

THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY IN SHARIA BANKING BASED ON SHARIA ENTERPRISE THEORY: LITERATURE REVIEW STUDY

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Abstract: *The implementation of sharia-based social responsibility in Islamic banking is one form of the role/responsibility of human beings as caliphs on earth towards Allah SWT, fellow humans and nature. So it is also important to study the concept of CSR based on SET/Shariah Enterprise Theory in Islamic Banking. Several stages in the presentation of the concept of Corporate Social Responsibility in Islamic Banking include collecting references on the concept of CSR based on SET. Next, select sources and conduct an in-depth study of the references that have been selected, as well as make discussions and conclusions. The results of the study show that the concept of Corporate Social Responsibility in Islamic Banking is based on SET (Shariah Enterprise Theory) which provides an explanation that there are themes and elements that must be disclosed in reporting social responsibility in Islamic Banking. Reporting implementation that must be disclosed in CSR Disclosure based on sharia Enterprise Theory (SET) in the sharia banking sector includes two dimensions, namely vertical and horizontal accountability. Fulfillment of responsibility vertically to Allah SWT as the primary trustee. Horizontal accountability: direct stakeholders (customers and employees), Horizontal accountability: indirect stakeholders (society and nature).*

Keywords: *Corporate Social Responsibility, Shariah Enterprise Theory, Syariah banking*

Introduction

Today Islamic banking has developed very rapidly. In the Islamic finance industry, Islamic banking is the largest sector. Islamic banking is banking that should carry out economic system activities based on sharia principles and values. The main factor that forms the basis for establishing Islamic banks is the encouragement/hope to run an economic system based on sharia principles and values, including the prohibition of usury (Mutia, I: 2021).

In accordance with Law No. 21 of 2008 concerning Islamic banking, it provides firmness regarding the importance of the social function of Islamic banking. The role and function of Islamic banking in the social sector can be emphasized on a positive legal basis, namely the existence of an Islamic banking law which contains the social functions of Islamic banks. In business activities / business in Indonesia, the social responsibility of Islamic banking or Corporate Social Responsibility / CSR is increasingly well known. Initially, many CSR activities were based on philanthropic activities, so now companies can use CSR as a strategy to improve the image of Islamic banking which can affect the financial performance of Islamic banking (Anggraeni, 2019). The true function of Islamic banking is an intermediary institution between parties who have more funds and those who have a lack of funds in realizing welfare for society (Zanariyatim, et al: 2016).

Corporate Social Responsibility or social responsibility arises because of the need for business organizations to pay attention to the social environment of their business. Islamic banking has a responsibility not only to its ability to gain profits but must pay attention to the social and environmental aspects of Islamic banking. The view of CSR is no longer as a cost center but also as a profit center. CSR (Corporate Social Responsibility) is an agreement to create development and support for sustainable development (sustainable development). In a sharia perspective, the social responsibility of sharia banking must pay attention to the spiritual aspects of its reporting. The implementation of Islamic banking operational activities is based on sharia principles and the Koran and Hadith as the basic philosophy (Astuti, S: 2019). The sustainability of Islamic banking companies in the concept of sustainability development depends on the size of the company's responsibility for the impacts arising from the company's activities. Where the responsibility includes social and financial. Through CSR disclosure, communication is made about social responsibility by the company to stakeholders. Signals about the company's prospects in the future as well as the company's added value for attention/concern for the economic, social and environmental impacts arising from the company's activities, are conveyed by management to all stakeholders through CSR disclosure (Lindawati and Puspita, 2015).

CSR is an entity's social responsibility to society. Activities to maintain the environment around the company and help increase the welfare of the community are carried out by the company through the company's CSR programs. Implementation of Corporate Social Responsibility is a practice formed on the basis of accepted/applicable norms in society. Sharia banking applies Islamic values/ethics (sharia values). As a legal organization/company, Islamic banking companies have a social responsibility known as CSR/Corporate Social Responsibility (Irawan, F and Muarifah: 2020).

In order to achieve the vision of the people's economic development in implementing LKS or in this case Islamic banking it is appropriate to have the belief and understanding that the implementation of corporate social responsibility is an integral part of efforts to fulfill sharia principles in sharia banking activities. CSR based on Islamic sharia can support sharia banking in achieving social goals that are expected to be achieved with Islamic sharia as a reference. One illustration of the obligations of human beings as caliphs on earth towards Allah SWT, other human beings and nature, namely by implementing social responsibility in the LKS sharia company (Meldona, et al: 2019).

Literature Review

Shariah Enterprise Theory

The development of sharia Enterprise Theory is based on the metaphor of zakat with balance as its sign. Starting with the metaphor of amanah as a metaphor to see, understand and carry out trades that have been communicated by the company to the surrounding community to be more humanist, emancipatory, transcendental and theological. In a business organization, the concrete form of this metaphor is the fact that the organization is a metaphor for zakat, which has the view that for a company based on sharia, profit oriented or stockholder oriented is not the right orientation. The use of the right concept is oriented towards zakat, the natural environment and stakeholders (Triyuwono, 2006). Business entities that use a zakat orientation are inappropriate for using entity theory because entity theory has individual values and is profit-oriented, while the zakat metaphor is social and zakat-oriented (Asrul and Abdullah, 2021).

At the conceptual and practical level, several considerations have been made in the field of Islamic accounting. Where a view has been put forward by Adnan and Triyuwono who provide recommendations on company theory as a concept of Islamic accounting theory. Triyuwono has implicitly said that sharia accounting is not only a form of management accountability to stakeholders but also a form of accountability to stakeholders and God. The explanation in the

shariah enterprise theory is that the most important phrase that should be the basis for determining its meaning is that Allah is a kholik and all natural wealth on this earth belongs to Allah as the sole owner. In SET is God as the source. Thus, in principle, the wealth belonging to stakeholders is the mandate of Allah SWT, who is accountable for the use of these resources according to the means and goals that have been set by Allah in the Qur'an. The concepts in the shariah enterprise theory that have been formulated by Triyuwono include the concepts of zakat, justice, masalah, responsibility and falah according to the characteristics of Islamic accounting (Asrul and Abdullah, 2021).

Shariah Enterprise Theory is a social integration that begins with an emancipatory interest to give freedom to knowledge that has so far been material in nature to become knowledge that gives consideration to non-material or spiritual aspects or divine values. SET explains that the most important phrase on which every definition of the concept is based is that God is the creator and sole owner of all the resources of this world. So what is true in SET is God as the main source because He is the sole and absolute owner. The assets owned by stakeholders are essentially a mandate from Allah SWT with the responsibility to use them in the way and for the purposes determined by Allah. The purpose of using these resources is to reach Mardotillah. This goal can be attained if the servant of Allah uses it in a way that makes this resource a boon to all of nature. (Mutia, I: 2021).

According to Triyuwono (2001) Shariah Enterprise Theory, the main form of accountability is given vertically to Allah (vertical), which then describes responsibility horizontally to humans and the environment. SET according to Triyuwono (2007) has high concern for broad stakeholders including God, humans and nature. The highest party and the only purpose of human life is God. The consequence of placing God as the highest stakeholder is the use of sunnatullah as the basis for sharia accounting construction. The second stakeholder is human which includes direct stakeholders and indirect stakeholders. Direct stakeholders are parties who directly contribute financially and non-financially to the company. Indirect stakeholders are parties who do not contribute either financially or non-financially to the company, but based on sharia they are parties who are entitled to obtain welfare from the company. The next stakeholder from SET is nature. Nature contributes to the sustainability of the company. The existence of the company is physically standing on the earth, using energy that spreads in nature, carrying out production activities using raw materials originating from nature. Therefore, according to Triyuwono, it is appropriate for companies to distribute welfare to nature in the form of preserving nature, preventing pollution and others (Meutia, 2021).

Several characteristics related to the themes and items in the disclosure of Islamic banking social responsibility reporting proposed by the Shariah Enterprise Theory include (Meutia, 2010), namely: (1) There are efforts to fulfill vertical and horizontal accountability; (2) As part of efforts to fulfill the concept of balance, there are efforts to fulfill the material and spiritual needs of all stakeholders; (3) In an effort to convey complete and comprehensive information by disclosing both qualitative and quantitative information (Amelia, et al: 2022).

Corporate Social Responsibility

CSR is a social accounting structure in the form of corporate responsibility to stakeholders to have ethical behavior, minimize negative effects, increase positive impacts by covering economic, environmental and social aspects related to the process of achieving sustainable company goals. The two concepts of CSR are in the broad and narrow sense. When viewed in a broad sense, namely the implementation of CSR is related to the process of achieving the goals of sustainable economic activity (sustainability economic activity). Implementation of CSR in a narrow sense means that CSR has a relationship with corporate accountability to society, the nation and the world (Mustofa and Trisnaningsih, 2022).

CSR (Corporate Social Responsibility) is a transparent and ethical behavior that accommodates the welfare of all stakeholders including the community and the environment which is integrated into the company's overall operating activities. CSR is corporate concern based on three basic principles or the triple bottom line, namely profit, society (people) and the environment (planet) (Saputra, et al: 2019).

Corporate Social Responsibility (CSR) is a concept that has attracted global attention and has found a new resonance in the global economy, where in recent years there has been a lot of interest in CSR, as well as globalization and international trade, which is reflected in the increasing complexity of doing business. business and demand transparency and better corporate governance (Jamali D and Rabbath M, 2007). According to Budimant et al. Al (2008) defines CSR or Corporate Responsibility as a company's commitment to creating a better quality of life with all related parties, especially with the surrounding community and the company's social environment where the company is integrated with sustainable business activities (Mardikanto, T: 2018).

Sharia Banking Corporate Social Responsibility (CSR).

It is appropriate for Islamic banking to carry out CSR activities as part of business activities in implementing the objectives of sustainable Islamic banking, the environment and the surrounding community in accordance with Law No. 40 of 2007. Islamic banks are commercial organizations that are based on spiritual values, where one of the consequences of these spiritual values is the integration of the social body in Islamic banks. Which means Islamic banking has both economic and social benefits (Novarela and Sari, 2015).

One of the principles that is the difference between the concept of Western and Islamic CSR is related to the intention that is the basis for companies in implementing CSR. CSR in the Islamic view cannot be considered as a company initiative to obtain a good (positive) image and increase long-term performance or as a neutralizer for the negative impact of the company's operations. The concept of CSR in Islam has a broader meaning and its basic meaning includes piety or the dimension of God's awareness. The CSR paradigm in the Islamic view has the meaning as a manifestation of human obedience to God, both individually and in groups must have a role and responsibility to contribute to social welfare (Dusuki, 2008). So CSR is a moral and religious initiative based on belief in God as the owner of himself and the resources that the company has utilized. Islamic social responsibility has goals based on human well-being (falah) and a good life (hayat tayyibah). These two goals can be the basis for human behavior in social life as well as for companies that have social responsibility that supports the achievement of goals in social order (Trihanaputri, et al: 2017).

Method

The research method used in writing this article is a literature review approach. In writing this article, several stages were carried out in the presentation of the concept of Corporate Social Responsibility in Islamic Banking, including collecting references with the theme of the concept of social responsibility/Corporate Social Responsibility in the SET (*Sharia Enterprise Theory*) perspective. Next, select sources and conduct an in-depth study of the references that have been selected, as well as make discussions and conclusions.

Result and Discussion

Sharia Banking Corporate Social Responsibility According to Shariah Enterprise Theory

In sharia enterprise theory, a statement of added value is presented as a sharia-based entity's financial statements. Where in the financial statements can be obtained information on the added

value generated by the company and the distribution of added value to those who are entitled to receive it. This form of report can be used as a basic form of sharia banking corporate social responsibility reporting. Several concepts of disclosure of corporate social responsibility, especially Islamic banking, are proposed in sharia enterprise theory. According to Meutia, these concepts are as follows (1) disclosure of social responsibility as a form of human accountability to God which has the main objective of obtaining God's pleasure (legitimacy); (2) disclosure of social responsibility has the aim of conveying information about the extent to which the company has fulfilled its obligations to all stakeholders, both directly and indirectly (Asrul and Abdullah, 2021).

Shariah Enterprise Theory (SET) is an appropriate theory for disclosing corporate social responsibility including Islamic banking. In Shariah Enterprise Theory (SET), the main trustee is Allah and ownership of resources by stakeholders is Allah's mandate, which is also the responsibility of using them in a manner or purpose according to the provisions of the trustee (Anggraeni, 2019). SET (Sharia Enterprise Theory) is a theory of Corporate Social Responsibility (CSR) which contains values including zakat, falah, maslahah, responsibility and justice. Islamic banking also includes Islamic values (Andriana et al, 2017).

Shariah Enterprise Theory holds the view that wealth or value added does not only convince participants who have a direct relationship or participants who contribute to the company's operational activities but also those who do not have a direct relationship with the company's business activities or parties who do not contribute finances and skills. This means that the scope of accounting in sharia Enterprise Theory is not limited to events/events that are reciprocal in nature to parties that have a direct link in the process of creating added value but also includes parties that are not directly related. Stakeholders according to Shariah Enterprise Theory include: (1) God is the only goal in human life, God is the highest party. By making God the highest stakeholder, it can provide guarantees for sharia accounting users where the aim of sharia accounting is to foster awareness of their divinity. The consequence is the basic construction of sharia accounting, namely sunnatullah. With sunnatullah, sharia accounting is built based on God's rules and laws. (2) Humans are the second stakeholder in SET which consists of direct stakeholders and indirect stakeholders; (3) Nature is the third stakeholder in SET. Nature contributes to the company where the existence of the company is physically because it stands on the earth. The form of distributing welfare from companies to nature is in the form of preserving nature, preventing pollution and so on (Irawan, F: 2020).

Basic Concept of CSR Disclosure Based on Shariah Enterprise Theory

Based on the Shariah Enterprise Theory, the following are the characteristics of a CSR Disclosure report for Islamic financial institutions, including (Meutia et al, 2010):

- (1) A form of human accountability to God to gain God's legitimacy as the ultimate goal, namely CSR disclosure.
- (2) Part of efforts to fulfill responsibilities to humans, in CSR disclosure must have direction which is an information medium for all stakeholders, both directly/indirectly and naturally related to the size of the company in carrying out responsibilities to all stakeholders.
- (3) From the point of view of sharia banking which has a function as an instrument to achieve sharia goals, namely by the mandatory disclosure of social responsibility. The Corporate Social Responsibility disclosure report is a report that will meet the interests of all stakeholders.
- (4) The scope of disclosure of social responsibility includes material and spiritual dimensions related to the interests of all stakeholders by considering the public interest (maslahah) as the basis for disclosure.

- (5) Disclosure of social responsibility must include qualitative and quantitative information.

CSR Disclosure Items Shariah Enterprise Theory (SET) Perspective

According to Meutia (2010), SET (Sharia Enterprise Theory) offers two dimensions in disclosing corporate social responsibility, in this case Islamic financial institutions. The elements in question include vertical and horizontal accountability. The purpose of vertical accountability is only directed to Allah alone. In the Shariah Enterprise Theory (SET), the opinion of the DPS (Sharia Supervisory Board) and the disclosure of fatwas and operational aspects that should and should not be obeyed along with reasons are examples of items regarding vertical accountability to Allah. Meanwhile, in horizontal accountability, there are three intended parties, namely direct stakeholders, indirect stakeholders and nature. According to Shariah Enterprise Theory, customers and employees are direct stakeholders. Meanwhile, the parties included as indirect stakeholders are the community (Anggraeni, 2019).

The following are the forms (items) of disclosure that can provide an overall picture of the concepts and characteristics of CSR Disclosure in accordance with sharia enterprise theory (Meutia, I: 2021), namely:

- (1) Vertical Accountability Dimension (To God), disclosure items include DPS opinion, fatwa disclosure and whether or not to comply with operational aspects accompanied by reasons;
- (2) Horizontal Accountability Dimensions: Direct stakeholders (customers), disclosure items include qualifications and experience, DPS activities and remuneration, non-sharia transactions/sources of revenue/costs, number of transactions that are not in accordance with sharia along with reasons, product information and basic sharia concepts, reporting of zakat and qordul hasan funds, auditing of reporting of zakat and qordul hasan, explanation of sources and uses of zakat funds;
- (3) Dimensions of horizontal responsibility: a. Direct stakeholders (customers), matters disclosed include statements of sources and uses of Qordul Hasan funds, recipients of Qordul Hasan funds, policies on limiting transactions that are not in accordance with Sharia, total PLS funding, percentage of PLS funding compared to other funding, policies, which will increasing PLS share in the near future; b. Direct stakeholders (employees), matters disclosed include remuneration policies, non-discriminatory policies for employees related to remuneration, training, career development opportunities; Employee education and training, data on the number of employees, the number of employee training and education, employee awards, training related to employee spiritual quality, efforts to improve the spiritual quality of employee families, health and counseling services for employees and their families, other infrastructure for employees and their families.
- (4) Horizontal Accountability: Indirect stakeholders (community), disclosure items include Initiatives to improve public access to Islamic banking services, funding policies that address issues of discrimination and human rights that pay attention to the interests of the community, MSME development efforts, the amount of MSME financing, the amount and percentage of MSME financing compared to corporate and syndicated financing, the contribution to improving the quality of life of the community (religion, education, health), the amount of donations and their sources, donations/alms for those affected by the disaster. Horizontal Responsibility: address, disclosure items include funding policies related to environmental issues, disclosure if there is financing for businesses that have the potential to damage the environment, amount of corporate funding that can damage the environment, reasons for funding, environmental awareness training, bank internal policies related to Energy conservation, Contribution to organizations that provide

environmental benefits, direct contributions to the environment, other policies carried out by Islamic banks.

Conclusion

The concept of Corporate Social Responsibility in Islamic Banking is based on SET (Shariah Enterprise Theory) which provides an explanation that there are themes and elements that must be disclosed in reporting social responsibility in Islamic Banking. Reporting implementation that must be disclosed in CSR Disclosure based on sharia Enterprise Theory (SET) in the sharia banking sector includes two dimensions, namely vertical and horizontal accountability. Fulfillment of responsibility vertically to Allah SWT as the primary trustee. Horizontal accountability: direct stakeholders (customers and employees), Horizontal accountability: indirect stakeholders (society and nature).

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