THE DETERMINANTS OF CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE IN ISLAMIC BANKS

A THESIS

Presented as a Partial Fulfillment of the Requirements to Obtain the Bachelor Degree in Accounting Department

By:

ARNI NUR WAHYUNI

Student Number: 14312469

INTERNATIONAL PROGRAM

FACULTY OF ECONOMICS

UNIVERSITAS ISLAM INDONESIA

YOGYAKARTA

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DECLARATION OF AUTHENTICITY

Herein I declare to the originality of this thesis: I have not presented someone's work to obtain my university degree, nor I have presented someone's words, ideas, or expression without acknowledgement. All quotations are cited and listed in the bibliography of the thesis. If in the future this statement is proven to be false. I am willing to accept any sanctions complying with the determined regulations or its consequences.

Yogyakarta, September 26th, 2018

Arni Nur Wahyuni

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بسم الله الرحمن الرحيم

Assalamu'alaikum Warahmatullahi Wabarakatuh.

"All perfect praise is due to Allah, the Lord of the worlds. I bear witness that none is worthy of worship but Allah, alone with no partners. And I bear witness that Muhammad is His Messenger, may Allah exalt his mention."

Alhamdulillahi rabbil'alamin, the thesis which entitled **"The Determinants of Corporate Social Responsibility Disclosure in Islamic Banks"** as partial requirements to obtain the bachelor degree in Accounting Department, International Program, Faculty of Economics, Universitas Islam Indonesia is finally finished. Appreciation and gratitude are sincere to everyone who takes a part in giving contribution and making this thesis a success. Hopefully, this thesis can bring benefits for the upcoming studies.

Finally, the author realizes that this thesis still needs suggestions and constructive criticisms for the sake of perfection. Therefore, the author wants to thank you to everyone who has not been mentioned above for helping the researchers completing this thesis. Hopefully, this thesis is useful for the academic purpose. Aamiin.

Wassalamu'alaikum Warahmatullahi Wabarakatuh.

Yogyakarta, September 26th, 2018

Arni Nur Wahyuni

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ABSTRACT

This study aims to analyze the effect of profitability, company size, board of directors and leverage on social responsibility disclosure in Islamic banking companies in Indonesia. The study was conducted on Islamic banking in Indonesia from 2011-2016. The sampling technique used purposive sampling method, `it was based on certain criteria with a total sample of 10 companies with a total observation of 60 observations. The analysis model used in this study was descriptive analysis, and linear panel regression analysis with EVIEWS 9.0 program. The results showed that first, profitability has a positive influence on the level of social responsibility disclosure. Second, company size has a positive and significant influence on the level of social responsibility disclosure (CSR). Third, size of the board of directors has a positive influence on the level of social responsibility disclosure. Fourth, the leverage does not have a negative significant effect on the level of social responsibility disclosure in Islamic banking companies in Indonesia.

Keywords: profitability, company size, the board of directors, leverage, social responsibility disclosure

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh profitabilitas, ukuran perusahaan, dewan direksi dan pengaruh utang terhadap pengungkapan tanggung jawab sosial pada perusahaan perbankan Syariah di Indonesia. Penelitian dilakukan pada perbankan syariah di Indonesia periode tahun 2011 – 2016. Sedangkan teknik pengambilan sampel menggunakan metode purposive sampling, yaitu metode pengambilan sampel berdasarkan kriteria tertentu dengan jumlah sampel sebanyak 10 perusahaan dengan total observasi sebanyak 60 observasi. Model analisis yang digunakan dalam penelitian ini adalah Analisis Deskriptif, dan Analisis Regresi Linier Panel dengan program EVIEWS 9.0. Hasil penelitian menunjukkan bahwa profitabilitas berpengaruh positif terhadap tingkat pengungkapan tanggung jawab sosial, Ukuran perusahaan memiliki pengaruh positif dan signifikan terhadap tingkat pengungkapan tanggung jawab sosial (CSR), Ukuran dewan direksi berpengaruh positif terhadap tingkat pengungkapan tanggung jawab sosial dan Leverage tidak berpengaruh negatif dan signifikan terhadap tingkat pengungkapan tanggung jawab sosial pada perusahaan perbankan Syariah di Indonesia.

Kata Kunci: Profitabilitas, ukuran perusahaan, dewan direksi, leverage, pengungkapan tanggung jawab social.

CHAPTER I

INTRODUCTION

1.1 Background of The Study

Islamic banking has grown sustainably since it began in the mid-1970s. This industry has significantly increased to global financial markets. All financial institutions, both conventional and Islamic, have a central role in society. Therefore, they hope to be more responsive to the wishes of different stakeholders. Because of their religious identity, Islamic banks are expected to be more socially responsible than their conventional counterparts whose activities and business functions are primarily based on profit maximization. From both conventional or Islamic Banking, the word bank comes from the Italian language BANCO which means bench. The bench here is intended as an operational desk for the ancient bankers in serving all of its customers. The term bench becomes popular with the name BANK. The definition of a bank is a business entity engaged in finance or financial services. The main products are usually presented in the form of demand deposits, savings and deposits. Banks are also used as a place for savings and loans or credit for community members who need loan funds. Another function of the bank is as a currency exchange, money transfer as a place of payment or deposit. According to Abdullah (2005), banks are part of financial institutions that serve intermediation, namely collecting funds from people who have excess funds and channeling funds to people who lack funds.

The bank is a bank that releases conventional business activities which in its activities provide general traffic payment services based on procedures and conditions set by (Hasanaji, 2017) In conventional accounting, the focus of service is the stakeholders while others are often overlooked. While the demands of the company are getting bigger, the company is expected not only to emphasize the interests of management and capital owners (investors and creditors) but also employees, consumers and society.

Islamic banks are banks that operate in accordance with Islamic sharia principles, meaning that banks operate in accordance with Islamic sharia provisions, especially regarding the observance of Islamic muamalah events. The Islamic banking system uses a profit sharing system for its customers. (Abadi, 2015). Islamic banking is a banking system developed based on the Islamic system (Islamic law). The effort to form this system departs from the prohibition of Islam to collect and borrow based on interest included in usury and investment for businesses which are categorized as haram, for example in food, drinks and other un-Islamic businesses, which are not regulated in conventional banks.

Islamic banking aims to support the implementation of national development in order to improve justice, togetherness and equal distribution of people's welfare. In achieving the objectives of supporting the implementation of national development, Islamic banking adheres to the principles of sharia as a whole (kaffah) and consistently. Islamic banking as one of the national banking systems requires various supporting facilities in order to provide maximum contribution to national economic development. One important supporting facility is an adequate and appropriate arrangement with its characteristics. The regulation is the most important set forth in the Sharia Banking Law and other regulations that are under it. This social responsibility has long been carried out by various industries in several countries. Countries that are vulnerable to disasters, so there are many loopholes for banks or companies to implement CSR. Moments of disaster are often used by various companies to show concern for victims of natural disasters that do require a helping hand.

At first, the thought of establishing a sharia-based financial institution in the banking sector to replace a non-interest-based system as practiced in conventional banking. The problem of interest is considered as something that has been a widening gap between the rich and the poor, so that the perception of interest is equated with usury which is prohibited in Islam. This is also the main basis for the establishment of Islamic banks anywhere in the country, that the operating system cannot be based on interest or usury.

Currently in its development since 1963, many Islamic banks have emerged and continue to grow. Countries that have used the Islamic economic system in the operation of their banking business have been numerous, including Malaysia, Indonesia, Singapore, Arab, Saudi, Egypt, Pakistan, Qatar, and many more in European and Asian countries. Products offered by Islamic banking globally are similar to those in conventional banking. The thing that distinguishes it is the system of contracts used and the procedures for using the funds. Islamic banks certainly cannot use interest or usury either for use in raising funds or channeling them. Likewise, with the distribution, Islamic banking must not invest or channel money into things that are contrary to the rules of sharia. The contracts used in Islamic banking products globally look more varied so that they can enter various market segments that are not only for the upper class, but also the lower classes. Therefore, it is expected that the presence of Islamic banking in almost all countries not only chase each other in terms of the increase in assets, but is able to provide benefits for all people, especially in eradicating poverty. The role of Islamic banks in spurring regional economic growth is more strategic in order to realize a more balanced economic structure.

Islamic banks are developed as financial business institutions that carry out their business activities in accordance with the basic principles of Islamic economics. Islamic economic objectives for Islamic banks not only focus on commercial objectives, but also their role in providing broad welfare for the community. Therefore, contributing and improving the welfare of society is the role of Islamic banks in their social functions. Social functions can be achieved through the activities of collecting and distributing zakat, infaq, zakat and waqf. Through this social function, it is expected to facilitate the allocation and distribution of social funds needed by the people in need. Unlike conventional banks that depend on interest systems, Islamic banks prefer a profit sharing system, a leasing system, and a sales and purchase system that does not use riba at all. In addition to social functions, Islamic banks also have several other functions such as investment manager functions, investor functions, social functions, financial services functions.

The purpose of sharia or commonly referred to as Maqashid Shari'ah is the core of the sharia concept that every company activity must consider every aspect of the company that supports the achievement of the objectives of sharia. The purpose of sharia has five main pillars, namely protection of religious interests, protection of the interests of life, intellectual protection, protection of property, protection of the origin of life, and protection of the public interest. These five main pillars must be carried out by every Islamic banking organization in carrying out its social responsibility.

Islamic banking exists because Muslims who want kaffah are carrying out banking activities in accordance with sharia which are believed, especially since the appearance of the MUI fatwa which says that bank interest is prohibited. Islamic banking as one of the national banking systems requires various supporting facilities in order to provide maximum contribution to national economic development. In addition, attention to matters relating to economic norms in Islam such as maisyir prohibition (gambling and speculative), gharar (unclear elements), and Islam in kaffah, not only runs the Islamic economic system but also carries out all Sharia law in the Qur'an and Sunnah.

The company as a part of economic actors who has a big role for the community should be able to contribute directly to the community. In recent years, Corporate Social Responsibility (CSR) has become an important issue for companies and is an information that is very important for investors to consider in making investment decisions. This issue develops when there are many problems caused by industry or companies, one of which is related to the potential in causing environmental damage problems, as well as other issues regarding CSR in sharia banks such as the low awareness of companies to express environmental and social problems one of them because the company considers social disclosure to be voluntary, and still not effective implementation of CSR in Islamic banks.

The company is not only focused on pursuing profits, but can pay attention to its responsibilities to the community and its environment. This is something that is considered important because if the company is considered to have a bad impact on society, it can lead to rejection from the community. This is what triggers the main issue of Corporate Social Responsibility.

Technological sophistication or the development of science and technology are increasingly developing, causing businesses to be increasingly in demand by the public because they are tempted by the advantages and conveniences of today's technology. Without business, the country will not develop and advance. Because the business itself is what helps a country that can advance and know other countries. From the business and economic sectors, there are still no effective implementation of Corporate Social Responsibility in various companies. This situation makes corporate social responsibility and business ethics important (Khan, 2013). The concept of CSR must be strengthened by strengthening the company's paradigm to not only pursue profit but also have the awareness to assume social responsibility in maintaining environmental stability, workers' welfare, preserving and maintaining local culture. Sustainable development and corporate social responsibility are closely related business concepts that have greatly influenced corporate governance in the early 21st century. Sustainable development involves the use of environmentally responsible and efficient operational practices that preserve environmental resources that are essential for your long-term business success. Corporate social responsibility, or CSR involves balancing corporate citizenship and environmental responsibility to give back to the community you operate. Companies are not only required to obtain high profits but are also required to get social activities. Meanwhile, Rashid (2010) argues that the best form of corporate social responsibility is to serve customers in an ethical, legal and social manner.

The concept of CSR itself has long been introduced and developed in Islam by the Prophet Muhammad. The Prophet Muhammad SAW has provided an example that every activity of buying and selling must be accompanied by a sense of responsibility. In addition, the Prophet Muhammad SAW always gave a portion of his trading income to people in need. The Prophet always paid attention to the social environment in everyday life. This story reflects that the Prophet had long taught social responsibility or CSR to his people.

The term CSR, which became known since the 1970s, is now a form of innovation for corporate relationships with people and consumers. CSR is defined as a business commitment to operate legally and ethically that contributes to improving the quality of life of employees and their families, local communities and the wider community to realize sustainable development (Hardiansyah, 2008). CSR basically has the same goal that wants to run a business with more benefit, with consequences that will reduce profits. One type of banks that plays an important role in the disclosure of social responsibility is Islamic banks. Islamic bank social responsibility is built on the basis of strong Islamic philosophy and *tasawwur* (image) to become one of the financial institutions that can prosper the community. Today Islamic banks must encourage people to be more active in participating in economic growth and development for the betterment of the people. Islamic banks must also play a role in becoming more active in social commitment that will have an impact on a better life for humans. Henningfield (2006: 40) explains that the company's motivation to follow the CSR agenda can basically be divided into four groups based on the drivers. The first motive is economic factors, CSR supports long-term profitability. Furthermore, there are managerial factors, CSR also solves daily management problems. Another motive is an ethical factor on the grounds that CSR is something that is morally feasible and the main motive is a political factor which states that CSR is the best way for a company to be accepted as a good society.

According to Darwin (2006), corporate social responsibility is a mechanism for organizations to voluntarily integrate environmental and social issues into their operations and their interactions with stakeholders that exceed organizational legal responsibilities. Islamic banking as an Islamic value organization is very appropriate to achieve national development goals. National development must be based on divine values because in carrying out its activities it has responsibility to God as the creator of Islamic values.

CSR is a concept that encourages organizations to consider the interests of society with responsibility for the impact of organizational activities on customers, employees, shareholders, the community and the environment in all aspects of its operations. According to Hackston and Milne (1996), CSR is often referred to as corporate social responsibility or social disclosure, corporate social reporting, social reporting as a process of communicating the social and environmental impacts of organizational activities on special interest groups and communities as a whole. This obligation is seen beyond the legal obligation to comply with the law and see the organization voluntarily take further steps to improve the quality of life for employees and their families and the local community and their wider community. Employers must do business not only for profit but also for sustainability.

Meanwhile, Widjaja and Yeremiz (2008) in Marnelly (2012) explained that CSR is a form of cooperation between companies (not limited to companies) and all stakeholders who interact with the company directly or indirectly to ensure the existence and sustainability of the company's business. Initially CSR implementation was the disclosure of a trait, but now it has changed into a task that must be carried out (Untoro & Zulaikha, 2013). CSR in Islamic Banking in particular, is also regulated in Law Number 21 of 2008 concerning Islamic Banking.

It is realized that in Islamic banks CSR is very important in supporting bank growth. The Bank places CSR as part of the company's long-term program. The Bank in an effort to realize a sustainable business always strives to provide optimal performance for shareholders but also considers how to contribute optimally in social and environmental aspects.

In carrying out CSR activities, banks use a balanced approach in which people, profits, and planets are better known as the triple bottom line. This concept was given by John Elkington in 1988. The bank is not only pursuing economic interests (profit) but also social (human) and environmental (planetary) aspects. The Bank strives to achieve a "triple bottom line" balance in achieving its objectives so as to provide more value to its stakeholders. Achieving continuous and increasing profits is difficult to achieve in low social conditions (people) and a damaged environment (planet). In short, business will not run in low social conditions (community economy) and a damaged environment. To that end, the bank realizes the importance of CSR as an effort to achieve a balance of the "triple bottom line" to support sustainable business so that its main objectives in meeting the interests of stakeholders can be achieved.

The Bank consistently carries out Corporate Social Responsibility (CSR) activities as a form of corporate concern and appreciation for the people who have given trust and support to the sharia banking business process. Bank business continuity cannot be separated from community participation in welcoming various sharia banking products and services offered by banks. The Bank believes that the company's performance must have a positive impact on improving the welfare of the community. Improving community welfare will ultimately support the Bank's sustainable business development.

Munawir (2004) said that one of the media for CSR disclosure is through annual reports. The annual report is a very important tool to obtain information about financial conditions and results achieved by the company, including reports on CSR activities. In analyzing and assessing financial conditions, as well as the potential and progress of the company, the main factor that must be considered by analysts is profitability and leverage.

1.2 Problem Formulation

This study aims to answer the following problems:

1. Does profitability influence the CSR disclosure of Sharia Banking in Indonesia?
2. Does company size influence the CSR disclosure of Sharia Banking in Indonesia?
3. Does Board of Director influence the CSR disclosure of Sharia Banking in Indonesia?
4. Does leverage have any influence the CSR disclosure of Sharia Banking in Indonesia?

1.3 Research Objectives

The purposes of this study are to:

1. Analyze the influence of profitability on the CSR disclosure of Sharia Banking in Indonesia
2. Analyze the influence of company size on the CSR disclosure of Sharia Banking in Indonesia

3. Analyze the influence of Board of Director on the CSR disclosure of Sharia banking in Indonesia
4. Analyze the influence of Leverage on the CSR disclosure of Sharia banking in Indonesia

1.4 Research Contributions

This Research is designed to give the benefits and substantially to give information for the following interested users:

1. Academicians

This study is expected to give more comprehensive understanding and to increase knowledge regarding factors influencing profitability company size, board of director, and leverage with regard to the implication of corporate social responsibility. Additionally, it can give contribution to the applicable theories used in this study such as agency, legitimacy, and stakeholder theory. Furthermore, it is useful in giving references for further corporate social responsibility studies to give continuous improvement regarding the result.

2. Company Management

This study aims to provide relevant information in evaluating sustainable policies and strategies and can be useful as a reference in making corporate decisions in the social field and providing ideas about the importance of corporate accountability to align company objectives with the interests of various stakeholders.

3. Investors

This study aims at providing relevant information as a basis for investment decisions making by considering financial and non-financial indicators of the company so that the objectives of investors can be realized.

4. University Environment

The results of this study are expected to be useful for other researchers who are interested in developing and analyzing further about the study of Corporate Social Responsibility.

1.5 Systematic of Writing

Systematic of writing is the outline of this research that will give systematic writing structure. In order to comprehend this research easily, this research is designed into following parts:

CHAPTER I: INTRODUCTION

The first chapter of this research gives the general description of the research by explaining the background of study, problem formulation, objective of the research, contribution of the research, and systematics of writing.

CHAPTER II: REVIEW OF RELATED LITERATURE

The second chapter of this study encompasses the review of previous studies that can give the thorough research formation and can relate to specified theories. Those will be classified into literature review, basic theory and hypothesis formulation.

CHAPTER III: RESEARCH METHOD

The third chapter of this study focuses on the method of conducting the research including the statistical tools used which consist of population and sample determination, research variables, and data analysis methods.

CHAPTER IV: DATA ANALYSIS AND DISCUSSIONS

The fourth chapter of this study explains of this study explains about the results of findings and discussion regarding the research analysis.

CHAPTER V: CONCLUSIONS AND RECOMMENDATIONS

The fifth chapter of this study is the closing section which gives conclusions regarding the whole research process and, furthermore, give recommendation for the further studies.

CHAPTER II

REVIEW OF RELATED LITERATURE

2.1 Literature Review

2.1.1 Introduction

In this era of globalization there are issues of social responsibility (corporate social responsibility) that many people talk about. In essence, the company is not only required to pursue profits as big as possible but must pay attention to the surrounding environment, both human and natural. According to Reverte (2009), the last few decades have witnessed an increase in public awareness about the importance of corporate social responsibility (CSR). Disclosure of social responsibility is important to see if the company has already implemented its social function. The importance of CSR arises because of the growing communication between various stakeholder groups and business organizations in the community. Emerging communication reflects the company's accountability in meeting the needs of their stakeholder (Gray, Kouhy, & Lavers, 1955a).

Companies as one of the economic actors have a very important role to the survival of the economy and the public at large in the face of the current era of globalization. Progress in the field of information and technology and the openness of the market make the existing companies should pay serious attention and open to the impacts or behavior of the company itself to the environment and stakeholders. The social impacts caused by each company is certainly not always the same, given the many factors that distinguish one company with another company even though they are in one type of same business. There are some factors that distinguish the company, including profitability, ownership base, liquidity level, company size, industry type, leverage, etc. The stronger the characteristic of a company in generating social impacts for the public therefore, the stronger the fulfillment if its social responsibility to the public.

Today, CSR is one of the critical success factors for business organizations who want to continue their existence with a good reputation, to achieve maximum profitability and enhance corporate growth, and at the same time act as a socially responsible company. This means that an organization must be responsible for its activities affecting citizens, communities, and the environment (Gustafson, 2002). With this concept, Islamic business organizations such as Islamic banks provide CSR information show their responsibility and accountability to society and to Allah (Muzawir, Muhammad, & Noording 2006) and their ongoing existence (Farook & Lanis, 2005) to be seen as a company (Maali, Casson, & Napier, 2006). Companies use CSR as a strategic weapon for competition in the era of globalization (Will, 2007).

2.1.2. Definitions and Importance's of CSR

CSR is a corporate commitment to the business world to contribute to sustainable economic development with due regard to corporate social responsibility and focuses on the balance between attention to economical, social and environmental aspects.

Corporate Social Responsibility (CSR) is a business approach that contributes to sustainable development by delivering economical, social, and environmental benefits for all stakeholders. CSR is a concept with many definitions and practices. The way it is understood and implemented differs greatly for each company and country. Moreover, CSR is very broad concept that addresses many and various topics such as human right, corporate governance, health and safety, environmental effects, working condition and contribution to economic development.

Corporate social responsibility (CSR) has become one of the standard business practices of our time. For companies committed to CSR, it means enhanced overall reputation as a powerful statement of what they stand for in an often-cynical business world. The establishment of CSR strategy is a crucial component of a company's competiveness and something that should be led by the firm itself. This means having policies and procedure in place which integrate social, environmental, ethical human rights or consumer concerns into business operations and core strategy which is all in close collaboration with stakeholder.

2.1.2.1. Principles of Corporate Social Responsibility

The main goal of the company is to achieve maximum profit from the goods and services it produces (economic responsibilities). However, not also that the company also has responsibility to the stakeholders. Another thing to note is Legal Responsibilities, which is how the company operates in accordance with the rules passed (Faozan 2013)

This rule was made to avoid any abuse done by the company. Furthermore, the company must also perform its activities in accordance with the existing ethics and avoid activities that can cause damage and the company should also try to be a good company) good corporate citizen) for the environment around it.

Hadi (2011) then outlines the principles of social responsibility such as sustainability, accountability, and transparency.

The sustainability of a company must provide benefits to the environment and the community around the company. CSR programs must be able to improve people's living standards clearly built through community independence to be able to improve their own standard of living. Sustainability, relates to how companies in carrying out activities (actions) still pay attention to the sustainability of resources in the future but still consider social and economic challenges, environmental opportunities and threats.

Accountability, is an open company effort it is responsible for activities that have been done. Accountability is required when corporate activity affects and is influenced by the external environment. This concept explains quantitative corporate activity against internal and external.

Transparency, is an important principle for external parties. Transparency plays a role in reducing information asymmetry, misunderstandings, especially information and accountability for environmental impacts.

2.1.2.2. The scope of CSR

The scope of corporate social responsibility to the community includes the following area (Cashmere 2010):

1. Consumer protection (product safety), It means that the products provided to the public must ensure safe to use.
2. Pollution control, it means that in this case that the company's activities will not damage the environment, either to water, soil, or air. Company involvement is required to control and address environmental concerns that may or may have occurred due to company activity.
3. Reinvest profit, Companies need to invest from their profits to the world of education, community empowerment around the business and support for the preservation of the natural environment.

2.1.2.3. There is some benefit of CSR. Those are stated in the following statement

1. Maintains and boost the company's reputation and brand image.

2. It gets license to operate socially
3. It Reduce the business risk of the company
4. It expanding access to resources for business operations
5. It opening wider market opportunities
6. It reduces costs, such as the impact of waste generation
7. It improves relationships with stakeholders
8. It improves the relationship of the regulator
9. It increases the spirit and productivity of employees
10. Its opportunity to get an award

2.1.2.4. Corporate Social Responsibility in an Islamic perspective

In Islamic language, CSR means obedience and submission to Allah SWT. Islamic teachings according to Wibisono (2007) consist of three main aspects, i.e

1. Aqeedah

   Aqidah is the subject of faith and belief that the human being must believe to be true. The most important Islamic aims are summarized in the pillars of Faith: Faith to Allah SWT, Faith to His Angels, Faith to His Scriptures, Faith to His Apostles, and Faith to the Last Day. Aqidah is constantly unchanged based on time and place.

2. Sharia

   Sharia is the rule and punishment of Allah SWT which contains the command and prohibition (hokum takhfili) charged to human. Shari'a is evolving from time to time according to human civilization. Worship is related to the relationship between Allah and humankind (*Hablum Minallah*), whereas muamalah is related to the command with human, human with animals and plants, people with environment (*Hablum Minannas*), including economical, social, cultural and political issues.

2.1.3. Factors Influencing the Implementation of CSR

Corporate social responsibility is the practice of integrating social and environmental goals into business operations, rather than focusing solely on the bottom line, companies that employ the concept of corporate social responsibility examine how their business practices affect their employees, customer, local communities, human right and environment on a larger scale. Corporate social responsibility initiatives can help control cost, improve a company's brand, attract top quality talent, and facilitate long-term financial success (Alfia,2008)

CSR aims to ensure that companies conduct their business in a way that is ethical. This means taking account of their social, economic, and environmental impact, and consideration of human rights. It can involve a range of activities such as: working in partnership with local communities.

The purpose and benefits of corporate social responsibility are cost savings, brand benefits, employee loyalty, long-term success. Sustainable business practices can benefit a company's bottom line as well as the environment. Responsible business practices can improve public perception of a company's brand, which can increase its customer base and overall sales. It can also garner interest from investors that only invest in socially-responsible companies. The firm notes that a variety of companies saw employee motivation and loyalty increase after engaging them in corporate social responsibility initiatives, and these companies able to obtain better quality employees as a result. Corporate social responsibility functions help company ensure long-term, sustainable financial health (Kotler and Lee, 2005)

CSR has become mainstream in business activity, although the implementation of CSR is at high cost to banks, the financial performance of companies that have successfully implemented CSR practices has historically been high.

The high performance of ethical firms can be explained by two logical reasons:

- Companies at the fore front of implementing CSR are healthy firms that strive to shape the future in light of new social and environmental challenges
- CSR is a way to create of new businesses, and has allowed firms to attract new investors and new growth opportunities.

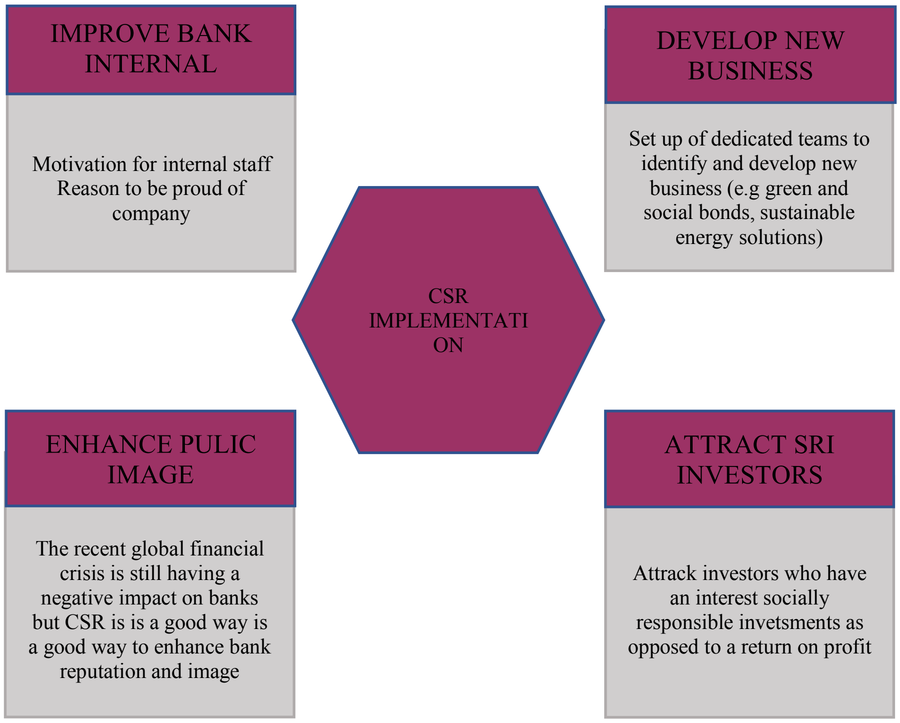


Figure 2.1 The benefits of implementing CSR

From those mentioned studies, it can be inferred that factors influencing corporate social responsibility are profitability, company size, board of director, leverage.

2.1.3.1. Profitability

Profit or profit is always the goal of a company. Profit is often interpreted by the efficiency and effectiveness of organizational units in utilizing company resources. On the other hand, there are those who argue that high profits are not always a measure of the success of the company. They are generally interested in the level of the company's ability to generate profits. The company's ability to generate profit is called profitability. Profitability also has an important meaning in the effort to maintain its long-term survival, because profitability indicates whether the business entity has good prospects in the future. Thus, every business entity will always try to increase its profitability, because the higher the level of profitability of a business entity, the survival of the business entity will be more guaranteed.

There are a number of measures of profitability ratios that are commonly used, namely profit margins, Return on Assets (ROA) and Return on Equity (ROE). However, in this study the profitability ratios used are ROA which measures the ability of companies to generate net income based on the level of certain assets. A high ratio shows the efficiency and effectiveness of managing assets which means better. Permanasari (2010) stated that ROA is a form of profitability ratio that is intended to measure the company's ability to fund all the funds invested in activities that are used for the company's operating activities with the aim of generating profits by utilizing its assets.

The selection of Return on Assets (ROA) as a measure of profitability ratios is here with several reasons, namely: (Batubara, 2005)

1. This ratio is a measure of cheapness. The effectiveness of management in generating profits with available assets is also called the return on investment.

2. This ratio can assess the company's ability to use the average of its assets in generating profits.

3. This ratio can indicate the 'return' received by the capital owner where to measure this return is net profit after tax divided by assets.

2.1.3.2. Company Size

Company size is a variable that is widely used to explain the corporate social disclosure made in the annual report. Generally large companies will reveal more information than small companies. This is because big companies will face greater political risk than small companies. Theoretically, big companies will not get out of political pressure, that is pressure to do social responsibility. Greater social disclosure is a reduction of the political costs for companies (Hasibuan, 2001). By expressing concern for the environment through financial reporting, the company in the long term can avoid the huge cost resulting from the demands of society.

Size of the company can be based on total assets (fixed assets, intangible and others), the amount of labor, sales volume and market capitalization (Cahyonowati, 2003). In this study company size was expressed by the amount of labor owned by the company. This measurement is done to know that the greater the amount of workforce, the greater the social responsibility that must be disclosed.

CSR is not just a charity activity, where CSR requires a company in its decision making to seriously take into account the effects on all the company's stakeholders, including employees. CSR can also be used to form a comfortable working atmosphere among staff, especially if they can be involved in activities that they believe can bring benefits to the wider community, be they "payroll", "fundraising" or voluntary work for the community.

2.1.3.3. Board of Director

Boards have an important oversight role to play in ensuring that companies have systems in place to effectively manage key risks, including the potential for reputational harm and legal liability associated with adverse social and environmental impacts. As appropriate to the nature, context and relative risk profile of a company’s operations, boards should ensure that they have the information they need to evaluate the effectiveness of a company’s existing management systems with regard to social and environmental concerns. Boards are in a position to raise questions regarding the processes and criteria by which management personnel evaluate the social and environmental risks that may be associated with particular operating environments or business relationships, including those with governments and joint venture partners.

2.1.3.4. Leverage

Purnasiwi (2011) states that leverage is a tool to justify how much the company depends on the creditor in financing the company's assets. Firms that have high leverage levels rely heavily on external loans to finance their assets. While companies that have lower leverage rates more finance their assets with their own capital. The level of corporate leverage, thereby illustrating the financial risk of the company.

2.2. Previous Research

Farook (2008) emphasizes that Islamic Financial Institutions are intended to be socially responsible for two interrelated reasons, namely their status as financial institutions that fulfill religious obligations and their position as examples of financial intermediation. Hasan and Hassan (2011) explain that corporate governance and sharia are one of the most important topics in Islamic finance recently. The voice of corporate governance, especially in the Islamic paradigm, is very important because it tends to benefit from promoting honesty, integrity, transparency, accountability and responsibility among all stakeholders in an organization. Meanwhile, the Islamic government is very strong with the Islamic financial system in building and maintaining the trust of shareholders and other stakeholders that all transactions and practices of activities are in accordance with sharia principles.

Previous researchers obtained various results in analyzing the factors that influence CSR disclosure in Islamic banking in Indonesia and Malaysia. This study refers to several modified studies. The results obtained in Farook et al. (2011) is that political pressure negatively affects CSR disclosure. The ratio of Muslim population in a country has a positive effect, Islamic governance score has a positive effect, and Investment Account Holders percentage of shareholders has a positive influence on the level of CSR disclosure in the financial statements of Islamic banking. Rizkiningsih (2012) conducted the same study and found the same results. He added the variable leverage and profitability in his research.

The results of the study obtained by Sembiring (2005) in examining the level of CSR disclosure are the size of the company, the profile and size of the board of commissioners has a significant positive effect on the disclosure of corporate social responsibility, but profitability and leverage fail to show a significant effect. Anggraini (2006) uses management ownership, leverage, firm size, industry type, profitability as independent variables in researching CSR disclosures. The results obtained are that almost all companies disclose their economic performance because they have been determined. Management ownership and type of industry are considered by companies to disclose social accounting responsibilities.

Suryono (2011) did almost the same thing in looking for factors that influence the sustainability report. Independent variables used are company characteristics (level of profitability, level of liquidity, leverage, level of corporate activity) and corporate governance practices (audit committee, board of directors and governance committee).

Referring to the research conducted by Sembiring (2005), Farook (2011), Rizkiningsih (2012) states that political and government pressure, the number of Muslim population, leverage and profitability have a significant effect on Islamic banks to carry out Islamic Social Reporting. While Untoro (2013) explained that the size of the board of directors and the size of the company (size) significantly influence CSR disclosure in Indonesia, but the proportion of independent board of directors, the size of the audit committee, leverage, and profitability did not affect CSR disclosure. More concisely, the results of previous studies will be presented in the following table:

Table 2.1 Previous Research

Research (year)	**Analysis Tool**	**Research Variables**	**Research Result**
Farook *et al.* (2011)	*Ordinary Least Squares*	Dependent Variable: CSR Disclosure (CSRDIS) Independent Variable: level of political and social freedom, Ratio of Muslim population in a country, Islamic governance score, Proportion of Investment Account Holders	According to regression results, variations are best explained by relevant public influence variables and sharia governance mechanisms (Sharia Supervisory Board). Using alternative variable sizes, the regression results show that the level and social and Investment Account Holders proportions are also significant determinants of CSR disclosures in Islamic banks
Sembiring (2005)	Multiple Regression	Dependent Variable: *CSR Disclosure* Independent Variable: Company Size, Size Industry, Profitability, Board of Director, *leverage*	company size, board profile and size have a significant positive effect on corporate social responsibility disclosure, but profitability and leverage fail to show

			significant effect.
Anggraini (2006)	Multiple Regression	Dependent variable: CSR disclosure Independent variables: management ownership, leverage, company size, industry type, profitability	Almost all companies disclose economic performance because they have been established in PSAK 57. Management ownership and type of industry are considered by companies to disclose social accounting responsibilities.
Suryono (2011)	*Multivariate Binary Logistic Regression*	Dependent Variable: Sustainability Report Independent Variable: Company characteristics (level of profitability, level of liquidity, leverage, level of company activity) and CG practices (audit committee, board of directors and governance committee)	There are significant differences based on the characteristics of the company and the implementation of corporate governance for companies that reveal sustainability and non-disclosure reports.
Rizkiningsih (2012)	Multiple Regression	Dependent variable: Islamic Social Reporting Independent variables: political and government pressure, Muslim population, leverage, profitability, Islamic governance score	political and government pressure, Muslim population, leverage and profitability have a significant effect on Islamic banks to carry out Islamic Social Reporting.

Dwi Arini Untoro (2013)	Multiple Regression	Dependent Variables: Extent of Disclosure of Social Responsibility Independent Variables: Size of the Board of Commissioners, Proportion of Independent Commissioners, Size of the Audit Committee Control Variables: Firm Size, Leverage, Profitability	the size of the board of directors and the size of the company (size) significantly influence CSR disclosure in Indonesia, but the proportion of independent board of directors, the size of the audit committee, leverage, and profitability does not affect CSR disclosure.

2.3. Theoritical Framework

2.3.1. Agency Theory

The Agency theory was first coined by Jensen and Meckling in1976. The Agency Theory explains the existence of an agency or contractual relationship involving two parties. The work contract is established between the principal and the agent. The agent closes the contract to perform certain tasks for the principal; principal closes the contract to reward the agent (Hendriksen 2001) in Harti and Widayuni 2014).

The agency is the management of the company, while the principal is the shareholders. The agency theory deals with the relationship between the company's management and its shareholders. The relationship between the two is often problematic because of differences in interests, resulting in conflict.

2.3.2. Legitimacy Theory

The theory of legitimacy is a social contract that occurs between companies and society, where companies operate and use economic resources Ghozali and Chairib (2007) in Harto and Widayuni (2014). According to legitimacy theory the organization must pay attention to social restrictions and social norms in a sustainable manner in its operations (Guthric et al, 2006). Therefore, that there is a social contract between the company and the community around where the company operates. This social contract is in the theory of legitimacy that determines the survival of a company.

Company activity can cause impact to society or its environment, it can be positive or negative impact. Social disclosure is needed to avoid social and environmental conflicts. According to Deegan et al. (2000), as quoted by Purwitasari (2011), social contracts are used to explain the public perception of how a company should operate. Especially when it comes to the threat of a company's life due to the public's assumption that the company has violated the social contract.

If the public is not satisfied as a result of a company that does not perform its operation in legitimate way. Therefore, the public will revoke the company's "contract" to continue its operations Deegan Rankin (1997) in Purwitasari (2011). The use of the theory of legitimacy in this research is related to the compliance of sharia banking to Islamic principles. This form of compliance is to implement CSR disclosure in the annual report, in the hope of getting positive value and legitimacy from the community so that the sharia banking can continue to survive.

The legitimacy of companies where stakeholders can show the integrity of ethical conduct in business and increase corporate social responsibility has the benefit to enhance the company's reputation. According to Hadi (2011) There are several efforts that companies need to do in managing legitimacy to be effective. Those are mentioned as follows:

1. Identifying and communicating public dialogs.
2. Communicating or having dialogue about the social value of society and the environment, and build perceptions about the company.
3. Performing legitimacy and disclosure strategies related to CSR.

In this context CSR is seen as an inter-firm agreed policy with the community. The community in question is the community that has given the company permission to use its natural and human resources and had permitted to perform its production function, therefore in CSR reporting the company must follow the rules that apply in the community. Therefore, CSR is a non-voluntary corporate liability. However, it must be remembered that the permission is not fixed as the company continues to evolve and adapt to the changing wants and guidance of society (Martyr, 2012).

The legitimacy of the organization can be seen as something that society gives to the company and something the company wants or bring from society. Thus, legitimacy can be regarded as a potential benefit or source for the company to survive (Ashforth and Gibbs 1990; Dowling and Pfeffer 1975;)

'Donovan 2002 in Ghozali and Chariri, 2007). Often there is a difference between the value of a company and its community values called the Legitimacy Gap. This may affect the company's ability to continue its business activities.

Warticl and Mahon (1994) in Ghozali and Chariri (2007) explain that the legitimacy gap can occur for three reasons, i.e.

1. there is a change in the company's performance but people's expectations of the company's performance have not changed,
2. the company's performance has not changed but the people's expectations on the company's performance has changed,
3. company performance and public expectations of the company's performance change in different directions, or towards the same time but the time is different.

2.3.3. Stakeholder Theory

According to the opinion expressed by Chairi and Ghazali (2007) cited Rahmatullah (2012) said that the company is not an entity that only operates for its own interests but must provide benefits to its stakeholders (stakeholders, creditor, consumers, suppliers, government analysis, and other)

Based on the understanding of stakeholder above, it can be said that in company activity is influenced by factors from outside and inside the company, and both can be referred to as stakeholder (Chairi and Ghazali 2007 cited in Rahmatullah 2012). The definition of stakeholders has changed substantially over the past four decades. Initially, shareholders were seen as the sole stakeholder of the company. This view is based on the argument presented by Friedman (1962) who says that the main goal of the company is to maximize the prosperity of the owner. Freeman (1983) disagrees with this view and broadens the definition of stakeholders by incorporating more constituents, including adverse groups such as those with particular interests and regulators (Roberts, 1992). This theory underpins the company to perform corporate social responsibility and stakeholders which are applied in profitability and leverage variables, these two variables indicate the ability of the company to fulfill its obligations to the stakeholders.

Anggraini (2006) explains that in agency relations, there are 3 factors that influence monitoring costs, contracting costs, and political visibility. Companies that face high oversight and contract costs tend to choose accounting methods that can report earnings lower. In this research, stakeholder theory was applied to variable profitability and leverage. These two variables show the company's ability to fulfill responsibilities to stakeholders.

2.4. Hypothesis Formulation

2.4.1. The Influence of Profitability on Corporate Social Responsibility Disclosure

According to Watts and Zimmerman (1986) in Widiati (2012), firms with higher profits have a tendency to conduct policy interventions. Therefore, the company will be compelled to disclose more detailed information in their annual report in order to reduce political costs and show financial performance to the public.

According to the agency theory, higher performance makes it easier for managers to convince shareholders of their superior managerial skills. They tend to use voluntary disclosure to gain a higher level of trust from investors, which may be reflected in higher compensation (Ferreira et al. (2012). Based on the research done by Ramadan & Majdalany (2013)

The higher the level of corporate profitability the greater the disclosure of social information (Bowman & Haire (1976), Prekston (1978) and Hackston & Milne (1996) in Anggraini (2006)). This opinion is aimed at the results of research conducted by Harto and Widayuni (2014) and Sembiring (2005) ie there is a positive relationship between profitability and disclosure level of CSR in sharia banking. In line with the opinions expressed by Bowman, Haire, Preston, Hackston, and Milne. According Suryono (2011) examined the effect of profitability on the Sustainability Report (SR) states that companies with good financial performance capability will have high confidence to inform their stakeholders because the company is able to show them that the company can meet their expectations, especially investors and creditor. Then, the hypothesis that can be formulated as follows:

H1: Profitability has a positive influence on Corporate Social Responsibility Disclosure in Sharia Banking.

2.4.2. Influence of Company Size on Corporate Social Responsibility Disclosure

The size of a company describes how much assets of a company. Lerner (1991) as quoted by Siregar (2010) in Rahardja et al. (2013) states that the greater the asset of a company the greater its social responsibility, and this will be reported in the annual report, so that the disclosure is also widespread.

The bigger a company will be increasingly highlighted by the stakeholders. Under such conditions companies need greater efforts to gain stakeholder legitimacy in order to create harmony of the social values of their activities with existing behavioral norms within the society Suryono 2011 in Harto and Widayuni 2013).

The relationship between corporate law and CSR disclosure has been shown in several studies that support the above theory, i.e. research conducted by Trisnawati (2014) which says that firm size has a positive and significant influence on corporate social responsibility disclosure. That the more the number of assets owned by the company, the more extensive the disclosure of corporate social responsibility. The results are also similar to the results of research conducted by Sembirin (2005) and also some other researchers such as Belkauoui and Krpik (1989); Adam et. Al., (1995, 1998); Hackston and Milne (1996) in Sembirin (2005).

According to Anggraini (2006) explains that big companies tend to provide earnings information is now lower than small companies, therefore large companies tend to incur costs for greater disclosure of social information than small companies. Company size can be provided from market capitalization, total assets, sales logs, etc.

In addition to all the researches that have been done then the hypothesis that can be formulated is as follows:

H2: The company size positively influences Disclosure of Corporate Social Responsibility in Sharia Banking.

2.4.3 Influence of Board of Commissioner's Size on Corporate Social Responsibility Disclosure

The size of the Board of Commissioners is the number of members of the board of commissioners within the company. Based on the agency theory, the board of commissioners is the highest internal control mechanism responsible for monitoring the top management of Trisnawati (2014). Board of Commissioners plays a role in overseeing the conduct of the company's business which is being managed by their board of directors as well as possible (Said, et al., 2009) in Chariri (2012).

Coller and Gregory (1999) in Sembiring (2005) say that the larger the number of members of the board of commissioners, the easier it will be to control the CEO. Furthermore, the monitoring will be more effective.

Associated with the disclosure of social responsibility, the pressure on management will also be greater to express it.

This opinion was successfully validated by a research conducted by several researchers, such as Chariri (2012); Sembiring (2005); Sulastini (2007) and Sembiring (2003) in Chariri (2012); Arifin (2002) in Sembiring (2005) which showed results.

H3: Board of Director has a positive influence on Corporate Responsibility Disclosure in Sharia Banking.

2.4.4 The Influence of Leverage on Corporate Social Responsibility Disclosure

Leverage level is to see the company's ability to complete all its obligations to other parties. Companies that have a greater proportion of debt in their capital structure will have greater agency costs (Trisnawati,2014). In accordance with agency theory, corporate management with high level of leverage will reduce the disclosure of social responsibility made so as not to become the spotlight of the debtholders (Sembiring,2005).

Anggraini (2006) states that the higher the leverage, the more likely the company will be violating the debt contract, then the manager will try to report earnings now higher than future earnings.

According to Ahmed Belkaoui (1989) in Suryono (2011), the decision to disclose social information, will be followed by expenditures for disclosures that may lower revenues. This means leverage gives a bad signal to stakeholders. The stakeholders of the company, will be more confident and choose to invest funds in companies that have a healthy and good financial condition. Therefore, company managers must reduce costs (including costs to disclose social and environmental reports) for good financial performance. From the research, according to Belkaoui and Karpik, the hypothesis that can be formulated is as follows:

H4: Leverage has a negative influence on Corporate Responsibility Disclosure in Sharia Banking

2.5 Research Model

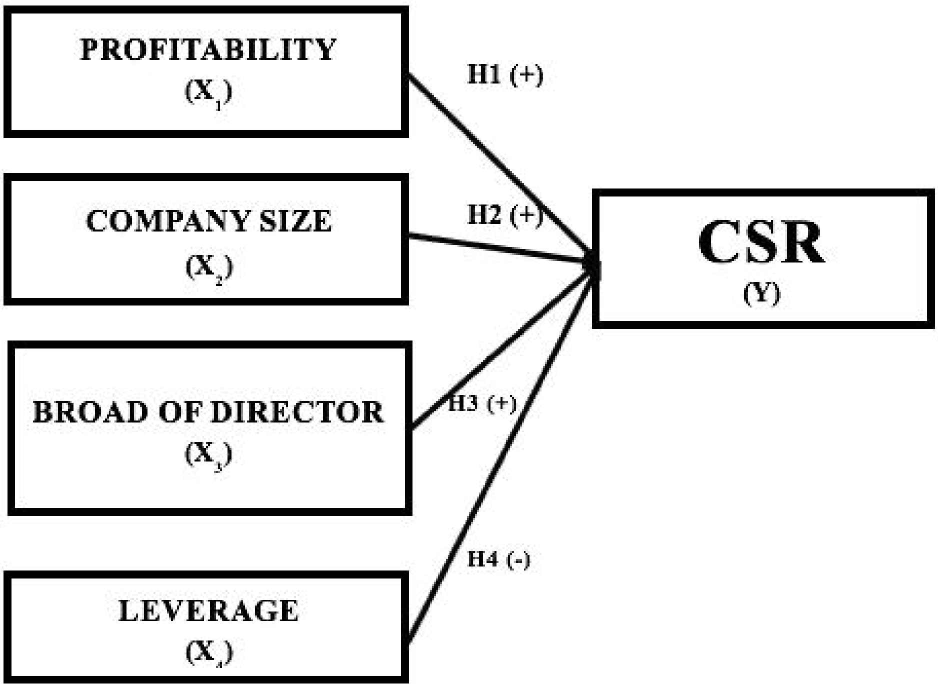


Figure 2.2 Research Model

CHAPTER III
RESEARCH METHOD

3.1. Type of Study

This research is classified as a quantitative-secondary study since this study use numerical data which would be used into useable statistics. This research was conducted by measuring variable in the form of numbers and doing data analysis with statistical procedure to prove the theories.

3.2. Population and Sample

The population in this study consist of some Islamic banking companies in Indonesia. Sampling technique was done by purposive sampling technique that is sampling technique that is adjusted with predetermined criteria. The prescribed criteria are as follows:

1. Sharia banks that publish annual reports consistently for the period 2011 to with a period of 2016, which can be accessed through the respective banking website.
2. Have complete data related to the data needed in the study
3. Using the rupiah currency unit in its financial statement.
4. Disclose information about corporate social responsibility.

3.3. Sources and Data Collection Method

This study employs secondary data by using company's annual report particularly on financial statements listed in Islamic Banks from 2011 – 2016 and other information related to this study that can be accessed in each company's official website.

The data collection method used in this research is the documentation which use the data derived from documents that have already been existed and provided. This is done by collecting, recording and counting data relating to the research on the secondary data from annual reports of the sample.

3.4. Research Variables

3.4.1. Dependent Variable

The dependent variable is the variable that is the main concern of the researcher. This variable is the main variable that becomes the factor applicable in the investigation (Sekaran, 2006).

3.4.1.1. Corporate Social Responsibility

The Dependent variable used in this research is the disclosure of Corporate Social Responsibility in Islamic banking report that exist in some countries. Furthermore, the disclosure of Corporate Social Responsibility or CSR disclosure in data processing will be represented by CSRDIS.

In contrast to conventional CSR research, CSRDIS in this study was measured by reference to the indexes used in the study of Maali et al. (2003). The research index used is the estimated index of CSR Sharia Bank operating disclosure in a Muslim country. There are 32 aspects of disclosure that are grouped into 9 categories. Nine categories of indexes developed by Maali et al. (2003) are:

1. Sharia Opinion for Unlawful Transactions
2. Zakat
3. Product
4. Qard Hassan (Loan of Virtue)
5. Charitable and social activities
6. Employees
7. Payment is late and client is bankrupt
8. Environment
9. Another aspect of community involvement

The main thing that distinguishes these two indices is on the Islamic principles that are applied in the index of CSR Islamic Bank disclosure which estimates operating in a Muslim country.

The principle of Islam is putting more emphasis on social and economic justice. How to calculate CSR disclosure with index of CSR Sharia Bank disclosure which estimates operating in Muslim countries in this study is to give a value of 1 for the aspects that are met and 0 for the unsuitable described by Maali et al. (2003)

3.4.2. Independent Variable

According to Sekaran (2006) independent variables as a variable that affects the dependent variable. Independent variables used in this research are:

3.4.2.1. Profitability (Profit)

Watts and Zimmerman (1986) in Widiawati (2012) explained that firms with higher profits have a tendency to intervene in policies. Therefore, the company will be compelled to disclose more detailed information in their annual report in order to reduce the costs of politics showing financial performance to the public.

Profitability can be measured by ROA (Return on Assets) such as research conducted by Amran and Devi (2008). The formula used in this research are:

$$\text{ROA} = \frac{EAT}{Total\ Asset}$$

3.4.2.2. Company Size

Company size is a variable that is widely used to explain the disclosure of corporate social responsibility made in the annual report. Where firm size is a scale or value to classify the size of a company based on certain indicators, such as total assets, log size, stock value, amount of labor, sales, and market capitalization.

Based on Amalia (2013) larger companies with greater operation and public impacts will have shareholders who may pay attention to the company's social programs and annual reports that will be used to disseminate information on such corporate social responsibility.

The formula used in this research is:

Log(asset)

3.4.2.4. Board of Director

The board strives to build sustainable value for shareholders whilst protecting the assets and reputation of the company. The board can be approving CSR strategies, budgets, and plans and corporate policies. Assessing performance against business plans to monitor both the performance of management as well as the continuing suitability of business strategies. Reviewing operating information to understand the state of the company. Considering management recommendations on proposed acquisitions, divestments and significant capital expenditure. Considering management recommendations on capital management, the issue or allotment of equity, borrowings and other financing proposals, guarantees of non-group liabilities, and restructures. Approving CSR's risk management strategy and frameworks and monitoring their effectiveness.

$$\text{Meeting Frequency} = \frac{\text{attendance}(\%)}{\text{Number of member}}$$

3.4.2.5 Leverage

Leverage is a tool to measure the size of a company depending on the creditor in financing the company's assets. In this research leverage calculated debt equity ratio (DER) as used in research Anggraini (2006).

The formula used in this research are:

$$\text{DER}\ \frac{Total\ Liability}{Total\ equity}$$

3.5. Data Analysis

3.5.1. Descriptive Statistics

The descriptive statistical analysis is the analysis used to know the characteristics of the sample used and then it describes the variables in the study. The descriptive statistical analysis processes the data into statistically information such as mean, median, standard deviation, skewness, kurtosis, and others.

3.5.2. Classical Assumption Test

Classical assumption test is a test used to test the feasibility of regression model in order to achieve a good data and generate a good model. This test performed in order to be able to determine the feasibility of the model. There are four testing of classical assumptions: normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test.

1. Normality Test

   Normality test was used to test whether in the regression model the dependent variable and the independent variable has a normal distribution or not. Normality test can be seen uses of sample Kolmogorov – Smirnov test. The data are normally distributed when the residual value has a significant level more than 0.05. That means regression model is fulfilled the normality assumption.

2. Multicollinearity Test

Multicollinearity Test was used to test whether in the regression model found a correlation between independent variables that resulted in a high correlation.

Good regression model should not have a correlation between independent variables because it will not be orthogonal or resemblance. The research data should have an orthogonal variable, it means that the variable has zero value between independent variables (Ghozali, 2012). Detecting if there is exist or not multicollinearity in a regression model can be seen from the tolerance value and the opposite is the variance inflation factor (VIF). The tolerance was explaining by other independent variables. The cutoff value used to indicate a multicollinearity factor is tolerance value < 0,10 or equal to VIF > 10 (Ghozali, 2012).

3. Autocorrelation Test

Autocorrelation Test was used to test whether there is a correlation between the period (t) and the previous (t-1). Autocorrelation examines whether there is an autocorrelation in the model which used Durbin-Watson statistic test. The good regression model is a regression of the free of autocorrelation.

4. Heteroscedasticity Test

Heteroscedasticity test was used to test whether in variance there is inequality of variance from residual in one observation to another observation. Good regression model should be free from heteroscedasticity, such as from looking the Plot graph between the predicted of dependent variable which is ZPRED with residual SRESID or commonly known as Scatterplot graph. The detection of the heteroscedasticity can be done by looking at whether there is a specific pattern on the scatterplot (Ghozali, 2012). If there is no clear pattern, and the points spread above and below the number 0 on the Y- axis, there is no heteroscedasticity.

3.5.3 Multiple Linear Regression

Multiple Linear regression analysis was used to measure the strength of the influence of independent variables on the dependent variable, which consist of determination coefficient test (R2), simultaneous test (f), and partial test (t). Multiple linear regression was used to analyze the obtained data and to test the hypotheses because these studies have some independent variables. This research used multiple linear regression to test the effect of seven independent variables such as board of director, firm size, profitability, leverage.

The model that were used as follows:

$$CSRDIS = \; + \beta_1 \, PROFIT + \beta_2 \, SIZE + \; + \beta_3 \, BOD + \beta_4 \, LEV + e$$

Information:

CSRDIS = *Corporate Social Responsibility* disclosure

β_1 = Profitability

β_2 = Company Size

β_3 = Board of Director

β_4 = Leverage

= Constant Value

β_1 - β_4 = Independent Variables Regression Coefficient

e = Error

3.5.4. Hypothesis Testing

The hypothesis testing in this research analyzed committed in order to prove the influence of independent variables toward dependent variable. The hypothesis testing is doing using coefficient determination (R^2) and t-test.

1. Coefficient Determination (R^2)

   The coefficient determination (R^2) used to explain how the dependent variable was explained by the independent variables. R^2 value exists between 0 and 1, thus the greater R^2 value shows the greatest model that can describe the dependent variable (Ghozali,2012). The R^2 amount between 0-1 ($0<R2<1$) coefficient determination used to know how much the independent variable can influence the dependent variable. The better result is when the percentage closer to 1.

2. T-test

The researcher used T-test to test the influence of independent variables toward dependent variable partially uses the t-test. This test aims to determine whether each of the independent variables was significantly affected on the dependent variable. The t-test is concluded based on the following result:

1) If the significance value $t < 0,05$, the Ha is accepted. It means the partially independent variables significantly effect on the dependent variable.
2) If the significance value $t > 0,05$, the Ha is rejected. It means the partially independent variables does not significantly effect on the dependent variable.

CHAPTER IV

ANALYSIS AND DISCUSSIONS

4.1 Descriptive Analysis

4.1.1. Descriptive Research Sample

The Collection in this research was conducted at Islamic banking companies in Indonesia for the period from 2011 to 2016. The total population is 10 companies. From 10 companies, not all of them issued consistent annual financial statements from 2011 to 2016. The sample selection results are shown in Table 4.1

Table 4.1 Sample Selection Result

Sample Criteria	Number of companies
Islamic Banking in Indonesia for the period 2011-2016	12
Islamic Banking that does not publish annual reports consistently for the period 2011 to 2016	(2)
Banks that do not have complete data	(0)
The company uses currency units other than rupiah in its financial statements	(0)
The company that does not disclose information about corporate social responsibility	(0)
Total Sample	10

Source: www.idx.co.id

4.1.2. Descriptive Research Variables

The following is a descriptive analysis of the research variables, namely about the average descriptive and standard deviation of each variable. It can be shown in the following table.

Table 4.2 Descriptive Research Variables

	CSRDIS	PROFIT	SIZE	BOD	LEV
Mean	0.510417	0.031912	7.606116	0.862533	5.288612
Median	0.500000	0.016900	6.809454	0.870000	2.864336
Maximum	0.687500	0.179000	10.68510	0.990000	13.41079
Minimum	0.343750	0.000900	2.970116	0.600000	0.032265
Std. Dev.	0.077549	0.040267	2.417158	0.082388	4.408602
Observations	60	60	60	60	60

Source: Secondary data processed, 2018

Based on the descriptive analysis, the variable level of social responsibility disclosure has an average value which is 0.5104. This shows that the level of social responsibility disclosure is still low with a percentage of 51.04% of all full disclosure reports, namely 32 disclosure items. While the standard deviation of 0.775 means the size of the spread of the level of disclosure of social responsibility is equal to 0.775 of the 60 cases that occurred. This means that the variation of the disclosure of social responsibility in the published financial statements is relatively quiet homogeneous between one company and another company.

The Profitability as measured by Return on Assets which is a comparison between net income (EAT) and total assets has an average of 0.03191. This means that the average in each year of 3.19% of all owned asset management. While the standard deviation of 0.0402 indicates that the size of the spread of the profitability variable is quite large because it is greater than the average value. This means that the value of profitability between one company and another is quite volatile.

The Variable company size as measured by assets has an average value of 7.606 (logarithms) or around 40,375 trillion. This means that the average size of the company in the manufacturing industry is quite large. Whereas the standard deviation of 2.417 indicates that the size of the spread of company size is quite homogeneous because it is lower than the average value. This is reasonable because the purpose of logarithmic transformation is to reduce the level of data fluctuations.

The results of descriptive analysis of leverage variables as measured by Debt to Equity Ratio, namely the ratio between debt and total equity has an average value of 5.28862. This means that the average company in using debt to finance company operations is quite high, namely 5.28% of the total equity. This means that the capital structure of the company is mostly derived from debt capital, compared to originating from funding sources from investment (own capital). While the standard deviation is 4.4086, indicating that the size of the data leverage distribution is quite high because it is greater than the average value. This means that the leverage value between one company and another from 60 observations is quite heterogeneous.

4.2 Linear Regression Analysis Results

4.2.1. Panel Selection Regression Model Test

The selection of models used in this research was done based on statistical considerations. This is shown an efficient guess. In this study, there are 3 regression models, namely the common model, fixed effect, and random effect.

- Common Effect

  The common effect model combines cross section data with time series and uses the OLS method to estimate the panel data model (Widarjono, 2009). This model is the simplest model compared to the other two models. This model cannot distinguish variance between cross places and time points because it has a fixed intercept, and does not vary randomly (Kuncoro, 2012).

- Fixed Effect

  The definition of fixed effect model is a model with different intercepts for each subject (cross section), but the slope of each subject does not change over time (Gujarati, 2012). This model assumes that the intercept is different for each subject while the slope remains the same between subjects. In distinguishing one subject from another subject, a dummy variable was used (Kuncoro, 2012). This model is often referred to as the Least Square Dummy Variables (LSDV) model.

- Random Effect

  Random effects are caused by variations in values and the direction of the relationship between subjects is assumed to be random which is specified in the residual form (Kuncoro, 2012). This model estimates panel data that residual variables are thought to have a relationship between time and between subjects. According to Widarjono (2009) random effect models are used to overcome the weaknesses of the fixed effect model that uses dummy variables. Panel data analysis method with random effect model must meet the requirements, namely the number of cross sections must be greater than the number of research variables.

For this reason, it is necessary to see each estimation result from various data panel models as follows:

Total panel (balanced) observations: 60
Linear estimation after one-step weighting matrix

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROFIT	0.571096	0.209407	2.727203	0.0086
SIZE	-0.000737	0.003974	-0.185568	0.8535
BOD	0.253444	0.107237	2.363406	0.0217
LEV	-0.000201	0.001945	-0.103098	0.9183
C	0.272405	0.105432	2.583699	0.0125

Weighted Statistics

R-squared	0.194740	Mean dependent var	0.582572
Adjusted R-squared	0.136176	S.D. dependent var	0.181626
S.E. of regression	0.074227	Sum squared resid	0.303031
F-statistic	3.325232	Durbin-Watson stat	1.094540
Prob(F-statistic)	0.016458		

Table 4.3 Common Model Estimation Result

Tabel 4.4. ***Fixed Effect*** **Estimation Result**

White cross-section standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROFIT	0.829847	0.093237	8.900379	0.0000
SIZE	0.148112	0.011358	13.03996	0.0000
BOD	0.125702	0.059935	2.097300	0.0415
LEV	-0.005593	0.005675	-0.985492	0.3295
C	-0.721463	0.076165	-9.472355	0.0000

Effects Specification

Cross-section fixed (dummy variables)

Weighted Statistics

R-squared	0.756425	Mean dependent var	0.592980
Adjusted R-squared	0.687588	S.D. dependent var	0.198600
S.E. of regression	0.050537	Sum squared resid	0.117484
F-statistic	10.98871	Durbin-Watson stat	2.175499
Prob(F-statistic)	0.000000		

Table 4.5 Random Effect Estimation Results

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROFIT	0.678890	0.201387	3.371073	0.0014
SIZE	0.001626	0.008967	0.181350	0.8568
BOD	0.081639	0.090439	0.902698	0.3706
LEV	-0.000408	0.004589	-0.088972	0.9294
C	0.408126	0.103275	3.951834	0.0002

Effects Specification

	S.D.	Rho
Cross-section random	0.056277	0.5498
Idiosyncratic random	0.050925	0.4502

Weighted Statistics

R-squared	0.146950	Mean dependent var	0.176877
Adjusted R-squared	0.084910	S.D. dependent var	0.060291
S.E. of regression	0.057675	Sum squared resid	0.182951
F-statistic	2.368630	Durbin-Watson stat	1.549099
Prob(F-statistic)	0.063728		

Source : EVIEWS 9.0

OUTPUT

The best models were chosen from the three models namely the Chow test, Hausman test and LM test

4.2.1.1. Chow Test (F-Statistical Test)

Chow Test was used to choose the model that would be used between the Common Effect estimation model or Fixed Effect estimation model by testing the following hypothesis:

1. Ho: Choose to use the *Common Effect* estimation model
2. H1: Choose to use the *Fixed Effect* estimation model

There are two alternative ways to do the test both of the ways done by looking at the p-value. First, if it is significant (less than 5%) then the model used is Fixed Effect. Second, If the p-value is not significant (more than 5%) then the model used is a common effect estimation model.

Table 4.6 The Significance test results of Fixed Effect and Common Effect (Chow Test)

Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	11.047172	(9,46)	0.0000

Source: Processed data Eviews 9.0

The value of the F test statistical distribution of calculations using Eviews 9.0 is 11.047172 with a probability of 0.0000 (smaller than 5%), so that the Ho statistic is rejected and then the H1 is accepted, according to this estimation model the right model used is the estimation model of fixed effect model.

4.2.1.2. Hausman Test

This test was used to select the model that would be used between the Fixed Effect estimation model or the Random Effect estimation model by testing the following hypothesis:

1. Ho: Choose to use the *Random Effect* estimation model
2. H1: Choose to use the *Fixed Effect* estimation model

This test can be done by looking at the p-value if the p-value is significant (less than 5%) then the fixed effect model is used, if the p-value is not significant (more than 5%) the random effect estimation model is used.

Table 4.7 Test results of the significance of fixed effect and random effect (Hausman Test)

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	19.546052	4	**0.0006**

Source: Processed data Eviews 9.0

The distribution value of Chi Square statistic test from the calculation using Eviews 9.0 is 19.546052 with a probability of 0.0006 (smaller than 5%), so that the Ho statistic is rejected and H1 statistics is accepted, according to this estimation the exact model used is the estimation model of fixed effect model.

4.2.1.3. *Langrange Multiplier* Test (LM)

According to Winarno (2015), to find out whether the Random Effect model is better than the Common Effect, it can use the langrange multiplier (LM) test developed by Bruesch-Pagan. This LM test is used between the Random Effect estimation model or the common estimation model, by testing the hypothesis as follows following:

1. Ho: Choose to use the *Random Effect* estimation model
2. H1: Choose to use the *Common Effect* estimation model

This Langrange Multiplier test can be done by looking at the p-value, if the p-value is significant (less than 5%) than the model used is the Random Effect estimation model. On the contrary if the p-value is not significant (more than 5%) then the model used is the common effect estimation model.

Table 4.8 LM Test Results

Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	15.97579	0.179894	16.15568
	(0.0001)	(0.6715)	(0.0001)

Source: Processed data Eviews 9.0

Breusch-Pagan statistical distribution value from the above calculation is 15.97579 with a probability of 0.0001 (smaller than 5%), so that H1 is statistically accepted and Ho is statistically rejected. Then the model used is the Random Effect estimation model.

And the results of the model selection test with Chow test, Hausman Test, LM Test show that Fixed Effect Model is always superior to Common or Random, so the selected model is Fixed Effect Model.

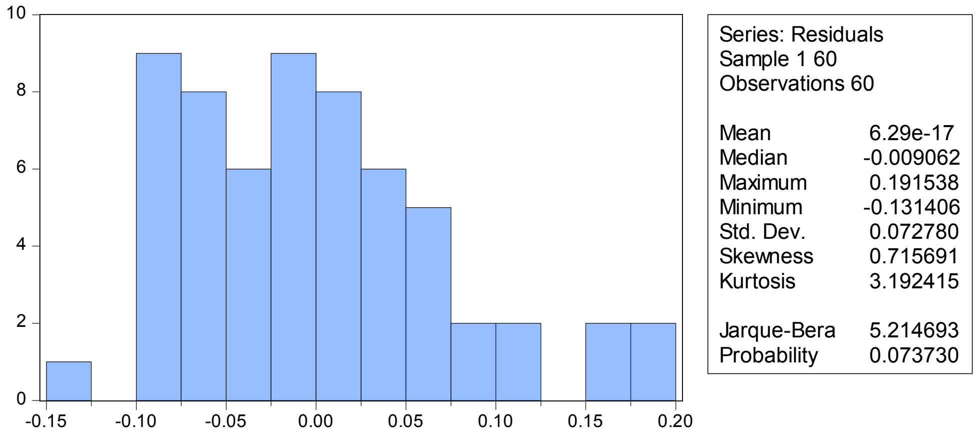
4.2.2. Classic Assumption Test

Before the Multiple Linear Regression Analysis was carried out, a classical assumption deviation test was done first. This test was conducted to test the validity of the results of multiple linear regression analysis, so that the result of the conclusions is not biased. The used test are Normality Test, Multicollinearity Test, Autocorrelation Test and Heteroscedasticity Test.

4.2.2.1. Normality Test

Normality test aims to find out the normal distribution of the data used in the research variable. In the discussion of this normality problem, the Jarque Bera Test was used using a significance level of 0.05. The Normality Test result can be shown in Table 4.8:

Table 4.9 Normality Test



Source: Processed data Eviews 9.0

Based on table 4.8. It can be seen that the Jarque Bera Test value is 5.214 and the probability is 0.0737>0.05. Thus, the research data in this research model can be stated as normal.

4.2.2.2. Multicollinearity

According to Widarjono (2010) multicollinearity test is used to determine whether or not there is a deviation from the classical assumptions of multicollinearity, namely the existence of a linear relationship between independent variables in the regression model. The prerequisite that must be met in the regression model is the absence of multicollinearity. The presence or absence of multicollinearity problems in a regression model, can be detected by looking at the value of Variance Inflation Factor where the VIF value must be below the value of 10. If the value of Variance Inflation Factor (VIF) results are in a regression greater than 10 then there can be certain multicollinearity among these independent variables, Multicollinearity test results can be shown in the following 4.9. table:

Table 4.10 Multicollinearity Test

Variable	VIF	Information
PROFIT	1.020583	There is no multicollinearity
SIZE	1.414033	There is no multicollinearity
BOD	1.030362	There is no multicollinearity
LEV	1.386948	There is no multicollinearity

Source: Secondary data processed, 2010

Based on table 4.9. above the VIF value for all independent variables consisting of profitability, firm size, board of directors and leverage has a VIF value below 10, so there is no multicollinearity symptoms in the regression model proposed in the study.

4.2.2.3 Autocorrelation

Autocorrelation is a single observation disorder variable with other observations. To find out the existence of an autocorrelation element, it needs to be tested using the Breusch-Godfrey Serial LM Test was conducted. If the probability value is>0.05, the regression model does not contain autocorrelation symptoms. Autocorrelation test results are shown in table 4.10.

Table 4.11 Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	2.026527	Prob. F(6,49)	0.0798
Obs*R-squared	11.92871	Prob. Chi-Square(6)	0.0636

Source: Processed data Eviews 9.0

It can be seen from the table 4.10, the test obtained the value of Chi Square (Obs * R-squared) of 11.92871 and the probability of 0.0636>0.05, then there is no autocorrelation symptom in the regression model.

4.2.2.4.Heteroscedasticity

According to Wijoyo (2011), heteroscedasticity test is used to determine whether or not there is a deviation from the classical assumption of heteroscedasticity, namely the existence of variable inequality from residuals for all observations of the regression model. To find out whether there is an element of heteroscedasticities or not, it needs the white test of eviews program is conducted to determine if the chi-square value counts X2 <X2-table, then there is an element of heteroscedasticity or by looking at the chi-square probability if it is significant at α = 5% there are elements of heteroscedasticity and vice versa.

Table 4.12 Heteroscedasticity Test

Heteroskedasticity Test: White

F-statistic	0.988918	Prob. F(14,45)	0.4798
Obs*R-squared	14.11664	Prob. Chi-Square(14)	0.4411
Scaled explained SS	13.00310	Prob. Chi-Square(14)	0.5263

Source: Processed data Eviews 9.0

Table 4.11. shows that the chi-squares-calculated value is 14.11664 the level of sensitivity α = 5%, the probability of chi-squares is 0.4411 which shows significant at p> α = 0/05, It can be concluded that the model does not contain symptoms of heteroscedasticity.

4.2.3. Regression Estimation Results with Fixed Effect Model

Regression estimation is a technique for estimating panel data using dummy variables to capture the difference between intercepts. In addition, this model also assumes that the regression coefficient (slope) remains between variables and between times. The following data estimate from Fixed Effect.

Table 4.13 Selected Model Estimation Results (Fixed Effect Model)

White cross-section standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROFIT	0.829847	0.093237	8.900379	0.0000
SIZE	0.148112	0.011358	13.03996	0.0000
BOD	0.125702	0.059935	2.097300	0.0415
LEV	-0.005593	0.005675	-0.985492	0.3295
C	-0.721463	0.076165	-9.472355	0.0000
		Effects Specification		
Cross-section fixed (dummy variables)				
		Weighted Statistics		
R-squared	0.756425	Mean dependent var		0.592980
Adjusted R-squared	0.687588	S.D. dependent var		0.198600
S.E. of regression	0.050537	Sum squared resid		0.117484
F-statistic	10.98871	Durbin-Watson stat		2.175499
Prob(F-statistic)	0.000000			

essed data Eviews 9.0

By observing the regression model and multiple linear regression results, it is obtained the equation of the factors that influence the level of social responsibility disclosure in Islamic banking companies in Indonesia as follows:

CSRDIS = -0,721+ 0,829 PROFIT + 0,148 SIZE 0,125 BOD – 0,005 LEV

Based on various parameters in the regression equation regarding the factors that influence the level of disclosure of social responsibility, the following interpretations can be given:

4.2.3.1 Constant (coefficient a)

A constant value of -0.721 means that if the independent variable consisting of profitability, firm size, board of directors and leverage is zero then the level of social responsibility disclosure is projected to decrease by 0.721.

4.2.3.2.Profitability Coefficient

Profitability reputation has a positive relationship with the level of social responsibility disclosure, with a regression coefficient of 0.829 which means that the higher the company profitability the greater the disclosure of social responsibility.

4.2.3.3.Firm Size Coefficient

The size of the company has a positive influence on the level of disclosure of social responsibility, with a regression coefficient of 0.418 which means that a large company will provide a greater level of social responsibility disclosure.

4.2.3.4.Coefficient of the Board of Directors

The board of directors has a positive influence in the level of disclosure of social responsibility, with a regression coefficient of 0.125 which means that the more meetings held by the board of director, the greater the disclosure of the social responsibility.

4.2.3.5.Leverage Coefficient

Firm leverage has a negative influence on the level of social responsibility disclosure, with a regression coefficient of -0.005 which means that if the leverage in the company is higher, the level of disclosure of social responsibility will be lower.

4.2.4. Hypothesis testing

4.2.4.1.T test

The t test was used to examine the effect of partially independent variables on the dependent variable. The test results on the company's profitability obtained t count of 8.900 and sig of 0.000 < 0.05. Thus, Ho is rejected or Ha1 is accepted which means that the profitability of the company has a positive and significant effect on the level of disclosure of social responsibility. Thus, the first hypothesis states "***Profitability has a positive influence on Corporate Social Responsibility Disclosure in Sharia Banking***" **is supported by the data.**

The test results on company size obtained t count of 13.193 and sig of 0.000 <0.05. Thus, Ho is rejected or Ha2 is accepted which means that the size of the company has a positive and significant effect on the level of disclosure of social responsibility. Thus, the second hypothesis which states "***Company size positively influence Disclosure of Corporate Social Responsibility in Sharia Banking***" **is supported by the data.**

The test results on the board of directors obtained t count of 2.097 and sig 0.041 <0.05. Thus, Ho is rejected or Ha3 is accepted which means the board of directors has a positive and significant influence on the level of disclosure of social responsibility. Thus, the third hypothesis which states "***Board of Director has a positive influence on Corporate Responsibility Disclosure in Sharia Banking***" **is supported by the data**

The test result on leverage obtained by t count of -0.985 and sig of 0.329>0.05. Thus, Ho is accepted or Ha4 is rejected which means that the leverage does not have a negative and significant effect on the level of disclosure of social responsibility. Thus, the fourth hypothesis states "***Leverage has a negative influence on Corporate Responsibility Disclosure in Sharia Banking*" is supported by the data.**

4.2.4.2.Determination Coefficient

To show the percentage of the level of social responsibility disclosure that can be explained by the four independent variables it can be seen from adjusted R Square value. From the table 4.12. it can be seen that the coefficient of determination (adjusted R2) is 0.687, meaning that only 68.7% of the level of disclosure of social responsibility in Islamic banking in Indonesia can be explained by the four independent variables studied, namely profitability, firm size, board of directors and leverage, while the remaining 31.3% is influenced by other variables which are not included in this research model.

4.3 Discussion of Research Results

4.3.1. The Influence of profitability level on the level of disclosure of social responsibility

The test results on profitability variables have a significant positive effect on the level of corporate social responsibility disclosure. This means that the higher the profitability generated by Islamic banking, the broader it will be in expressing its social responsibility.

Profitability is a ratio that measures a company's ability to generate profits at the level of sales, assets and capital. Fitriany (2001) proves that the variable profitability has a positive relationship with the completeness of disclosure. Therefore, the higher the profitability of a company, the higher the completeness index of disclosure. The results of this study support a research conducted by Harto and Widayuni (2014) and Sembiring (2005) who found a positive relationship between profitability and the level of CSR disclosure in Islamic banking. The results are also in line with the opinions expressed by Bowman, Haire, Preston, Hackston and Milne (1996). According to Suyono (2011) who conducted research on the influence on the Sustainability Report (SR) states that companies with good financial performance capabilities will have high confidence to inform their stakeholders because the company is able to show them that the company can meet their expectations, especially investors and creditors, so that it will be increasingly widespread in disclosing its CSR.

4.3.2. The Influence of company size on the level of disclosure of social responsibility

The test results on the firm size variables proved to have a significant effect on the level of corporate social responsibility disclosure. This means that the greater the size of the company, the greater the level of social responsibility disclosure in Islamic banking in Indonesia.

This is because in general the large companies need to disclose more information than small companies. In addition, the size of the company serves as a measure of growth or development of the company and this growth always results in an increase need for investment from outside the company and as some consequences of this, the need for more complete information about the company will increase as well. Larges companies are entities that are widely highlighted by the market and the public in general. Revealing too much about his identify to external parties can jeopardize his position in competition, so that small companies tend not to make disclosures. These results are consistent with the result with the results of Sembiring (2005) study which shows that firm size has a positive influence on the disclosure of social responsibility. The result also supports Trisnawati (2014) who said that the size of the company has a positive and significant influence on the disclosure of corporate social responsibility. That the more the number of assets owned by the company, the broader the disclosure of corporate social responsibility, According to Anggraini (2006), she explained that large companies tend to provide information on current income lower than small companies, so large companies tend to incur costs for disclosure of social information greater than small companies.

4.3.3. The influence of the Board of Directors on the level of disclosure of social responsibility

The test results on the board of director's variables have a positive and significant effect on the level of corporate social responsibility disclosure. This means that the greater the board of directors, the greater the level of social responsibility disclosure in Islamic banking in Indonesia.

The meeting conducted by the board of directors is one form of activity carried out by the board of directors. It discussed about the strategies that will be done by the company, as well as the evaluation of performance, and identify the problems experienced by the company. Therefore, due to the disclosure of the environment, the more often the board of directors conducts internal meetings, the more visible problems can be identified, one of them is if the directors do not disclose the environment. This means that there is little opportunity for management to take deviant actions, especially disclosures that have been carried out by the company. The results of the study support Suyono (2011) research which explains that through a number of meetings, audit committees are increasingly able to encourage management to practice disclosure of sustainability reports as a medium of corporate communication with stakeholders to gain legitimacy through the implementation of good corporate governance.

4.3.4. The Influence of leverage level on the level of disclosure of social responsibility

The test results on the Leverage variable partially have no significant negative effect on the level of corporate social responsibility disclosure. This means that big or small of leverage will not be able to reduce or increase the level of social disclosure.

The result supports the research of Sembiring (2005), and Anggraini (2006) who found that leverage has no influence on CSR. This is likely due to no point in CSR disclosures related to debt or inability to pay debts. In addition, the use of corporate debts in order to increase production and sales capacity, given the company's capital structure will increase if the company adds debts. Therefore, there is no reason that companies that bear large debts will reveal less CSR. In Indonesia, a high degree of dependence on the company for debt also occurs. This is reflected in the data in the annex which show that 80% (8 companies) of the sample have more than one debt to equity ratio. It can be interpreted that 80% of Islamic banking companies in Indonesia have debt that is greater that their own capital. Even the average value of 5.28 (table 4.2) shows that the proportion of debt with capital is more than 5 times. Without a good relationship with debtholders, based on agency theory, this will negatively affect the disclosure of social responsibility.

CHAPTER V
CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

1. The level of profitability has a positive effect on the level of disclosure of social responsibility in Islamic banking companies in Indonesia. This result can be interpreted that the greater the profitability of the company will be able to influence managers in expanding in expanding their social responsibility.
2. Firm size has a positive and significant influence on the level of social responsibility disclosure in Islamic banking companies in Indonesia. This means that the larger the size of the company, the wider the disclosure of social responsibility.
3. The size of the board of directors has a positive effect on the level of disclosure of social responsibility in Islamic banking companies in Indonesia. These results can be interpreted that the larger the board size of the board, the wider the disclosure of social responsibility.
4. Leverage level does not have a negative and significant effect on the level of social responsibility disclosure in Islamic banking companies in Indonesia. These results mean that the size of the disclosure of social responsibility in the annual financial statements.

5.2 Research Limitation

In conducting this research, there are several limitations which can partially influence the result of this study. The limitations are as follows:

1. Subjectivity in the measurement of corporate social responsibility disclosure cannot be avoided so that there is a possibility of bias in measuring CSR
2. The sample in this study only uses 10 Islamic banking companies in Indonesia so that the level of corporate social responsibility disclosure studied has not described the true condition of corporate social responsibility in companies in Indonesia.

5.3 Recommendations

By taking into several limitations embedded in this research, therefore, some recommendations are expectedly to be fulfilled by future studies to give continuous improvement for the result. The recommendations are as follows:

1. Investors who will invest in Islamic banking companies in Indonesia should pay attention to profitability, company size and board size, because it is proven that these three variables will affect the issuer in disclosing their social responsibility. Consideration used are companies that have a large profitability, company size and size of board of directors, because the characteristics of companies like this will tend to express greater CSR.
2. The next researcher, can develop a research model using samples in other industries such as manufacturing companies, service companies and other

industries and add and other variables such as the proportion of commissioners, audit committees, ownership structures.

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APPENDICES

APPENDIX 1

List of Company Samples

No.	CODE	COMPANIES	TYPE OF INDUSTRY
1	ALBB	Albaraka Bank	Bank
2	ALSB	Alliance Islamic Bank	Bank
3	AMGB	Ambank Group Bank	Bank
4	ATFB	Albaraka Turkish Finance Bank	Bank
5	BBNI	Bank BNI Syariah	Bank
6	BMLT	Bank Muamalat	Bank
7	EGYB	Egyptian Gulf Bank	Bank
8	KTKB	Kuveyt turk Katilim Bank	Bank
9	MARB	Masrf Al Ryan Bank	Bank
10	QISB	Qatar Islamic Bank	Bank

APPENDIX 2

	CSRDIS	PROFIT	SIZE	BOD	LEV
Mean	0.510417	0.031912	7.606116	0.862533	5.288612
Median	0.500000	0.016900	6.809454	0.870000	2.864336
Maximum	0.687500	0.179000	10.68510	0.990000	13.41079
Minimum	0.343750	0.000900	2.970116	0.600000	0.032265
Std. Dev.	0.077549	0.040267	2.417158	0.082388	4.408602
Skewness	0.277873	2.160183	-0.185132	-0.755465	0.419003
Kurtosis	2.617860	6.855050	1.947154	3.661510	1.515360
Jarque-Bera	1.137213	83.81741	3.113952	6.801260	7.266030
Probability	0.566314	0.000000	0.210772	0.033352	0.026436
Sum	30.62500	1.914700	456.3670	51.75200	317.3167
Sum Sq. Dev.	0.354818	0.095666	344.7165	0.400483	1146.710

Observations	60	60	60	60	60

APPENDIX 3

Common Effect

Dependent Variable: CSRDIS
Method: Panel EGLS (Cross-section weights)
Date: 08/03/18 Time: 14:57
Sample: 2011 2016
Periods included: 6
Cross-sections included: 10
Total panel (balanced) observations: 60
Linear estimation after one-step weighting matrix

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROFIT	0.571096	0.209407	2.727203	0.0086
SIZE	-0.000737	0.003974	-0.185568	0.8535
BOD	0.253444	0.107237	2.363406	0.0217
LEV	-0.000201	0.001945	-0.103098	0.9183
C	0.272405	0.105432	2.583699	0.0125

Weighted Statistics

R-squared	0.194740	Mean dependent var	0.582572
Adjusted R-squared	0.136176	S.D. dependent var	0.181626
S.E. of regression	0.074227	Sum squared resid	0.303031
F-statistic	3.325232	Durbin-Watson stat	1.094540
Prob(F-statistic)	0.016458		

Unweighted Statistics

R-squared	0.092276	Mean dependent var	0.510417
Sum squared resid	0.322077	Durbin-Watson stat	0.913882

APPENDIX 4

Fixed Effect

Dependent Variable: CSRDIS
Method: Panel EGLS (Cross-section weights)
Date: 08/03/18 Time: 14:57
Sample: 2011 2016
Periods included: 6
Cross-sections included: 10
Total panel (balanced) observations: 60
Linear estimation after one-step weighting matrix
White cross-section standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROFIT	0.829847	0.093237	8.900379	0.0000
SIZE	0.148112	0.011358	13.03996	0.0000
BOD	0.125702	0.059935	2.097300	0.0415
LEV	-0.005593	0.005675	-0.985492	0.3295
C	-0.721463	0.076165	-9.472355	0.0000

Effects Specification

Cross-section fixed (dummy variables)

Weighted Statistics

R-squared	0.756425	Mean dependent var	0.592980
Adjusted R-squared	0.687588	S.D. dependent var	0.198600
S.E. of regression	0.050537	Sum squared resid	0.117484
F-statistic	10.98871	Durbin-Watson stat	2.175499
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.659196	Mean dependent var	0.510417
Sum squared resid	0.120923	Durbin-Watson stat	1.924755

APPENDIX 5

Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	11.047172	(9,46)	0.0000

Cross-section fixed effects test equation:
Dependent Variable: CSRDIS
Method: Panel EGLS (Cross-section weights)
Date: 08/03/18 Time: 14:57
Sample: 2011 2016
Periods included: 6
Cross-sections included: 10
Total panel (balanced) observations: 60
Use pre-specified GLS weights
White cross-section standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROFIT	0.646245	0.159369	4.055026	0.0002
SIZE	0.001311	0.005741	0.228298	0.8203
BOD	0.329671	0.126075	2.614876	0.0115
LEV	0.001562	0.001662	0.939642	0.3515
C	0.172177	0.134984	1.275536	0.2075

Weighted Statistics

R-squared	0.229960	Mean dependent var	0.592980
Adjusted R-squared	0.173957	S.D. dependent var	0.198600
S.E. of regression	0.082177	Sum squared resid	0.371414
F-statistic	4.106209	Durbin-Watson stat	1.062570
Prob(F-statistic)	0.005544		

Unweighted Statistics

R-squared	0.001170	Mean dependent var	0.510417
Sum squared resid	0.354403	Durbin-Watson stat	0.877694

APPENDIX 6

Random Effect

Dependent Variable: CSRDIS
Method: Panel EGLS (Cross-section random effects)
Date: 08/03/18 Time: 14:58
Sample: 2011 2016
Periods included: 6
Cross-sections included: 10
Total panel (balanced) observations: 60
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROFIT	0.678890	0.201387	3.371073	0.0014
SIZE	0.001626	0.008967	0.181350	0.8568
BOD	0.081639	0.090439	0.902698	0.3706
LEV	-0.000408	0.004589	-0.088972	0.9294
C	0.408126	0.103275	3.951834	0.0002

Effects Specification

	S.D.	Rho
Cross-section random	0.056277	0.5498
Idiosyncratic random	0.050925	0.4502

Weighted Statistics

R-squared	0.146950	Mean dependent var	0.176877
Adjusted R-squared	0.084910	S.D. dependent var	0.060291
S.E. of regression	0.057675	Sum squared resid	0.182951
F-statistic	2.368630	Durbin-Watson stat	1.549099
Prob(F-statistic)	0.063728		

Unweighted Statistics

R-squared	0.053091	Mean dependent var	0.510417
Sum squared resid	0.335980	Durbin-Watson stat	0.843529

APPENDIX 7

Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	19.546052	4	**0.0006**

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
PROFIT	0.838844	0.678890	0.003731	0.0088
SIZE	0.149927	0.001626	0.001399	0.0001
BOD	0.052875	0.081639	0.000396	0.1485
LEV	-0.005250	-0.000408	0.000081	0.5907

Cross-section random effects test equation:
Dependent Variable: CSRDIS
Method: Panel Least Squares
Date: 08/03/18 Time: 14:58
Sample: 2011 2016
Periods included: 6
Cross-sections included: 10
Total panel (balanced) observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.674552	0.287560	-2.345778	0.0234
PROFIT	0.838844	0.210447	3.986012	0.0002
SIZE	0.149927	0.038459	3.898376	0.0003
BOD	0.052875	0.092604	0.570983	0.5708
LEV	-0.005250	0.010104	-0.519594	0.6058

Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.663787	Mean dependent var	0.510417
Adjusted R-squared	0.568770	S.D. dependent var	0.077549
S.E. of regression	0.050925	Akaike info criterion	-2.915962
Sum squared resid	0.119294	Schwarz criterion	-2.427282
Log likelihood	101.4789	Hannan-Quinn criter.	-2.724813
F-statistic	6.986002	Durbin-Watson stat	1.959418
Prob(F-statistic)	0.000000		

APPENDIX 8

LM Test

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided
(all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	15.97579	0.179894	16.15568
	(0.0001)	(0.6715)	(0.0001)
Honda	3.996972	0.424140	3.126198
	(0.0000)	(0.3357)	(0.0009)
King-Wu	3.996972	0.424140	2.728716
	(0.0000)	(0.3357)	(0.0032)
Standardized Honda	5.529425	0.666598	0.892177
	(0.0000)	(0.2525)	(0.1861)
Standardized King-Wu	5.529425	0.666598	0.460846
	(0.0000)	(0.2525)	(0.3225)
Gourierioux, et al.*	--	--	16.15568
			(< 0.01)

*Mixed chi-square asymptotic critical values:

1%	7.289
5%	4.321
10%	2.952

APPENDIX 9

Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	2.026527	Prob. F(6,49)	0.0798
Obs*R-squared	11.92871	Prob. Chi-Square(6)	0.0636

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 08/03/18 Time: 15:07
Sample: 1 60
Included observations: 60
Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROFIT	-0.012194	0.238067	-0.051220	0.9594
SIZE	0.001765	0.005374	0.328437	0.7440
BOD	-0.026814	0.138921	-0.193014	0.8477
LEV	-0.000842	0.002784	-0.302296	0.7637
C	0.013864	0.133991	0.103466	0.9180
RESID(-1)	0.362954	0.145496	2.494601	0.0160
RESID(-2)	0.122926	0.149389	0.822860	0.4146
RESID(-3)	0.010771	0.153074	0.070364	0.9442
RESID(-4)	0.041091	0.157024	0.261685	0.7947
RESID(-5)	-0.218156	0.154815	-1.409137	0.1651
RESID(-6)	0.157794	0.175424	0.899497	0.3728

R-squared	0.198812	Mean dependent var	6.29E-17
Adjusted R-squared	0.035304	S.D. dependent var	0.072780
S.E. of regression	0.071484	Akaike info criterion	-2.274557
Sum squared resid	0.250385	Schwarz criterion	-1.890594
Log likelihood	79.23671	Hannan-Quinn criter.	-2.124368
F-statistic	1.215916	Durbin-Watson stat	1.953773
Prob(F-statistic)	0.304596		

APPENDIX 10

Heteroscedasticity Test

Heteroskedasticity Test: White

F-statistic	0.988918	Prob. F(14,45)	0.4798
Obs*R-squared	14.11664	Prob. Chi-Square(14)	0.4411
Scaled explained SS	13.00310	Prob. Chi-Square(14)	0.5263

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 08/03/18 Time: 15:07
Sample: 1 60
Included observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.039832	0.084100	0.473627	0.6381
PROFIT^2	0.955967	0.619996	1.541891	0.1301
PROFIT*SIZE	-0.015145	0.042608	-0.355437	0.7239
PROFIT*BOD	0.850978	0.708261	1.201505	0.2358
PROFIT*LEV	0.016616	0.022624	0.734418	0.4665
PROFIT	-0.864563	0.538052	-1.606839	0.1151
SIZE^2	-0.000245	0.000264	-0.929182	0.3578
SIZE*BOD	-0.000707	0.006023	-0.117429	0.9070
SIZE*LEV	0.000276	0.000171	1.616998	0.1129
SIZE	0.002836	0.006293	0.450681	0.6544
BOD^2	-0.026889	0.132767	-0.202524	0.8404
BOD*LEV	0.005854	0.004467	1.310606	0.1966
BOD	-0.014017	0.210862	-0.066474	0.9473
LEV^2	-5.43E-05	0.000134	-0.404211	0.6880
LEV	-0.007052	0.004414	-1.597752	0.1171

R-squared	0.235277	Mean dependent var	0.005209
Adjusted R-squared	-0.002636	S.D. dependent var	0.007777
S.E. of regression	0.007788	Akaike info criterion	-6.660244
Sum squared resid	0.002729	Schwarz criterion	-6.136658
Log likelihood	214.8073	Hannan-Quinn criter.	-6.455440
F-statistic	0.988918	Durbin-Watson stat	1.708786
Prob(F-statistic)	0.479752		