

THE INTEGRATION OF DISCLOSURE OF ISLAMIC SOCIAL REPORTING (ISR) IN ISLAMIC BANK FINANCIAL STATEMENTS

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ABSTRACT

Islamic bank has an economy function as well as a social function. So that Islamic banks possess an ethical identity for their social objectives as important if not more important than economic goals due to the fact that the system and its operation is based on the Islamic Shari'ah. This objective is intended to Islamic bank also participate in the improvement of society, so it is expected to describe clear corporate social responsibility in their social reporting practices as evidenced in their annual reports. This study replicated the Haniffa and Hudaib research by examining social reporting practices of Islamic Banks in Indonesia. This examination involves a comparison of social disclosure 12 Islamic banks conducted through their annual reports to the ideal level of social disclosure that Islamic banks should be made, during the years 2014-2015. This comparison is done by using the Ethical Identity Index (EII) developed by Haniffa and Hudaib (2007). The findings revealed that at present, Islamic banks in Indonesia is still poor in the practice of social reporting.

Keywords: EII, Islamic bank, disclosure, social reporting

INTRODUCTION

The institution conducts its business based on sharia is essentially based on a philosophy that comes from al-Qur'an and Sunnah. So for businesses this philosophy became the basis for interacting with the environment and each other. Therefore ties between the institution and its environment in the concept will be stronger than in the conventional concept. Therefore, sharia business institution such as Islamic banking, according Dusuki and Dar (2005) has a social responsibility because of several factors: Islamic banking is based on sharia, operates with a foundation of morals, ethics and social responsibility and the principles upon obedience to the commandments of Allah and caliph. Islamic banking is a unique institution because it does not only focus on economic issues alone but also more importantly the role of social and spiritual dimension (Meutia, 2010). Even Islamic banking was established with the mandate to carry out the transaction in accordance with the provisions of sharia (Karim, 1999).

Characteristics of Islamic banking as described above require accountability in implementation. Accountability Islamic banking is partly demonstrated by the submission of an annual report from the economic aspect and social aspects. Disclosure of social responsibility reports of companies known as corporate social responsibility (CSR) disclosure. Thus the information disclosed not only financial information, but

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other information is about the social impacts (externalities) and the environment resulting from the company's activities. Therefore, companies can gain legitimacy by demonstrating social responsibility through CSR disclosure in the media is included in the company's annual report (Oliver, 1991; Haniffa and Coke, 2005).

Disclosure of social responsibility in Islamic banking is not enough to CSR alone. Therefore, AAOIFI (Accounting and Auditing Organization for Islamic Financial Institution) include matters relating to Islamic principles such as zakat, the status of sharia compliance and the transaction is free from elements of usury and gharar and aspects of social as sodaqoh, qardhul hasan, up to the disclosure of worship in a corporate to the disclosure of CSR in Islamic banking. Development of CSR disclosure is known as ISR index (Othman et al, 2009). Islamic Social Reporting (ISR) was first proposed by Haniffa and Hudaib (2007) to develop the concept of "Ethical Identity Index".

This paper attempts to analyze the integration of social responsibility disclosure in the financial statements of Islamic banking is based on the items Islamic Social Reporting (ISR) Index.

THEORETICAL FRAMEWORK KERANGKA TEORI

Theories of Social Reporting

Social reporting by Islamic banking be the main topic in this study. Gray et al. (1987: 4) define social reporting as "The process of providing information designed to discharge social accountability. Typically this act would ... be undertaken by the accountable organization and thus might include information in the annual report, special publications or reports or even socially oriented advertising."

Driven by recent business scandals around the world such as Enron, WorldCom and Parmalat, there has being growing interest in corporate, environmental and social reporting for achieving better corporate accountability (Hess, 2007).

The social reporting provides various theories propounded to explain the motivation for disclosing social information by firms and the particular set of stakeholders for whom such social information is provided for. The more prominent theories are as follows:

Theory of Legitimacy

Today the theory of legitimacy used in the study of accounting in the disclosure of social and environmental responsibility. Legitimacy of the community is a strategy for the company in order to develop the company's future. It can be used as a vehicle to construct the company's strategy, especially related to efforts to position themselves amid increasingly advanced society (Ardianto and Machfudz, 2011: 73). The theory implies that the legitimacy of the activities in the form of corporate social responsibility is a business with respect to the pressure from the surrounding environment, such as political pressure, social or economic. The theory of legitimacy based on the notions

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implied social contract between society and social institutions and required by institutions to achieve the objectives in line with the broader community (Gray et al, 1995: 47-77).

The point is how companies can synergize with the environment and society by the company can focus on the activities of companies in getting profit and can also help investors in making investment decisions. Then the disclosure of social environment is to gain legitimacy from the people, especially on the continuity of the organization.

In the perspective of an entity's orientation system is affected and the communities where otherwise affect the entity's activity. Corporate disclosure policy is seen as an important matter in which managers can influence the perception of other parties on the organization. The theory of legitimacy has become one of the most frequently used theory especially when it pertains to the area of social and environmental accounting.

Stakeholders Theory

Stakeholder theory states that the company is not the only entity that operates for its own sake, but also must provide benefits to the stakeholders. Stakeholders are all internal and external parties that may influence or be influenced by the company either directly or indirectly (Ardianto and Machfudz, 2011: 73). The company's survival depends on stakeholders, and such support should be sought, so that the activity of the company is to seek the support. The more powerful stakeholders, the greater the company's efforts to adapt. Social disclosure is considered as a communication medium between the company and its stakeholders (Gray et al, 1987).

The existence of these assumptions stakeholder theory which states that the relationship between the entities with groups that have rights, the nature of the relationship in the process of the company and making the managerial desperation. Thus, from the assumption that the company can not be separated from the social environment. This theory is used to explain the behavior of social and environmental disclosure in the hope somewhat satisfied stakeholders to survive and as information for making decisions.

Agency Theory

This theory states that the company is place or intersection point for the contractual relationship that occurs between management, owners, creditors and government. This theory tells of monitoring a wide range of cost and the relationship between these groups. For the example is auditing, he gives confidence to stakeholders about managerial by the management company as agent (Umar, 2008: 46). This theory focuses on determining the most efficient contract between the principal/owner/shareholders and agents/directors/management.

Agency theory is linked to the process of establishing corporate governance system that will bridge the separation between the interests of owners and managers in the company, especially in the duties, powers and functions of other functions so that each function clearly. Application of corporate governance are expected to entrust the agent (management) manage the wealth of the owners (investors) and the owners have

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become more confident that the agency will not make a fraud to welfare agencies (Rizkiningsih, 2012: 11).

Social Contract Theory

A term which says that humans are social beings also apply to a company. This theory was born because of the interaction and interrelation in social life, in order that happen harmony, harmony and balance including on the environment. Companies whose objective is part of the community with the wider environment, which affect each of them. For that kind a happened equality it needs a social contract based on an agreement that protects the interests of each (Ardianto and Machfudz, 2011: 76).

Islamic Social Reporting

Social reporting takes place within a framework of social relations. Fundamental to an Islamic perspective on social reporting, is an understanding of the concepts of accountability, social justice and ownership that are central to social relations.

The main objective of corporate reporting is to allow Islamic enterprises to show their compliance with Sharia. Other objectives of corporate reporting may include those known in the Western model, such as assisting decision makers in making economic decisions, but from an Islamic perspective, these are secondary objectives. This view of the primary objective is adopted by AAOIFI when setting out its statement of objectives of financial accounting for Islamic banks and financial institutions.

Islamic Social Reporting is based on the Sharia framework, namely the relationship between the interests of the world and the hereafter which will result in material, moral and spiritual aspects in the ISR enterprise reporting. Within the framework of the shariah, monotheism is the foundation of the teachings of Islam. Tawhid is everything that exists in this world comes from Allah the One and the unity embodied in creed, namely recognition of one God and faith in Him. So, people who *syahadah* will accept the consequences of monotheism that is required to submit and adhere to all laws of God written in the Qur'an, hadith and fiqh and qiyas, ijihad and ijma 'which all these laws aim to enforce justice social and achieve happiness in this world and the hereafter (*al-Falah*).

Islamic Social Reporting is the concept of CSR with the order of Islamic law was born in 2002 initiated Haniffa and Hudaib on research by the writings were given the title "*Social Reporting Disclosure: An Islamic Perspective*". Then developed by researchers hereinafter as Rohana Othman, Azlan Thani, Raditya more intensively in 2009 in Malaysia and to date ISR concept must still be developed. According pengagas ISR are still many deficiencies in conventional CSR concept, so the birth of ISR makes the provisions of sharia as the basis for the proposed conceptual framework or skeleton known as *sharia* (*sharia* framework). Given that the ISR not only helps stakeholders in decision-making but also help the company fulfill its obligations to Allah and society.

Islam regulates all aspects of human life on earth, encapsulates all aspects of life, both worship and social (muamalah). The basic foundation of the religion of Islam is

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Aqeedah (belief and faith), worship, and morality and ethics. Karim (2012: 34) explains that there are five universal values, namely: tauhid (belief), 'adl (justice), nubuwwah (prophethood), khilafah (government) and ma'ad (results) which is the basis of inspiration to compose proportions and theories of Islamic economics. Allah has created human beings as well as possible the shape and power as creatures on earth. As the most perfect creature that Allah created it is appropriate that men always go through all the commands and avoid His prohibitions as a sign of devotion and which are associated with it is damaging the environment. From syariah framework or conceptual framework initiated by Haniffa (2002) can be seen that tauhid is the basic foundation of the teachings of Islam as described above. In this framework also shows the concept of ethics in Islam which consists of ten concepts include faith, taqwa (piety), amanah (trust), ibadah (workship), khilafah (vicegerent), ummah (community), akhirah day of reckoning, 'adl (justice) and zulm (tyranny), halal (allowable) and haram (forbidden), and I'tidal (moderation) and israf (extravagance). According to the Islamic concept of ethics in the form of accountability in the perspective of Islamic economics ie reporting of corporate social responsibility in accordance with Islamic principles.

In conventional economics, social responsibility reporting known as the reflection of social expectations associated with the role of the community in economic and business activities of companies in the form of financial statements. Related to this, so the conventional system only focuses on the aspects of material and moral. In the spiritual aspect of Islam should also serve as a major focus in the reporting of corporate social responsibility for the decision makers of Muslims have expectations that companies disclose the latest information voluntarily to assist in fulfilling their spiritual needs. Hence the need for a special framework for social responsibility reporting in accordance with the principles of Islam.

The framework is not only useful for decision-makers of Muslim, but also useful for Islamic companies in fulfilling its accountability to Allah and society. This framework known as the Islamic Social Reporting (ISR). Islamic Social Reporting (ISR) using Islamic principles as a fundamental point. Sharia principles in the ISR produce material, moral, and spiritual aspects that became the main focus of the company's social reporting. Islamic Social Reporting (ISR) is an extension of social reporting which is not only a great desire of the whole society on the role of companies in the economy but rather related to spiritual perspective (Haniffa, 2001).

The ISR is more pressure to social justice in its reporting in addition to reporting on the environment, minority interests and employees (Othman, 2010). This involves economic issues related to the welfare of society such as trade practices such as unbalanced and uneven distribution of income. Important factors that form the basis of *sharia* in the formation of Islamic Social Reporting (ISR) is *tauhid* (one God) and not ascribing partners to Him, submit all matters to God and submit to His commandments, believing that Allah belong the kingdom of the heavens and the earth (Qur'an 57: 5), and then to Him you shall be returned (Qur'an 2: 28).

ISR index is disclosure items are used as indicators in reporting social performance of companies. This study uses a framework of Islamic Social Reporting with primary

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reference Haniffa and Hudaib (2007), which developed with the items on the research Othman et.al. (2009).

Imam (2000), Belal (2001), and Azizul Islam and Mathew (2009) surveyed corporate social disclosure practices in Bangladesh. They found very poor level of disclosure and descriptive in nature. Abu Baker and Naser (2000) also utilized content analysis to examine annual reports of 143 Jordanian companies; their findings appear to mirror the results of prior studies.

Zakimi and Abdul Hamid (2009) investigated the extent of corporate social disclosure by banks and finance companies in Malaysia. They found that social disclosure level among banks and finance companies in Malaysia is still low. In addition, firm size was found to have a positive relationship with the amount of social disclosure made by firms. However, the variables of profitability, scope of business, listing status and audit firm size show insignificant relationship.

Zubairu (2008) examined the social reporting practices of Islamic banks in Malaysia to use the Ethical Identity Index (EII). The results showed that only 1 (one) Bank Islam of 7 (seven) Bank Islam is above average EII. The mismatches related to four factors: 1) a commitment to the community; 2) disclosure of its vision and mission; 3) contributions and management of zakat, charity and qardhul hasan; and 4) information regarding top management. While the results of his research with Sakariyu and Dauda (2011) in the Islamic Bank in Saudi Arabia shows that Islamic banks in Saudi Arabia have much in common with conventional banks.

RESEARCH METHOD

The researchers' study adopts as a guide the study carried out by Haniffa and Hudaib (henceforth referred to as Haniffa and Hudaib) in 2007, which sought to explore the ethical identity of Islamic banks as communicated via annual reports. The researchers' study sought to discover the social reporting practices of Islamic banks in Indonesia. To achieve this objective, content analysis was utilized in order to examine the annual reports of the selected Islamic banks. Content analysis was selected as research method for the researchers' study because it is "a research technique for making replicable and valid inferences from texts to the content of their uses. As a research technique, content analysis provides new insight, increases a researcher's understanding of new phenomena, or informs practical action. Content analysis is a scientific tool" (Krippendorff, 2004: 18).

In many previous social disclosure studies, content analysis has been the method of choice for determining the extent of an organization's social disclosures through whatever media of communication; whether annual reports (Maali et.al, 2003; Grunning, 2007; Boesso and Kumar, 2007), company websites (Branco and Rodrigues, 2006; Holcomb, 2007) or any other media. This widespread use of this method by previous social reporting literature is another reason why content analysis was chosen as the research method by the researchers. To determine whether or not Islamic banks in Saudi Arabia were fulfilling the Shari'ah requirement of full disclosure, a checklist of

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items that Islamic banks ought to disclose was developed. This checklist was adopted from two studies, Haniffa and Hudaib (2007) and Maali et.al (2003).

The population in this study are all Islamic banks in Indonesia. Samples are twelve (12) fully-fledged Islamic banks that publish annual financial statements and other information in 2014-2015. The sample of 12 Islamic banks in Indonesia are as seen tabel 1.

No	Name	Abbreviation
1.	PT. Bank Muamalat Indonesia	BMI
2.	PT. Bank Victoria Syariah	BVS
3.	PT. Bank BRISyariah	BRIS
4.	PT. Bank Jabar Banten Syariah	BJBS
5.	PT. Bank BNI Syariah	BNIS
6.	PT. Bank Syariah Mandiri	BSM
7.	PT. Bank Mega Syariah	BMS
8.	PT. Bank Panin Syariah	BPS
9.	PT. Bank Syariah Bukopin	BSB
10.	PT. BCA Syariah	BCAS
11.	PT. Maybank Syariah Indonesia	MSI
12.	PT. Bank Tabungan Pensiunan Nasional Syariah	BTPNS

Tabel 1: Distribution of Research Sample

The researchers adopted, the “ideal ethical identity” checklist developed by Haniffa and Hudaib (2007) in order to determine the social reporting practices of Islamic banks in Indonesia. The reason for adopting Haniffa and Hudaib (2007)’s checklist was because it contained a detailed list of items known as “constructs” which Islamic banks ought to disclose. In addition, Haniffa and Hudaib (2007)’s study was one of two most recent studies on the disclosure patterns of Islamic banks (the other one is Maali et.al 2003), and thus provided the most recent scholarship in the area of Islamic banks social reporting practices. The researchers adopted Haniffa and Hudaib (2007)’s checklist completely.

The annual reports of 12 Indonesia Islamic banks in the sample were obtained on their various websites for the years covered by the study, 2014-2015. These annual reports were then read completely to discover the items that they disclosed as required by the ideal ethical identity checklist.

To measure whether a discrepancy existed between actual disclosure levels and ideal disclosure levels as delineated by the checklist, a disclosure index was utilized which Haniffa and Hudaib (2007) dubbed the Ethical Identity Index (EII). In determining the level of disclosure in the annual reports of the 12 Islamic banks in the sample, a score of 1 was assigned for every item or construct of the checklist that was disclosed in the annual report for each bank, and zero for every item not disclosed. In addition, a company was not given extra marks if it disclosed a construct more than once in its annual report.

Each of the 9 dimensions had a certain number of constructs under it, which Islamic banks had to disclose to fulfill the Shari’ah requirement of full disclosure. To determine how well a bank did in terms of disclosure for each of the 9 dimensions, the EII for each [Type here]

dimension was computed for each annual report examined in every year covered by the study. The resultant computation was referred to as the Dimension EII (DEII). The DEII was calculated as follows:

$$DEII_y = X_y/X_j \dots\dots\dots(1)$$

Where:

- DEII_y = the annual dimension EII for a bank “y”
- X_y = number of items disclosed by a bank “y” under dimension “X”
- X_j = ideal number of items to be disclosed under that dimension.

Analysis and Discussion of Results

Based on the results of the ethical ideal of refined identity checklist of 12 Islamic banks in Indonesia period 2014-2015 can be seen in Table 2.

Based on Table 2 above it can be concluded that not all Islamic banks that meet the criteria of all dimensions. Only two banks that cater to the nine dimensions EII above, namely Bank Muamalat Indonesia and BRI Syariah. Two banks are only one dimension unfulfilled, seven banks that do not meet the two dimension, whereas that does not meet the three-dimension is one bank.

In 2014, the “Vision and Mission statements” dimension, all banks disclosed more than half of the required items necessary in the annual report. In 2015, there was one bank increase disclosing from 2014 is BNI Syariah.

The previous dimension result, on “BODs and top management”, all banks disclosed more than half of the required items necessary in the annual report in 2014. In 2015, there was one bank that increased disclosure, namely BNI Syariah. And one bank that decreased disclosure, namely Bank Mega Syariah.

DIMENSION	YEAR	BMI	BVS	BRIS	BJBS	BNIS	BSM	BMS	BPS	BSB	BCAS	MSI	BTPNS
Vision and Mission	2014	0.56	0.56	0.67	0.67	0.56	0.56	0.78	0.78	0.78	0.78	0.56	0.56
	2015	0.56	0.56	0.67	0.67	0.67	0.56	0.78	0.78	0.78	0.78	0.56	0.56
BODs and top management	2014	0.77	0.69	0.77	0.69	0.69	0.77	0.77	0.77	0.77	0.77	0.69	0.69
	2015	0.77	0.69	0.77	0.69	0.77	0.77	0.69	0.77	0.77	0.77	0.69	0.69
Product and service	2014	0.40	0.40	0.30	0.30	0.40	0.30	0.30	0.40	0.60	0.30	0.40	0.30
	2015	0.60	0.40	0.30	0.50	0.60	0.30	0.30	0.60	0.60	0.60	0.40	0.30
Zakāt, charity and benevolent loans	2014	0.40	0.40	0.67	0.53	0.33	0.27	0.27	0.40	0.13	0.40	0.13	0.47
	2015	0.40	0.40	0.67	0.53	0.40	0.27	0.27	0.40	0.13	0.47	0.13	0.47
Commitments toward employees	2014	0.89	0.67	0.67	0.67	0.89	0.67	0.78	0.67	1.00	0.67	0.56	0.89
	2015	0.89	0.67	0.67	0.67	0.89	0.67	0.78	0.67	1.00	0.67	0.78	0.89
Commitments toward debtors	2014	1.00	0.00	0.75	0.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00
	2015	1.00	0.00	0.75	0.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00
Community	2014	0.86	0.00	0.57	0.71	0.43	0.57	0.57	0.57	0.57	0.57	0.57	0.86

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	2015	0.86	0.00	0.57	0.71	0.43	0.57	0.57	0.71	0.71	0.57	0.57	0.86
Environment	2014	0.50	0.00	0.50	0.00	0.00	0.50	0.00	0.00	0.00	0.00	0.00	0.00
	2015	0.50	0.00	0.50	0.00	0.50	0.50	0.00	0.00	0.00	0.00	0.00	0.00
SSB	2014	0.73	0.55	0.64	0.64	0.55	0.64	0.27	0.73	0.64	0.36	0.64	0.45
	2015	0.64	0.55	0.64	0.64	0.55	0.64	0.27	0.73	0.64	0.36	0.64	0.45
Total	2014	0.58	0.40	0.56	0.49	0.44	0.44	0.42	0.50	0.54	0.44	0.40	0.48
	2015	0.59	0.40	0.58	0.51	0.51	0.44	0.41	0.53	0.56	0.49	0.42	0.48

Tabel 2: DEII Result

On the 3rd dimension, “Product and Services”, only one bank disclosed up to half of the required items in 2014, namely Bank Syariah Bukopin. In 2015, there are five banks disclosed up to half of the required, namely BMI, BNI Syariah, Bank Panin Syariah, Bank Syariah Bukopin and BCA Syariah.

Under the 4th dimension, “Zakat, charity and benevolent loan”, only two banks disclosed up to half of the required items in 2014 and 2015, namely BRI Syariah and Bank Jabar Banten Syariah. For the dimension, some banks do not manage directly zakat, charity and benevolent loan. They have a special institution that manages the fund, namely amil zakat institution. Bank Muamalat Indonesia for example has Baitul Mal Muamalah (BMM) which manages the fund. Likewise BSM has LAZ BSM.

Under the 5th dimension, “Commitments toward employees”, all the banks disclosed more than half of the required items necessary in the annual report both in 2014 and 2015. Only one bank that increased disclosure in 2015, namely Maybank Syariah Indonesia.

On the 6th dimension, “Commitments toward debtors”, only three banks disclosed up to half of the required items both in 2014 and 2015, namely Bank Muamalat Indonesia, BRI Syariah and Bank Syariah Bukopin. Other banks that do not meet the dimension.

The 7th dimension, “Community”, there are ten banks disclosed up to half of the required items both in 2014 and 2015. However, there is one bank disclosing at least half, namely BNI Syariah and one bank that do not meet the dimension, namely Bank Victoria Syariah. Other banks that do not meet the dimension. In 2015, there are two bank that increased disclosure, namely Bank Panin Syariah and Bank Syariah Bukopin.

On the 8th dimension, “Environment”, only three banks disclosed and more to half of the required items both in 2014, namely Bank Muamalat Indonesia, BRI Syariah and Bank Syariah Mandiri. Other banks that do not meet the dimension. In 2015, the banks that disclosing add to four banks, namely BNI Syariah.

The 9th dimension, “Syariah Supervisory Board (SSB)”, only three banks disclosed at least half of the required items both in 2014, namely Bank Mega Syariah, BRI Syariah, BCA Syariah and BTPN Syariah. In 2015, there is one bank that decreased disclosure, namely Bank Muamalat Indonesia.

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Lastly, overall of nine dimensions only three banks disclosed up to half of the required items in 2014, namely Bank Muamalat Indonesia, BRI Syariah and Bank Syariah Bukopin. In 2015, there are six banks disclosed up to half of the required items, namely Bank Muamalat Indonesia, BRI Syariah, BJB Syariah, BNI Syariah, Bank Panin Syariah and Bank Syariah Bukopin.

Based on the above results show that Islamic Banks in Indonesia had poor implement Islamic social disclosure in reporting. In 2014 only three banks of twelve banks and increased to six banks in 2015. Only on three dimensions all of the Islamic banks disclosed up to half of the required items both in 2014 and 2015. The dimensions are “Vision and Mission statements”, “BODs and top management” and “Commitments toward employees”.

However, the banks had poor disclosure practice on three dimensions, namely “Products and services”, “Zakat, charity and benevolent loan”, “Commitment of debtors” and “Environment”. For the “Zakat, charity and benevolent loan” dimension, some banks do not manage directly zakat, charity and benevolent loan. They have a special institution that manages the fund, namely amil zakat institution. Bank Muamalat Indonesia for example has Baitul Mal Muamalah (BMM) which manages the fund. Likewise BSM has LAZ BSM.

As Haniffa and Hudaib (2007: 111) put it, the findings are surprising because Islamic banks, as social and economic institutions are expected to disclose more on those dimensions that reflect accountability and justice not only to society, but also ultimately to God. What can be gathered is that Islamic banks in Indonesia have a lot of work to do before they become worthy of the tag they claim of been Islamic. This is not to imply that the development of Islamic banks in Indonesia is not a step in the right direction; it is, but, these institutions have to realign their activities and priorities to make sure they truly reflect the Islamic principles which they claim to follow. This is very important if they are to retain their credibility and reputation in the society in which they operate.

CONCLUSION

This study shows that practice of the Islamic social disclosure in reporting on Islamic Banks in Indonesia is still weak. In fact, Islamic banks are not only aimed at seeking commercial profit but also has a social function as accountability, especially to God.

Limitations of this study are only on the disclosure of the dimensions is not more specific as to how understanding and awareness of the bank's stakeholders, the factors that affect disclosure. Similarly, the public response to the effects of social accountability practices of Islamic banks.

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APPENDIX

Research Instrument

Theme 1: Underlying Philosophy and Values

A. Dimension: vision and mission

No	Construct	Disclosed	
		2014	2015
1	Commitments in operating within Shari'ah principles/ideals		
2	Commitments in providing returns within Shari'ah principles		
3	Focus on maximizing shareholder returns		
4	Current directions in serving the needs of Muslim community		
5	Future directions in serving the needs of Muslim community		
6	Commitments to engage only in permissible investment activities		
7	Commitments to engage only in permissible financing activities		
8	Commitments to fulfill contracts via 'contract (<i>uqud</i>) statement'		
9	Appreciation to shareholders and customers		

B. Dimension: BOD and top management

No	Construct	Disclosed	
		2014	2015
1	Names of board members		
2	Positions of board members		
3	Pictures of board members		
4	Profile of board members		
5	Shareholdings of board members		
6	Multiple-directorships exist among board members		
7	Membership of audit committee		
8	Board composition: executive vs non-executive		
9	Role duality: CEO is Chairman of board		
10	Names of management team		
11	Positions of management team		
12	Pictures of management team		
13	Profile of management team		

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Theme 2: Interest-Free and Islamically Acceptable Deals

C. Dimension: product

No	Construct	Disclosed	
		2014	2015
1	No involvement in non-permissible activities		
2	Involvement in non-permissible activities - % of profit		
3	Reason for involvement in non-permissible activities		
4	Handling of non-permissible activities		
5	Introduced new product		
6	Approval ex ante by SSB for new product		
7	Basis of <i>Shari'ah</i> concept in approving new product		
8	Glossary/definition of products		
9	Investment activities – general		
10	Financing projects – general		

Theme 3: Development and Social Goals

D. Dimension: *Zakāt*, charity and benevolent loans

No	Construct	Disclosed	
		2014	2015
1	Bank liable for <i>Zakāt</i>		
2	Amount paid for <i>Zakāt</i>		
3	Sources of <i>Zakāt</i>		
4	Uses/beneficiaries of <i>Zakāt</i>		
5	Balance of <i>Zakāt</i> not distributed – amount		
6	Reasons for balance of <i>Zakāt</i>		
7	SSB attestation that sources and uses of <i>Zakāt</i> according to <i>Shari'ah</i>		
8	SSB attestation that <i>Zakāt</i> has been computed according to <i>Zakāt</i>		
9	<i>Zakah</i> to be paid by individual-amount		
10	Sources of charity (<i>saddaqa</i>)		
11	Uses of charity (<i>saddaqa</i>)		
12	Sources of <i>qard al-hassan</i>		
13	Uses of <i>qard al-hassan</i>		
14	Policy for providing <i>qard al-hassan</i>		
15	Policy on non-payment of <i>qard al-hassan</i>		

E. Dimension: Employees

No	Construct	Disclosed	
		2014	2015
1	Employees appreciation		
2	Number of employees		
3	Equal opportunities policy		
4	Employees welfare		
5	Training: <i>Shari'ah</i> awareness		
6	Training: other		

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7	Training: student/recruitment scheme		
8	Training: monetary		
9	Reward for employees		

F. Dimension: Debtors

No	Construct	Disclosed	
		2014	2015
1	Debt policy		
2	Amount of debts written off		
3	Type of lending activities – general		
4	Type of lending activities – detailed		

G. Dimension: Community

No	Construct	Disclosed	
		2014	2015
1	Women branch		
2	Creating job opportunities		
3	Support for org. that provide benefits to society		
4	Participation in government social activities		
5	Sponsor community activities		
6	Commitment to social role		
7	Conferences on Islamic economics		

H. Dimension: Environment

No	Construct	Disclosed	
		2014	2015
1	The amount and nature of any donations or activities undertaken to protect the environment		
2	The projects financed by the bank that may lead to harming the environment		

Theme 4: Reviews by Shari'ah Supervisory Board

I. Dimension: Shari'ah Supervisory Board (SSB)

No	Construct	Disclosed	
		2014	2015
1	Name of members		
2	Pictures of members		
3	Remuneration of members		
4	Report signed by all members		
5	Number of meeting held		
6	Examination of all business transactions ex ante and ex post		
7	Examination of a sample of business transactions ex ante and ex post		
8	Report defect in product : specific and detailed		
9	Recommendation to rectify defects in products		
10	Action taken by management to rectify defect in product		
11	Distribution of profit and losses comply to shariah		

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