank BSI KC Padang Imam Bonjol revealed that the other social activities they carried out were related to various Ramadan activities including; homecoming hasanah, takjil hasanah, tadarus hasanah children, and others. Bank BSI KC Padang Imam Bonjol provides assistance for religious social activities in order to assist the community in developing their religious knowledge. The last item is sponsorship of health events, sports, education, and others. Bank BSI KC Padang Imam Bonjol carries out their social activities by helping the activities of groups or community organizations in the form of sponsorship every year.

In this fourth theme, Bank BSI KC Padang Imam Bonjol made a good disclosure. And from several items disclosed by Bank BSI KC Padang Imam Bonjol there is one item that has not been disclosed, namely youth activities. It is possible that Bank BSI KC Padang Imam Bonjol carries out youth activities in the form of sponsorship, so this item is not disclosed separately but is combined into one in the last item.

**5) Environment Theme**

The fifth theme in the ISR Index is the Environmental theme. This theme consists of seven items containing the relationship of Islamic banks to the surrounding environment. These theme items are presented in Table 5 as follows:

**Table 5.** Environment

No.	Items Revealed	Skor
29	Go green campaign	1
30	Environmental conservation	1
31	Protection of wild or endangered flora and fauna	0
32	Polution	0
33	Repair and manufacture of public facilities	1
34	Environmental audit	0
35	Environmental management policy	1

In this theme there are only 4 items that are disclosed, namely the first item is the go green campaign. The go green campaign really needs to be carried out by the company/institution because it is a form of gratitude and responsibility for the surrounding environment. Bank BSI KC Padang Imam Bonjol disclosed this item through an appointed hasanah ambassador. So Bank BSI KC Padang Imam Bonjol did not carry out a go green campaign directly but through their hasanah ambassador. This can show that Bank BSI KC Padang Imam Bonjol has a responsibility to the surrounding environment.

The second item is environmental conservation. Environmental conservation is the protection or preservation of the environment. Bank BSI KC Padang Imam Bonjol revealed this item as a form of responsibility to the environment. And he disclosed that mangrove conservation activities in Tanjung Pasir were carried out by Bank BSI KC Padang Imam Bonjol. It can be seen that Bank BSI KC Padang Imam Bonjol has a responsibility to the environment through mangrove conservation. The third item disclosed is the repair and manufacture of public facilities. Bank BSI KC Padang Imam Bonjol revealed this through giving to 6 villages that received the benefits of the MCK program. Bank BSI KC Padang Imam Bonjol helps villages that have difficulty in terms of public facilities, namely MCK. This proves that

Bank BSI KC Padang Imam Bonjol carries out its environmental responsibilities in a good and trustworthy manner.

And the last item is environmental management policy. Company/institutional policies regarding the environment need a management, so that the surrounding environment can be maintained and not easily polluted. Bank BSI KC Padang Imam Bonjol revealed this item by conducting the GEN-Xtra program. GEN-Xtra was implemented by Bank BSI KC Padang Imam Bonjol as an effort to preserve the environment by reducing paper use and saving energy. In this last item, it can be seen that Bank BSI KC Padang Imam Bonjol carries out all activities by implementing programs to preserve the environment.

In this fifth theme, Bank BSI KC Padang Imam Bonjol has not disclosed it in detail or in full. There are 3 items that have not been disclosed by Bank BSI KC Padang Imam Bonjol, including; protection of wild or endangered flora and fauna, pollution, and environmental audits. Furthermore, it is expected for Bank BSI KC Padang Imam Bonjol to disclose the three items, so that stakeholders can know that Bank BSI KC Padang Imam Bonjol has good environmental responsibility.

#### **6) Organizational Governance Theme**

The last theme used in the ISR Index is the theme of Organizational Governance. This theme consists of fifteen items on how the governance of an organization or Islamic bank is carried out. These theme items can be seen in Table 6 as follows:

**Table 6.** Organizational Governance

<b>No.</b>	<b>Items Revealed</b>	<b>Skor</b>
36	Organizational Profile and Strategy	1
37	Organizational structure	1
38	Implementation of the duties and responsibilities of the Board of Commissioners	1
39	Implementation of the duties and responsibilities of the Board of Directors	1
40	Completeness and implementation of the Committee's duties	1
41	Implementation of the duties and responsibilities of the Sharia Supervisory Board	1
42	Implementation of sharia principles in the collection and distribution of funds and services	1
43	Handling conflicts of interest	1

44	Implementation of bank compliance function	1
45	Implementation of the internal audit function	1
46	Implementation of the external audit function	1
47	Maximum limit for disbursement of funds	1
48	Transparency of financial and non-financial conditions	1
49	Anti-money laundering policies and other deviant practices	1
50	Corporate ethics	1
<b>Total</b>		43
<b>Percentage</b>		86%

The ISR Index items above will be processed by analyzing a corporate responsibility report. The company that is used as the object of research is Bank BSI KC Padang Imam Bonjol. The following is a brief explanation of why this research focuses on Bank BSI KC Padang Imam Bonjol.

In this theme, all items are contained in the disclosure of Bank BSI KC Padang Imam Bonjol reporting in 2021. The first item is the profile and strategy of the organization. Bank BSI KC Padang Imam Bonjol discloses this item in one of the chapters in its accountability report in the form of an annual report. Bank BSI KC Padang Imam Bonjol discloses this item in detail so that readers can clearly know what the purpose of Bank BSI KC Padang Imam Bonjol is. This proves that a company is obliged to disclose this item regardless of the institution based on sharia or not.

The second item is the organizational structure. This item must be disclosed by the company/institution because it is to show the corporate governance structure and can also show the flow or position of the directors, commissioners and sharia supervisory boards. Disclosure made by Bank BSI KC Padang Imam Bonjol in this theme is in accordance with the decision letter of the board of directors, therefore the structure disclosed is correct and clear. Bank BSI KC Padang Imam Bonjol clearly stated this item in the form of a structure and an explanation of the performance of each of its directors.

The third item is the implementation of the duties and responsibilities of the board of commissioners. This item shows the governance of a company. This item describes the duties and responsibilities of the board of commissioners. And Bank BSI KC Padang Imam Bonjol revealed this item in detail can be seen in the accountability report. In this theme, Bank BSI KC Padang Imam Bonjol performs good

governance so that readers know about the duties and responsibilities of the board of commissioners.

The fourth item is the implementation of the duties and responsibilities of the board of directors. The fourth item is almost the same as the third item. Bank BSI KC Padang Imam Bonjol also discloses it in detail and in detail so that readers are not confused in knowing the duties and responsibilities of the board of directors. The fifth item is the completeness and implementation of the committee's duties.

This fifth item is almost the same as the third and fourth items that the company is obliged to demonstrate its corporate governance. Bank BSI KC Padang Imam Bonjol disclosed this item in order to show the duties and implementation of the duties of the committee. So that readers know what are the duties and implementation of the committee's duties at Bank BSI KC Padang Imam Bonjol.

The sixth item is the implementation of the duties and responsibilities of the sharia supervisory board. This item is the same as before that the company needs to disclose its governance in order to provide information to stakeholders that the company is transparent. Bank BSI KC Padang Imam Bonjol revealed this item to prove that they are transparent. In this item, Bank BSI KC Padang Imam Bonjol performs good and detailed organizational governance.

The seventh item disclosed is the implementation of sharia principles in the collection and distribution of funds and services. This item is disclosed so that sharia-based institutions prove that the institution is in accordance with Islamic sharia. Bank BSI KC Padang Imam Bonjol discloses this item in detail so that stakeholders know that Bank BSI KC Padang Imam Bonjol applies sharia principles in its transactions. This item proves that Bank BSI KC Padang Imam Bonjol conducts transactions based on sharia principles.

The eighth item is handling conflicts of interest. This item needs to be disclosed so that a company/organization can be managed properly even though there is a conflict of interest within the organization. Bank BSI KC Padang Imam Bonjol disclosed this item clearly and there were several measures to prevent conflicts of interest within the organization.

The ninth item is the implementation of the bank's compliance function. This item must be disclosed so that the corporate/organizational governance has a reference. The compliance function should be carried out so that the entire company structure does not get mixed up. Bank BSI KC Padang Imam Bonjol revealed this item that compliance in the organization or company should be enforced in order to have good corporate governance and not break.



The tenth item is the implementation of the internal audit function. The internal audit function needs to be disclosed so that stakeholders believe that the company/organization has an internal audit system. Which audit is useful for preventing deviant activities within the company or organization. Bank BSI KC Padang Imam Bonjol disclosed this item in detail so that stakeholders would not hesitate to choose Bank BSI KC Padang Imam Bonjol as the Islamic bank of choice.

The eleventh item is the implementation of the external audit function on. The external audit function is indeed necessary to prevent the emergence of crime from outside and to be balanced for the company/organization. With the external audit function, stakeholders need not hesitate to choose Bank BSI KC Padang Imam Bonjol as the bank of choice. Bank BSI KC Padang Imam Bonjol revealed this item to show that their governance is better than others.

The twelfth item disclosed is the maximum limit for disbursement of funds. The maximum limit for disbursement of funds does need to be disclosed so that stakeholders know the rules that exist in the company/organization in distributing funds that exceed the existing rules in the company. Information about this item is expected to be explained in detail in order to help customers who require to distribute their funds on a large scale. Bank BSI KC Padang Imam Bonjol discloses this item well, because in having good organizational governance they feel to limit the distribution of funds. So that customers are not released in channeling their funds, it is feared that money laundering cases will occur.

The thirteenth item is the transparency of financial and non-financial conditions. This item must be disclosed so that stakeholders know that the financial condition of a company/organization must be reported in a transparent manner. Moreover, this item is useful for customers who save in organizations/companies. Bank BSI KC Padang Imam Bonjol disclosed this item well. Bank BSI KC Padang Imam Bonjol believes that having good corporate governance must also be transparent in its financial and non-financial conditions. Therefore, in this item, Bank BSI KC Padang Imam Bonjol made a good disclosure.

The fourteenth item is an anti-money laundering policy and other deviant practices. This item must be disclosed so that stakeholders know that the company has a policy in case of money laundering and other deviant practices. Bank BSI KC Padang Imam Bonjol discloses this item in detail so that customers and stakeholders believe that Bank BSI KC Padang Imam Bonjol has a good and firm policy in eradicating deviant practices.

The last item is corporate ethics. Corporate ethics do need to be disclosed in a company's accountability report. Moreover, to have good governance, the company must have ethics in carrying out all its

operational activities. Bank BSI KC Padang Imam Bonjol discloses this item in detail so that stakeholders know that Bank BSI KC Padang Imam Bonjol has ethics in its operational activities. Bank BSI KC Padang Imam Bonjol revealed that in corporate governance it has a code of ethics as a guide for their performance.

In this last theme, Bank BSI KC Padang Imam Bonjol was able to reveal all the items in this theme. So that Bank BSI KC Padang Imam Bonjol proves that they have good corporate/organizational governance. Bank BSI KC Padang Imam Bonjol obtained 43 items in accordance with the ISR Index in disclosing the 2021 report. From the total gains obtained by Bank BSI KC Padang Imam Bonjol, the following is the percentage obtained by Bank BSI KC Padang Imam Bonjol in the ISR Index:

$$\text{ISR Disclosure} = \frac{\text{Total Scores Fulfilled}}{\text{Maximum Score}} \times 100\%$$

$$\text{ISR Disclosure} = \frac{40}{50} \times 100\%$$

$$\text{ISR Disclosure} = 86\%$$

From the results obtained by the ISR Index obtained by Bank BSI KC Padang Imam Bonjol in the disclosure in the 2021 report. It shows that there are 43 items out of a total of 50 items that are in accordance with the ISR Index. This proves that Bank BSI KC Padang Imam Bonjol has made disclosures in its annual report in accordance with sharia principles. And from the percentage obtained by Bank BSI KC Padang Imam Bonjol, 86% of the disclosures he made were in accordance with the ISR Index. From these results, it can be seen that the disclosure made by Bank BSI KC Padang Imam Bonjol is good. Bank BSI KC Padang Imam Bonjol in presenting its annual report in addition to referring to the Financial Services Authority Regulation Number 6/POJK.03/2015 concerning Bank Transparency and Publication, also refers to the Decree of the Chairman of Bapepam-LK No. KEP-431/BL/2012, Regulation No. X.K.6 concerning Submission of Annual Reports of Issuers or Public Companies.

In addition to the rules from the OJK used by Bank BSI KC Padang Imam Bonjol in presenting its report, it can also make Bank BSI KC Padang Imam Bonjol excel in winning various awards. From the decision of Bapepam LK X.K.6, the X.K.6 Index was made which is used as a reference in the presentation of the annual report of Bank BSI KC Padang Imam Bonjol. This is one of the reasons why Bank BSI KC Padang Imam Bonjol won various awards in 2021. Because the annual report they present does not only use OJK regulations.

## **Conclusion**

The disclosure of the Islamic Social Reporting Index on Islamic Banks explains that Islamic Banks in Indonesia in presenting their annual reports refer to the Financial Services Authority Regulation Number 6/POJK.03/2015 concerning Bank Transparency and Publication. The Islamic Social Reporting Index has different points from the POJK, namely on transaction items that are forbidden in Islam. There is still no regulation from the Financial Services Authority regarding Islamic bank reporting, especially in accordance with Islamic Social Reporting. Disclosure of the Islamic Social Reporting Index at Bank BSI KC Padang Imam Bonjol explained that the results of the disclosure of the Islamic Social Reporting Index at Bank BSI KC Padang Imam Bonjol were very good. Almost all the items used as references in this study were disclosed by Bank BSI KC Padang Imam Bonjol in the 2021 report. Bank BSI KC Padang Imam Bonjol revealed 43 items. Bank BSI KC Padang Imam Bonjol received an ISR Index percentage of 86%. Bank BSI KC Padang Imam Bonjol in presenting his report apart from the POJK also refers to the Decree of the Chairman of Bapepam-LK No. KEP-431/BL/2012, Regulation No. X.K.6 concerning Submission of Annual Reports of Issuers or Public Companies. And Bank BSI KC Padang Imam Bonjol uses Bapepam LK X.K.6 and ARA Index.

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