



Socio-Economic Disclosure in Islamic Banking Case Study in Indonesia

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Abstract: Islamic Banking must give benefit for their stakeholders. Benefit reflects the performance of Islamic Banking which can be seen through their annual reports. One of important information which reflects the performance of Islamic Banking is socio-economic disclosure. This report gives information about the performance of Islamic Banking which covers social and economic aspects which show the social economic responsibility of Islamic Banking. Socio-economic disclosure indicators have been taken from Corporate Social Performance which are the indicators consist of four parts, namely community involvement; human resources; natural resources and contribution to the environment; contribution to the product or service. This paper uses qualitative method. This research identifies the socio-economic disclosure from annual report of Islamic Banking in Indonesia, majoring Bank Syariah Mandiri and Bank Muamalat Indonesia. The result of this paper shows that Bank Syariah Mandiri and Bank Muamalat Indonesia conduct social economic responsibility through socio-economic disclosure from annual report of both of the Islamic Banks in 2009.

Keywords: *Socio-economic disclosure, Islamic Banking*

Introduction

Based on the accounting concept of full disclosure, it is the responsibility of management to fully describe the entity's financial performance to investors. Socio-economic disclosure is important, especially for the more diverse stakeholders and value-laden culture of religious-based entities (Baydoun and Willet, 2000, in Harahap and Basri, 2004). This exposure helps the public or interested parties to understand the social performance and corporate social accountability. For Islamic banks, this type of exposure is more important than in conventional banks due to meet the needs of Shariah compliant of Islamic bank in accordance with Islamic law.

Therefore, this paper will analyze, measure, and examine the financial statements of Islamic banks in Indonesia to determine whether Islamic banks are already implementing social and economic responsibility in the form of socio-economic disclosure statement (Socio-economic disclosure) well. This paper discusses the socio-economic disclosure through disclosure of annual reports from Islamic banks in Indonesia. This research is expected to give contribution to the development of Islamic banking in Indonesia.

Based on the above explanation, the formulation of the problem in this research: how the implementation of socio economic responsibility disclosure (socio-economic disclosure) in Islamic Banking in Indonesia?

Literature Review

Corporate Social Responsibility

Business is run for profit (Steiner and Steiner, 2005) in (Alafi and Al sufy, 2012) - the profit objective; but CSR is also a liability or ethical responsibility towards society - the socio-economic view. In his seminal work defined CSR based on the fit between business ethics and societal expectations; this began a heated debate on CSR among researchers from different schools of thought that has continued till now. Carroll (1979) in (Alafi and Al sufy, 2012) integrated economic, legal, ethical and discretionary aspects of CSR. *However, in 1983, Carroll explained the discretionary activities as either voluntary or philanthropic (Maignan, 2001) in (Alafi and Al sufy, 2012).* In 1990's the concept of CSR was examined by using stakeholder and business ethics theories (Alafi and Al sufy, 2012).

In 1990's the concept of CSR was perceived using stakeholder and business ethics theories rather than profit alone. In the decade 2001-2010 the concept is predominantly Friedman's (1989) profit motive given the proportion of papers featuring that aspect, but more (non- American) researchers are moving towards a social justice morality as an ethical imperative, with more expectations on voluntary policies. early points out that this view is no longer appropriate as a means for global organisations to succeed in this day and age: they need to clearly and transparently demonstrate a commitment to social responsibility in order to succeed. This further develops discretionary aspects by placing increasing emphasis on voluntary aspects for ethical or social justice reasons rather than philanthropy (Alafi and Al sufy, 2012).

If managers develop a process driven cognitive map, given the guide of these inquiry streams to make sense of their relationships with stakeholders and their world, this could allow better inferences from organizations to outcomes and give a new perspective to their world view. from USA joins Dobers and Halme (2009) in (Alafi and Al sufy, 2012) in the ethical exploration to widen the CSR concept and reaches beyond voluntarism and CSR where voluntarism signifies "voluntary business behaviour" (Commission of the European Communities 2006: 2). Arguing that CSR is a normative concept concerning how organizations ought to act – ethical behaviour is dependent on the moral community in which we are embedded whether Christian, Buddhist, Muslim etc (Alafi and Al sufy, 2012).

CSR may be philanthropic or left to moral discretion but by adding human rights and environmentalism to the mix in this shrinking global environment, multicultural companies are encased in different value systems and contexts for business. Perhaps human rights, which surpass moral and cultural differences and promise justice, and are perceived by the European Union as a political issue, might clarify and reconceptualise the human rights obligations of business and reintegrate the concept of CSR as a global solution inviting businesses to be proactive. This is the message of the normative and idealistic European stream of thinking, in addition to Alafi (2010) It lifts CSR to a higher ethical plane while keeping its voluntary nature. Despite the continuing content-based more practical studies from USA, by looking through the prism of process-based division of studies over the past 10 years, a difference in thinking and a wider, more inclusive global interpretation of CSR may be perceived, further developed and utilised by managers (Alafi and Al sufy, 2012).

Corporate social responsibility (CSR) promotes a vision of business accountability to a wide range of stakeholders, besides shareholders and investors. Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general, both now and in the future. The concept of CSR is underpinned by the idea that corporations can no longer act as isolated economic entities operating in detachment from broader society. Traditional views about competitiveness, survival and profitability are being swept away. Some of the drivers pushing business towards CSR include (www.iisd.org):

- a) The shrinking role of government
In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.
- b) Demands for greater disclosure
There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.
- c) Increased customer interest
There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.
- d) Growing investor pressure
Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than \$2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. A separate survey by Environics International revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks. (More on socially responsible investment can be found in the 'Banking and investment' section of the site.)
- e) Competitive labour markets
Employees are increasingly looking beyond paychecks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.
- f) Supplier relations
As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

Some of the positive outcomes that can arise when businesses adopt a policy of social responsibility include (www.iisd.org):

- a) Company benefits:
 1. Improved financial performance;
 2. Lower operating costs;
 3. Enhanced brand image and reputation;
 4. Increased sales and customer loyalty;
 5. Greater productivity and quality;
 6. More ability to attract and retain employees;
 7. Reduced regulatory oversight;
 8. Access to capital;
 9. Workforce diversity;
 10. Product safety and decreased liability.
- b) Benefits to the community and the general public:
 1. Charitable contributions;
 2. Employee volunteer programmes;

3. Corporate involvement in community education, employment and homelessness programmes;
 4. Product safety and quality.
- c) Environmental benefits:
1. Greater material recyclability;
 2. Better product durability and functionality;
 3. Greater use of renewable resources;
 4. Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labelling.

Nevertheless, many companies continue to overlook CSR in the supply chain - for example by importing and retailing timber that has been illegally harvested. While governments can impose embargos and penalties on offending companies, the organizations themselves can make a commitment to sustainability by being more discerning in their choice of suppliers. The concept of corporate social responsibility is now firmly rooted on the global business agenda. But in order to move from theory to concrete action, many obstacles need to be overcome. A key challenge facing business is the need for more reliable indicators of progress in the field of CSR, along with the dissemination of CSR strategies. Transparency and dialogue can help to make a business appear more trustworthy, and push up the standards of other organizations at the same time (www.iisd.org).

CSR movement has gathered great momentum over the past number of years and is now regarded as being at this most prevalent. CSR is presently one of the most discussed topics by government, by non-government and by business itself (Masud, 2011). Alam S.M.S, et. al (2010) in Masud (2011) in a paper entitled “Corporate Social Responsibility of Multi National Corporations in Bangladesh: A Case study on Grameenphone” pointed out that CSR is still an evolving concept that enables corporate executives to create and apply self determined policies to best meet the needs and demands of its stakeholders. The peculiar nature of CSR practices makes their cross-border management difficult. Achieving consistent CSR practices across global operations involves not only the transfer of the CSR practice, but also the transfer of its underlying value and meaning (Masud, 2011)

Azim et al. (2011) in Masud (2011) in a study named “Corporate Social Disclosure in Bangladesh: A Study of the Financial Sector”, Corporate social responsibility is not the only ethical dilemma that financial institutions face in an atmosphere of corrupt corporate practice. These institutions are also concerned with commitment for sustainable development. A well-functioning finance sector in any country can contribute directly to a healthy economy. This sector plays an important role in a country’s economic development.

Corporate Social Responsibility (CSR) is the responsibilities of an organization to proactively promote the public interest by encouraging community growth and voluntarily eliminating practices that harm the public interests. It is the deliberate inclusion of public interest into corporate decision-making. Broadly, CSR activities of an organization should embrace to honoring the three P’s-People, Planet and Profit. CSR policy would function as a self-regulating mechanism, where business would ensure the adherence to laws & ethical norms (Masud, 2011).

Corporate social responsibility (CSR) has become an integral part of business practice over the last decade or so. In fact, many corporations dedicate a section of their annual reports and corporate websites to CSR activities, illustrating the importance they attach to such activities. There is a substantial theoretical literature suggesting that CSR activities can enhance profitability and, hence, the value of the firm (Servaes and Tamayo, 2012). Berman, Wicks, Kotha, and Jones (1999) in Servaes and Tamayo (2012) provide an excellent overview of the various elements of CSR and the ways in which these activities can increase firm value. The

concern, of course, is that CSR activities are costly and that the costs do not (always) outweigh the benefits (Servaes and Tamayo, 2012).

Servaes and Tamayo (2012) at their paper conclude four points. First, CSR activities can enhance firm value for firms with high public awareness, as proxied by advertising intensity. However, firms with high public awareness are also penalized more when there are CSR concerns. Second, for firms with low public awareness, the impact of CSR activities on firm value is either insignificant or negative. Third, advertising has a negative impact on the CSR-value relation if there is an inconsistency between the firm's CSR efforts and the company's overall reputation. Fourth, after including firm fixed effects there is no *direct* relation between CSR and firm value.

CSR movement has gathered great momentum over the past number of years and is now regarded as being at this most prevalent. CSR is presently one of the most discussed topics by government, by non-government and by business itself. This is true that banks are paying more to their CSR activities but not so much as their earning increases (Masud, 2011).

Social Economic Responsibility Disclosure (Socio-economic disclosure) In the Financial Statements

Socio-economic disclosure became an accounting issue because of a shift in public demand on corporate social responsibility (Matthews, 2004 forthcoming in Harahap and Basri, 2004). Belkaoui (1984 in Harahap and Basri, 2004), explains that the Socio Economic Accounting (SEA) to be the trend for the shift towards the improvement of the people's commitment to social welfare. This shift, the company not only defines as profit-motivated organizations and maximizing shareholder wealth, as defined classical economic theory (like Friedman) (1962 in Harahap and Basri, 2004) but also in terms of maximizing social welfare. Public has a new environmental paradigm and the new needs of the ecosystem in harmony. Desirable economic growth, but growth should not damage the environment. Belkaoui (1984 in Harahap and Basri, 2004) defines SEA as accounting applications in the social sciences, which refers to the ordering, measurement, and disclosure of the social and economic consequences of the government and entrepreneurial behavior. This includes activities at macro and micro levels. He argues, in the macro level, the public demand on achieving the highest level of social welfare called "socially efficient level of output" and at the micro level, people need the most equitable distribution of the output of all members of society. A social criterion which is used for the allocation of resources is the achievement of efficiency and fairness, not only on economic efficiency for the individual (Belkaoui, 1984 in Harahap and Basri, 2004).

The type of socio-economic disclosure items is taken from Corporate Social Performance adaptation of Management Accounting (February 1974:41 in Harahap and Basri, 2004). Corporate social performance indicators consist of four parts, namely the involvement of the community (community involvement) there are 9 items; human resources (human resources) there are 9 items; contribution to the product or service (product or service contribution) there are 6 items; natural resources and contribution to the environment (physical resources and environmental contributions) there are 8 items (Belkaoui, 1984 in Harahap and Basri, 2004) as follows:

a) *Community involvement*

1. General philanthropy, corporate support to educational institutions, cultural activities, recreational programs, community health and welfare agencies
2. Public and private transport
3. Health services
4. Housing
5. Assistance in personal and business problems (eg the handicapped, child care, people who are not lucky)
6. Planning and community improvement

7. Voluntary activity
8. Special feeding programs
9. Education
- b) *Human resources***
 1. Training of workers
 2. Training programs
 3. Promotion policy
 4. Continued employment
 5. Salaries, wages (Remuneration)
 6. Working conditions
 7. Combating drugs and alcohol
 8. Enrichment work (Job Enrichment)
 9. Communication
- c) *Natural resources and environmental contributions***
 1. Air
 2. Water
 3. Sound
 4. Solid waste
 5. Use of resources which scarce or limited
 6. Aesthetics
- d) *Product or service contribution***
 1. Completeness and clarity of labeling, packaging and marketing representation
 2. Warranty (Warranty provisions)
 3. Responsible for consumer complaints
 4. Education for consumers
 5. Quality of products
 6. Security of products
 7. The content and frequency of advertising
 8. Constructive research

Implementation Corporate Social Responsibility in Islamic Banking

Islamic Bank's social responsibility has a different concept than the concept of social responsibility in conventional banks. Social responsibility in conventional banks is known as Corporate Social Responsibility (CSR). While the Islamic bank's social responsibility even still use the term Corporate Social Responsibility but it have a different substance to the concept of CSR in conventional banks. The concept of social responsibility in the Islamic bank is implemented in the form of distribution of zakat, or charity donation like infak and sedekah.

In Islam we know the concept of zakat, infak, sedekah, wakaf and others (ZISWA). Zakat is an obligation to issue a portion of income or assets from a person who has met the requirements of Islamic law in order to share the elements supplied to the people that have been laid down in Islamic law. While infak, sedekah, wakaf are 'voluntary' spending which are also highly recommended in Islam (Nasution, et al, 2007: 205).

Each property has been removed its zakat will be holy, clean, good, blessing, grow and develop (Surat At-Tawbah: 103 and Surah Ar-Rum: 39). Therefore, payment of zakat should not solely at the instigation of his property due to the excessive obligations or view it as a burden but rather because of the need to serve Allah SWT. Besides that zakat in position Sunnah (infaq and sadaqah) does not have to wait until his property until nisab, but rather a continuous or continuous process because God purchased lives and property of the believers (Hasan, 2009: 313-314).

Rasulullah SAW said: "Islam is enforced on five pillars: (1) bear witness that there is no God but Allah, and Muhammad is the Messenger of Allah, (2) pray five times, (3) pay the Zakat, (4) fasting during Ramadan, (5) Hajj pilgrimage (for those who are able) (Narrated by Muslim). Prophet further explained that: "A person who saves his money, do not spend zakat, will burn in Hell, then fire him made iron to her ..." (Narrated by Ahmad and Muslim) (Hasan, 2009: 314).

The lexicological meaning of zakat is "to purify." It also comes with the connotation of "growth" or "increase." Technically, zakat means to give up a fixed proportion of one's wealth to certain determined recipients. The accumulation of wealth is meant to be purified; thus zakat is both a kind of tax on wealth as well as a pious act ('ibadah). Every Muslim who possesses or keeps certain liable assets such as gold, silver, jewelry, cash, livestock, or agricultural produce pay zakat for each one-year period of ownership of the asset. The required duty amounts to 2.5 percent of the asset annually. The exception to this is for agricultural produce, which is levied as a tithe (Salim, 2006).

In spite of its position as one of the five pillars of Islam, zakat perhaps is the religious duty least complied with by Muslim people. This is due to the fact that there has been no consensus over the practice of zakat among Muslims anywhere and anytime. This is at least partially due to the fact that the Qur'an does not comprehensively arrange the issue of administration and enforcement of zakat. In fact, there is no clear directive given as to whether to centralize, decentralize, institutionalize or personalize the application of zakat. Although the Qur'an mentions eight recipients of zakat—of which a zakat agency (al-`amilin `alayha) is one—there are no further instructions on how zakat should be collected, whether Muslims are obliged to pay their zakat to this agency, or whether they can voluntarily give their zakat directly to the poor and the needy (Salim, 2006).

The collection of zakat differs substantially from one Muslim country to another. While some countries have established a complete incorporation of zakat as a regular tax of the Islamic state (Pakistan, Sudan, Saudi Arabia), others utilize intermediary financial institutions to receive voluntary payments of zakat (Jordan, Egypt, Bahrain, Kuwait, Indonesia), and still others marginalize zakat to the individual's private conscience (Morocco, Oman). Six Muslim countries—Saudi Arabia, Libya, Yemen, Malaysia, Pakistan, and Sudan—regularly enforce the implementation of zakat. Three of these have made a clear reference to the responsibility of the state for the implementation of zakat in their Constitutions (Salim, 2006).

Materials and Methods

Data

The data used in this study is a secondary data derived from the annual report of Bank Syariah Mandiri and Bank Muamalat Indonesia. The annual report of the both of Islamic banks in 2009 have been read, coded, analyzed and assessed based research instruments adopted from Management Accounting from Belkaoui (1984 in Harahap and Basri, 2004).

Methodology

This study aims to determine how the implementation of social responsibility on Islamic banking in Indonesia is based on socio-economic disclosure through disclosure in annual reports of Islamic banks. Research method which is used by this study is using the disclosure scoring. Then based on quantitative data from disclosure scoring will be qualitatively analyzed descriptively.

Unit of Analysis

The unit of analysis which is used in this study are the annual report of Bank Syariah Mandiri and Bank Muamalat Indonesia in 2009. The annual report will be investigated consists

of two Islamic banks, namely Bank Syariah Mandiri and Bank Muamalat Indonesia. The second option is based on the bank's business scale is almost the same. Then, this study will describe the implementation of social responsibility at Bank Syariah Mandiri and Bank Muamalat Indonesia through social economic disclosure of the annual report of Bank Syariah Mandiri and Bank Muamalat Indonesia in publishing in 2009.

Results

Based on the results of this research that Bank Syariah Mandiri and Bank Muamalat Indonesia has been carrying out activities that reflect social responsibility through social responsibility disclosure in the annual report for 2009, which includes all socio-economic disclosure indicators have been taken from Corporate Social Performance ie community involvement, human resources, natural resources and contribute to the environment and contributing to the products and services, as listed in Table 1.

Table 1: Socio-economic Disclosure of Bank Syariah Mandiri and Bank Muamalat Indonesia Period of Year 2009

No	Disclosure Items	Year in 2009	
		Bank Syariah Mandiri	Bank Muamalat Indonesia
A	Community involvement	Available	Available
B	Human resources	Available	Available
C	Natural resources and environmental contributions	Available	Available
D	Product or service contribution	Available	Available

Although Bank Syariah Mandiri and Bank Muamalat Indonesia has revealed social responsibility in the Annual Report 2009, which covers all socio-economic disclosure indicators which have been taken from Corporate Social Performance as indicated in Table 1, but the composition of each of the corporate social performance indicators of Bank Syariah Mandiri and Bank Muamalat Indonesia are different.

Discussions

The results showed that Bank Syariah Mandiri and Bank Muamalat Indonesia has carried out social economic responsibility in 2009 through disclosure in the annual report of Bank Syariah Mandiri and Bank Muamalat Indonesia in 2009. In this study, socio-economic responsibility disclosure from Bank Syariah Mandiri and Bank Muamalat Indonesia can be known from Table 1. The table shows that Bank Syariah Mandiri and Bank Muamalat Indonesia has been carrying out socio-economic responsibility towards its stakeholders.

This can be evidenced by the fulfillment of all socio-economic disclosure indicators which have been taken from Corporate Social Performance according to Belkaoui (1984) in Harahap and Basri (2004) which includes community involvement, human resources, natural resources and contribute to the environment and contributing to the products and services though with the indicator composition of each bank is different.

The medium used to carry out socio-economic disclosure is the annual report of Bank Syariah Mandiri and Bank Muamalat Indonesia. Bank Syariah Mandiri annual report consists of two statements that the financial statements and the management report. While at Bank Muamalat Indonesia, the financial statements have been recorded in the annual report. Data were taken from the annual report of Bank Syariah Mandiri, which includes financial statements and management reports as well as annual reports of Bank Muamalat Indonesia. In addition, the

research data also can be added from the notes to the financial statements, executive summaries, vision and mission statements and other attachments.

Based on the disclosure scoring of the annual report of Bank Syariah Mandiri, this study found that social responsibility disclosure of Bank Syariah Mandiri shows that Bank Syariah Mandiri have full commitment to community involvement, and human resources, contributing to the products and services as well as natural resources and contribute to the environment. While at Bank Muamalat Indonesia, based on disclosure scoring in the annual report of Bank Muamalat Indonesia in 2009, the disclosure of social responsibility at Bank Muamalat Indonesia shows that Bank Muamalat Indonesia has increased interest in contributing to the products and services, community involvement, human resources, natural resources and contribution to the environment.

Bank Syariah Mandiri and Bank Muamalat Indonesia has a high commitment in terms of community involvement. This is in line with the vision and mission of Islamic banks to provide prosperity for all peoples. Community involvement was given in the form of public philanthropy, corporate support to educational institutions, cultural activities, recreational programs, community health and welfare agencies; public and private transport; health services; housing; assistance in personal and business problems (eg the handicapped, child care, people who are not lucky); planning and community improvement; voluntary activity; education.

Bank Muamalat Indonesia and Bank Syariah Mandiri emphasized on fulfilling aspect contributing to the product or service. This is because the Islamic banking industry is relatively new in Indonesia. Thus, Bank Syariah Mandiri and Bank Muamalat Indonesia prioritize product development and innovation of products that meet the sharia-compliance and also meet the needs of the people of Indonesia to the Islamic financial products to facilitate community to conduct muamalah maliyah activities. Then aspects of service delivery are also getting attention because most people do not understand Islamic banking products and contract-which underlying in developing Islamic Banking product. Therefore, Islamic banks need to educate the market and complaints service from customers.

Another aspect that is getting considerable attention both from Bank Syariah Mandiri and Bank Muamalat Indonesia are human resources. To improve employee competence, Bank Syariah Mandiri continues to refine the concept of employee development by compiling a dictionary and competency profiles. Competence is a combination of knowledge (knowledge), skills (skills), and behavior (behavior). The concept is known as the Competency - Based Human Resources Management (CBHRM). CBHRM is a pattern approach in building human resource management system that is reliable to utilize competence as a central point. This is intended for Bank Syariah Mandiri to improve the effectiveness and consistency in applying the system of recruitment, selection, promotion, compensation, performance appraisal, education and training, career planning, performance management, and strategic planning in the field of human resources to the optimum point. One of the efforts of Bank Syariah Mandiri in improving employee competence is through the development of e-learning on an ongoing basis (www.syariahamandiri.co.id).

While at Bank Muamalat Indonesia, the initiative has been done in the field of human resources reduce the amount of outsourcing employ that previously reached 70% of total employees. In the short term, targeted outsourcing labor compositions are smaller than permanent employees. To overcome this policy, recruitment has been done on the potential outsourcing employ. Besides that, recruitment program in the form of Muamalat Officer Development Program (MODP) held in nine major cities in Indonesian and there is expected to meet the needs of newly qualified staff. Based on a thorough review of the policy and resource management system that is expected to result conducive and productive, including efforts to retention, and development of talented resources human resource management which are ready to compete in the future (www.muamalatbank.com).

Bank Syariah Mandiri and Bank Muamalat Indonesia are also concerned about the activities related to the natural resources and give contribution to the environment, although the composition is not too large. For example, financing activities conducted by Bank Syariah Mandiri which is related to the environmental conservation.

Basically, socio-economic disclosure indicators which have been taken from Corporate Social Performance which includes community involvement, human resources, and natural resources and contribute to the environment and contributing to the products and services reflect indicator of social responsibility which are used in the conventional organization. Thus, if these indicators are used in Islamic banks are likely to cause a bit biased because there are differences between the characteristics of Islamic business and conventional business. The concept of Islamic economics has the concept of social responsibility which has different from conventional business. The concept of social responsibility in Islamic business has been implemented in the form of zakat, or shodaqoh, infaq which have both dimensions in the world and the hereafter. Therefore, Islamic banking must give report of sources and uses of zakat and charity fund which reflect characteristic of the social responsibility of Islamic bank.

Implementation of Social Function and Social Responsibility Bank Syariah Mandiri and Bank Muamalat Indonesia

Implementation of socio-economic responsibility on Islamic banks differs from conventional banks since socio-economic responsibility in conventional banks known as Corporate Social Responsibility (CSR). The purpose of the implementation of CSR is usually to improve the public image of the company and further to maintain business continuity. While the socio-economic responsibility of Islamic banks in the form of *amaliah* obligations implemented in the form of zakat, donation, shodaqah and charity fund. Socio-economic responsibility on an Islamic bank should transparently disclose in the Report of Sources and Uses of Zakat Funds. In this study, socio-economic responsibility of Islamic banks is reflected in the Statement of Sources and Uses of Zakat Funds from Bank Muamalat Indonesia in 2009 and the Report of Sources and Uses of Zakat Funds on Bank Syariah Mandiri in 2009 and the Report of Sources and Uses of Virtue Funds in Bank Syariah Mandiri in 2009.

Table 2: Report of Zakat Fund Sources, Infaq and Humanities at Bank Muamalat Indonesia In 2009

Sources and Uses of Zakat Funds	Total (In Billion IDR)
Zakat fund raising, infaq, and humanitarian	Rp 34,1
Total	Rp 34,1

Sources: Annual Report Bank Muamalat Indonesia in 2009

Based on Table 2, the total of zakat fund raising, infaq, and humanitarian at Bank Muamalat Indonesia in 2009 can reach Rp 34,1 billion. The distribution of zakat funds, infaq and humanity at Bank Muamalat Indonesia in 2009 is used for the economic empowerment program; education program; Kafala Program-benefit for orphans;-ISS Program-management for school of orphan; health programs; social programs; Humanity.

Table 3: Report of Zakat Fund Sources and Uses of Zakat Funds at Bank Syariah Mandiri In 2009

Zakat Fund Sources and Uses of Zakat Funds	Total
Zakat Fund Sources	
a. Zakat from Islamic Bank	Rp 15.764.575.726
b. Zakat from customer and general	Rp 1.132.735.235
c. Zakat from employ of Islamic Bank	Rp 1.588.448.713
Total	Rp 18.485.759.674
Uses of Zakat Funds	
Distribution through Lembaga Amil Zakat BSM Umat	Rp 2.891.297.138
Total of the Uses of Zakat Funds	Rp 2.891.297.138

Sources: Annual Report Bank Syariah Mandiri in 2009

Based on Table 3, the total of zakat fund sources at Bank Syariah Mandiri in 2009 can reach Rp 18.485.759.674, while uses of Zakat Funds at Bank Syariah Mandiri in 2009 can reach Rp 2.891.297.138. Zakat funds are used for programs that are useful and beneficial to the 14.582 persons (mustahikin) through three programs, namely: people partners, educate the people and sympathy for people.

Table 4: Report of Sources and Uses of Virtue Funds at Bank Syariah Mandiri in 2009

Sources and the Uses of Virtue Funds	Total
Sources of Virtue Funds:	
a. Fine	Rp 631.814.078
b. Non Halal income	Rp 519.767.031
c. Other social funds	Rp 710.972.099
Total of Sources of Virtue Fund	Rp 1. 862.553.208
The Uses of Virtue Fund	
Distribution through Lembaga Amil Zakat BSM Umat	Rp 3.201.712.500
Total the Uses of Virtue Fund	Rp 3.201.712.500

Sources: Annual Report Bank Syariah Mandiri in 2009

Based on Table 4, the total for sources of virtue funds at Bank Syariah Mandiri in 2009 can reach Rp 1. 862.553.208. While total the uses of virtue fund at Bank Syariah Mandiri in 2009 can reach Rp 3.201.712.500. Benevolence or virtue funds used for the construction / renovation of houses of worship; iB CSR; development of boarding home; cleft lip surgery; social services; procurement of orphans library; help victims of the earthquake in Tasikmalaya and Sumatra.

Conclusion

Based on the observations and analysis of the annual report of Bank Syariah Mandiri and Bank Muamalat Indonesia in 2009 there are several conclusions which are related which the implementation socio-economic disclosure from Bank Syariah Mandiri and Bank Muamalat Indonesia in 2009, that can be drawn are:

Bank Syariah Mandiri and Bank Muamalat Indonesia have a variety of activities that reflect the social responsibility to the community through socio-economic disclosure from annual report from both of the Islamic Banks. It can be proved that Bank Syariah Mandiri and Bank Muamalat Indonesia have fulfilled all of the socio-economic responsibility indicators that includes community involvement, human resources, natural resources and contribute to the environment and give product and service contribution. Bank Syariah Mandiri and Bank Muamalat Indonesia emphasize on activities which cover aspects of community involvement. This is because the Islamic banks should carry out social functions in the business and it is a religious order that has vertical and horizontal dimensions and not on the profitability and survivability fulfillment business solely. Furthermore, both the Islamic banks also pay attention to relevant aspects of human resources and activities which are related to the products and services. Provision of professionals human resources in the business and have a capacity of sharia are required by Islamic banks. Both of the Islamic banks also pay attention with activities which are related to products and services contribution. This is because the Islamic banking industry is the new industry that Islamic banks must focus on product development and innovation which fulfill Shariah compliance and meet the needs of the community. Then both of Islamic banks also concern about the activities related to the natural resources and contribute to the environment, although the composition are not too large. For example, Bank Syariah Mandiri gives financing for the activities which are related to the environmental conservation.

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