Corporate Social Responsibility Disclosure and Islamic Bank Profitability (Evidence from Indonesia)

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ABSTRACT

Corporate Social Responsibility (CSR) in the Islamic perspective is expected to be an existential part of Islamic banks and financial institutions providing benefits to society and the national economy. CSR disclosure in a company's annual report may increase companies' value and satisfy stakeholders' needs to achieve higher profitability. This research aims to examine the relationship between CSR disclosure and profitability for Islamic banks in Indonesia over the period 2008– 2017 by generating CSR-related data through disclosure analysis based on the standards developed by the Accounting and Auditing Organization for Islamic Financial Institutions (AAIOFI) of annual reports of the 12 sampled banks registered in Bank Indonesia. Using panel data regression on CSR disclosure index, individual dimension index, size, capital ratio, financing ratio, and overhead expense as independent variables, the dependent variable is the proxy's profitability by using Return on Asset (ROA). The results indicate a significant positive relationship between CSR disclosure and the profitability of Indonesia Islamic banks. However, 'commitment toward debtors,' 'bank size', 'zakat, charity, and benevolent funds' show no significant relationship with the Islamic bank's profitability in Indonesia. The recommendation for several concerns on the negative variables has been identified in this research.

Keywords: CSR Disclosure, Profitability, Islamic Bank, Panel Data Regression.

1. INTRODUCTION

Corporate Social Responsibility (CSR) is an interactive process of social impacts and the environment from economic activities on specific interest groups and society. Financial and non-financial information related to organizations' social responsibility to a social and physical environment is stated in the annual report or social report (Guthrie & Mathews, 1985). Financial institutions and banks have begun to include CSR within their operational and organizational strategies. Chambers and Day (2009) stated that banks' purposes are towards financial stability and aimed at customer's needs as part of business strategy, including CSR. By managing its CSR, banks will attract more credit borrowers, indicating higher profits and higher asset quality. Hence, financial mediums need to be transparent and accountable to society as it affects their financial institutions' expectations (Evangelinos et al., 2009).

In Indonesia, CSR training and exposure started to develop alongside the global community's increasing attention towards transnational or international organizations working in Indonesia. The government support CSR practice by publishing Article 74 section (1) Law No. 40/2007 about Limited Liability Company and Law No. 25/2007 about Investments. All industries have implemented the regulation, and financial institutions are no exception. CSR implementation makes the company have a close relationship with the community by providing a loan scheme, training, or other programs (Haninun et al., 2019). Mulyanita (2009) expressed that bank social reports in Indonesia are part of the accountability paradigm from shareholders' management to their stakeholders. CSR in Indonesian bank companies is encouraged to enhance public face and reputation by reporting their CSR.

Islamic bank in Indonesia was established in 1991 and growing from year to year. It is constructed by Islam's existential and linguistic origins, which is also viewed as a more ethical finance and banking method. Islam itself has 'social good', 'good governance', 'environmental concern' and 'honest individual and organizational behaviour' values encountered in other religions (Asutay, 2012). There were only 3 Islamic Commercial Banks (BUS), 30 Islamic Business Units (UUS), and 105 Islamic Rural Banks (BPRS) in 2006. By 2018, it increases up to 13 Islamic Commercial Banks (BUS), 21 Islamic Business Units (UUS), and 167 Islamic Rural Banks (BPRS). Based on the outlook of Islamic banking 2017, the increase of assets up to 54,19% as of December 2017, Third-Party Funds (DPK) growth reach 61,50%, and Financing to Deposit Ratio of 79,65%. Islamic Banking aims to increase public welfare and optimize contributions to the national economy (Bank Indonesia, 2012). It implies that CSR is embedded in Islamic banks as part of its ethical matters beyond operational mechanism inappropriate with Islamic law or Islamic compliant.

Studies that assessed the causalities between corporate social responsibility relationships with corporate financial performance in Islamic financial institutions are still limited. Simpson & Kohers (2002) found a negative association between a social and economic performance where firms that fulfil stakeholder's social necessity will diminish profits. An unfavourable influence on Islamic bank profitability might occur, supporting expanding a significant portion of the community and environmental projects. However, Waddock and Graves (1997) confirm that CSR will have more significant benefits than its costs. Other studies show inconsistent results and, consequently, the complicated relationship between society and the corporate that cannot be apprehended through a simple direct connection due to the possibility of neutral effects or no actual result.

Meanwhile, for individual Islamic banks, Mallin et al. (2014) confirmed that Islamic banks applying Islamic principles are anticipated to propose profit and loss sharing project for the holders of investment account. Also, relying on the policy might grant zakat on customers' importance and distribute voluntary benevolent funds or Qard Hassan to the community. Such business projects could be diverse and complicated, generating a neutral relationship between corporate social and financial performance.

The question appears to related research outcomes and the contentious findings research as they provide conceptual interpretations for different results. It supports this research to investigate the likelihood of CSR Disclosure and financial performance, especially from the profitability ratio in Islamic banks since Indonesia's Islamic finance industry is growing. Therefore, using 12 Islamic banks listed in Bank of Indonesia on period 2008-2017, this research aims to answer the relationship between CSR Disclosure toward profitability using Return of Asset (ROA) and the relationship between Individual Dimension toward profitability using ROA.

2. LITERATURE REVIEW

2.1 Corporate Social Responsibility

Caroll (1983) defines Corporate Social Responsibility (CSR) as doing business for financial advantage, legal, ethical, and social cause. In general, Wibisono (2007) describes CSR as a company’s responsibility to the stakeholders to behave ethical and fulfil whole economic aspects, social, and environment for sustainable development. It indicates that CSR can improve a firm’s competitiveness by listed as a business organization program. This perspective was proceeded in several studies by investigating what can be affected by CSR on bottom-line of the business, and the results were quite diversified. The assertive side thinks that CSR can improve its financial strength because the competition provided is rather advantageous (based on the stakeholder theory, Margolis et al., 2003). This theory implicates that keeping a good relationship with stakeholders can ensure a company's success, supported by good management proven essential to forming values (Habisch & Pechlaner, 2009). Another opinion stated that CSR is a management acceptance to considering profit, customer satisfaction, and social welfare as a value worth in performance evaluation (Boone & Kurtz, 2002). CSR's believed to increase corporate financial performance as investors tend to invest in companies practising CSR activities. Investors view companies that practice CSR have more potential to generate more profit than those that do not do it to improve their financial performance (Arshad et al. 2012).

However, CSR has a negative expression where it uses up resources that eventually result in nothing significant in return (Friendman, 1970). To say it better, CSR costs too much to lessen the chance to gain more profit. Inconsistencies are found in previous studies due to the different approach taken by the other researcher.

Regarding CSR practices in Indonesia, according to Saidi and Abidin (2004), there are at least four models or application pattern of CSR which are usually applied by companies in Indonesia, which are; (1) Direct involvement, (2) Through foundation or company’s social organization, (3) Partnering with other parties and (4) Supporting or joining in a consortium. The research shows that most companies use other parties or social institutions as a partner for CSR appliance. It was proven by a total of 279 application of CSR activities that have been done in the company, 144 of those (51.6%) done by partnering with social institutions with total funding allocated up to 79 billion rupiahs. In general, the development of CSR in Indonesia has increased in quantity and quality compared to prior years.

Regarding CSR practice in Islamic banking institutions, according to Ahmad (2002), institutions running their business in respect to Islamic build their business on the ground philosophy of Qur'an and Sunnah so that the doer builds the business upon interaction with the environment and people around. Moreover, recalling the ground of such philosophy is religious, then it is assumed that the relationship will be more sustainable compared to conventional CSR pattern. According to Dusuki and Dar (2005), Islamic banking social responsibility is relevant to be discussed by considering that Islamic banking is based on Islamic principle which demands them to operate based on moral, ethics and social responsibility. The focus of obedience to Allah and Khalifah and the public interest principle consisted of avoiding damage and poverty. Islam acknowledges that owners or financiers have the right to earn profit but not through the sacrifice of another stakeholders' claim (Freeman, 1984). Different from western theories, Islamic view of CSR involves a slight holistic approach, which is offering an integrals spiritual view based on Qur'an and Sunnah teachings as well as providing a better alternative philosophical framework for humans' interaction with nature and their fellows (Ahmad, 2002).

Investors are currently becoming aware of socially responsible investment ethics, even leading to an increase in Islamic-based banking investments. Among the essential aims of Islamic finance, specifically Islamic banking is the formation of justice and the termination of exploits in business transactions. The prohibition can see this thing of any illegal sources and the prohibition of dealing with transactions carrying overwhelming risks. Principles and moral aims play more essential roles in their operation. It becomes a mission and an Islamic bank's goal compared to banks with non-Islam principles. Islamic bank has Sharia Religious Board to ensure that bank practices comply with Islamic law and ensure strong social solidarity (Hasan and Harahap, 2010).

2.2. Measuring Financial Performance

Financial performance is one of the measurements to observe the success of running the company. Several studies are intended to assess the performance and profitability of Islamic banks. Some are focused on financial performance, which can determine the company's ability to generate profits. The standard measurement in company's performance assessment is by checking financial ratio (Xu et al., 2014). Company ability to generate income in its operations (profitability) is the main focus in assessing corporate performance. Since profit is an indicator of a company's ability to fulfil its obligations to its shareholders, it is also an element in creating a company's value that shows its prospect. Profitability ratio shows how much effort a company put out to earn income. Profitability level can be used as a base for decision-making in investment to measure its manufacturing investment return ability. For example, profitability used to calculate capital use efficiency in a company through investment comparison. Deegan et al. (2002) highlighted that CSR had become an essential driver in influencing the stakeholders' opinions regarding the fulfilment of the company's obligation. Maignan et al. (2005) showed that the stakeholders refer to those directly or indirectly influenced by their activities.

There are several measurements used to define corporate financial performance. One of the most common measurements used is accounting-based such as return on assets

(ROA), return on equity (ROE) and return on sales (ROS) or market-based measures (Simpson & Kohers, 2002). Each of those measures serves a different purpose. Short-term financial performance is indicated through accounting-based efforts, while long-term financial performance is indicated through market-based measures (Gentry & Shen, 2010). A study by Brammer and Millington (2009) explained that accounting-based view market-based measures would not be affected by a firm's activity, while market-based measures that shareholders and investors pay more attention to value-based measures. Despite the limitations of financial performance using accounting-based criteria, Simpson and Kohers (2002) believed that accounting-based measurements are highly accurate in addressing financial performance since it been considerably accepted in the banking sector. Additionally, accounting returns are more likely to have a firm reliance on corporate social accounts than investor returns (Orlitzky et al., 2003).

In this research, accounting-based variables, especially ROA, is preferable as representatives for corporate financial performance. The ratio can indicate banks' financial performance and show banks' management competency in generating profits from assets and the efficiency in generating revenue. ROA pay more attention to the company's ability to earn earnings in overall company operations. Moreover, according to Bank Indonesia, ROA is vital in determining bank firmness. It prioritizes a bank's profitability measured by assets whose funds are mostly derived from public savings funds. Return on asset is more representative in measuring the level of profitability of banks. According to Otoritas Jasa Keuangan (2016), Indonesian banking activities raise funds and distribute it to earn interest in the form of deposit interest and credit interest. The type of income earned from interest can be called spread based. Spread based income is the profit earned by banks through the collection and distribution of funds. Bank also able to make service fees in the form of fee-based to generate revenue. (Dietrich & Wanzenried, 2011).

2.3. Corporate Social and Financial Performance

Companies utilize the annual report in communicating their CSR activities to maintain or even improve their performance to survive in crisis or even in a tight competition. In the end, corporate performance has to be evaluated to see its development and observe its ability to maintain its position in competitions that influence affiliated corporate performance. Investors will positively respond to companies with good intermediaries through increased stock price throughout the years while in contradiction. If companies have bad intermediaries, then hesitation will arise from investors and might be responded negatively on the decrease of stock price throughout the years (Almilia & Wijayanto, 2007). The stakeholder theory expressed that when a company meets several stakeholders' expectations, they will more likely create an extraordinary corporate performance (Freeman, 1984). According to Anwar and Alfattani (2014), financial performance describes roles in improving Islamic banks' activities to investors. The transformation of several conventional banks to Islamic banks has created a reliable reputation for the investor through good CSR.

However, the relationship between CSR and financial performance has been observed and studied for more than three decades. Makni et al. (2009), resulting in several studies both theoretically and empirically. It has been a subject to focus on seminal works in the corporate sector, which have produced both contradictory and confirmatory results (Margolis & Walsh, 2003). However, not all of these studies have the same conclusion. Some researchers highlighted several studies on conventional banking sectors and found an only small amount of empirical studies for the Islamic banking sector. Surprisingly, the impact of CSR disclosure on corporate reputation and performance of Islamic banks in Malaysia is proven to result in a significantly positive relationship between CSR and annual reports, as analyzed by Arshad et al. (2012). The study approaches the link between CSR disclosure and banks' financial performance across different countries, and the research suggests the same positive result (Mallin et al., 2014). Based on the empirical results, it is quite challenging to authorize direction of the relationship in testing any appropriate set of data, as the discovery indicates that the association between CSR and financial performance can be positive, negative, neutral, or non-significant. Hence, no absolute results have been achieved.

From the perspective of those who believe in CSR and financial performance’s negative relationship, CSR only a cost that might burden companies administratively such as charity programs, promoting and supporting employee welfare and reducing environmental destruction (Barnett & Salomon, 2006). The more firms being socially responsible, the less benefit they will have compared to regular firms. This hypothesis is aligned with the neoclassical argument (Waddock & Graves, 1997; Simpson & Kohers, 2002), where social strategies are viewed as costly and competitively disadvantageous. Hence, putting CSR in one of the companies’ agendas can desolate companies’ survival competitively.

On the neutral side, several studies also prove that CSR might not affect financial performance significantly. A concrete example was shown by Freedman and Jaggi (1982) where a relationship between pollution measures and financial performance is irrelevant, and the same thing is shown in their later study which also results in a neutral relationship between those objects. This result is because many variables can intervene in the relationship between social and financial performance. Waddock & Graves (1997) and Soana (2011) argued that it is impossible to form a direct linear relationship between CSR and financial performance as financial output is not affected by social responsibility.

Despite discussions and varied results concerning the relationship between corporate social and financial performance, a significant number of studies have spotted a positive association between corporate social performance and financial performance (Makni et al., 2009). Preston & O’Bannon (1997) came up with the ‘social impact hypothesis’ which theorized the positive relationship between the two, and the hypothesis itself came up from ‘instrumental stakeholder theory’. The research enhances financial performance on superb efficiency and effectiveness by meeting the requirements needed by different stakeholders’ groups. Strategic management is approached instrumentally by stakeholder. The approach views effective organizations as monitoring effectible relationships proportionally related to the organizations’ aims. The process renders stakeholder management as a relatively realistic concept (Freeman, 1984). He furtherly argued that stakeholder theory is valuable as it asserts that consequences do not count. Profitability can be obtained as a predicted result through stakeholder management theory (Kakabadse et al., 2005). According to Donaldson & Preston (1995), it is possible to indicate the relationship between stakeholder management and corporate performance through instrumental means. In other words, corporate financial performance can be positively affected if one applies to stakeholder management. Waddock & Graves (1997) theorized that 'good management theory' achieved better financial performance where key stakeholders will have better relationships with corporates. The theory assumes social responsibility as an intangible asset that is more useful in resources results, which can positively improve financial performance (Surroca et al., 2010).

All conclude that a company with a good CSR program can be competitively advantageous if stakeholder management is adequately performed. For instance, it can help a company from the unforeseen problem, generate a better public image, and extend new opportunities that are challenging to enter by less- socially active companies (Barnett & Salomon, 2006). The idea is social performance can lead to good financial performance, and good social agendas are the final product of better financial performance, allowing resources to add up for investments in better social projects. Additionally, the financial performance also predicts better social performance by partially using up resources for CSR agendas.

2.4. CSR Disclosure

A theory implied that corporate social performance is a multidimensional concept involving numerous inputs, internal behaviours or processes, and the outputs (Waddock & Graves, 1997). Example of inputs here are investments in pollution control equipment or other environmental strategies. For internal behaviour or process shows as treatment given to different subjects or establishing customers' relationships. In the end, programs related to philanthropically activities and community relations act as output. This concept will open up a possibility where CSR disclosure might have to consider this multidimensionality. However, there are more dimensional layers to consider in Islamic banking, especially within the CSR disclosure as Islamic ethicality pays attention to specific details and a more detailed legal framework. Several studies have been conducted, such as the studies examining the relationship between corporate social performance and financial performance but resulted in problems with the measurement. The studies did not employ multidimensional corporate social account (Griffin & Mahon, 1997).

On the other hand, Orlitzky et al. (2003) divided measurement strategy into four groups for disclosures: 'reputation indicators', 'social audit', 'corporate social performance processes and observable outcomes' and 'managerial corporate social performance principles and values'. Peloza (2009), explored deeper and divided corporate social performance measures into three main groups: 'environmental', 'social' and 'broad', the latter consisting of both 'social' and 'environmental' matters. Perrini et al. (2011), has categorized them with more details:

1. 1. Pollution indicators, which mainly employ a single dimension measure implementing environmental practices.
2. 2. Using corporate reputation.
3. 3. Applying the third party social and environmental assessments.

The main goal is to examine corporate social performance through various dimensional means associated with stakeholders' interests.

This study mainly used the Islamic banks' annual reports to measure corporate social performance as CSR disclosure index employment. This index represents a multidimensional view extracted into a single measure reflecting the banks' CSR activities based on measurements through Islamic financial principles. The use of such an index is subject to several limitations. Consideration has to be taken into, in which this measurement is highly questionable, especially for its 'objectivity' (Font et al., 2012). Therefore, the individual measures reflect individual values in which the CSR is perceived, and the practice is imposed on corporations.

Additionally, new problems might arise, as financial institutions can purposely hand out false information to users of annual reports to bolster public face. This measurement might cause differences in annual reports from real corporate activities (Turker, 2009). Due to these problems, published reports are becoming more unreliable, and any index resulted from such mischief will be highly debatable. Unfortunately, Indonesian Islamic banks do not provide reputational indices, nor databases to be used as societal barometers, and they lack financial instruments. Having such limitation means that the method available which CSR disclosure index employed in this research is efficient.

This research aims to conduct an assessment for any relationship that can be found between Islamic banking principles and disclosure practices and to put to use particular literature related to Islamic finance and corporate social responsibility. In it also included several industry standards such as AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) Standard No. 7 and by combining the standards with previous studies by Haniffa & Hudaib (2007), and Aribi & Arun (2015). These previous studies have developed CSR categories, and their items based on the Islamic financial perspective on CSR, the measurement of CSR disclosure is identified. Therefore, the CSR disclosure index was able to be constructed. The index gives out six different dimensions: 'mission and vision statement'; 'products and services'; 'commitment towards employees'; 'commitment towards debtors'; 'commitment towards society'; 'zakah, charity and benevolent funding' where many of those apply to conventional banking industries. Due to undisclosed information related to some Indonesian Islamic banks' environmental issues, this research not including the environmental dimension proposed by many studies that focus on CSR disclosure in conventional and Islamic financial institutions (Mallin et al., 2014). Appendix A shows the index used in this study.

2.5. Individual Dimension

Several researchers (Makni et al., 2009; Waddock & Graves, 1997) highlighted how individual components of the total social performance index play a role in impacting financial performance. Johnson and Greening (1999) furtherly stated that using an aggregate measure of corporate social performance sacrifices interesting and explanatory information. In addition to this, Makni et al. (2009) elaborated this finding by using corporate social performance measure from Canadian Social Investment Database to test the relationship between Canadian public firms' corporate social and financial performance. The result shows no significance in the relationship between an

aggregate measure of corporate social performance and financial performance. However, their empirical findings strongly suggest significance relationship between individual dimensions of corporate social performance such as the environment and employees and financial performance.
In line with the results, Mahoney and Roberts (2007) in their studies assessed the connection between the corporate social performance and financial performance of Canadian firms and came up with the same result. The studies also highlighted no significant relationship between companies' corporate social performance and financial performance. Aligned with individual dimensions, they saw environment and international activities to impact financial performance significantly. It is later stressed furtherly by Fisman et al. (2005) that advertising-intensive industries signified a positive significance in a correlation between the community dimension of corporate social performance and financial performance. Therefore, Buckingham et al. (2011) argued that individual dimensions are essential too as they might be essential for financial performance. Besides that, there is a need to prioritize the multidimensional nature of corporate social performance, and the necessity to separate it into sub-dimensions to obtain a developed understanding of the relationship explored. Thus, it is anticipated that individual dimensions' variables of CSR disclosure such as 'mission and vision', 'products', 'zakah', 'employees', 'debtors', and 'community' might positively affect financial performance.
Therefore, the annual reports of Islamic banks in Indonesia were carefully analyzed by content analysis, identifying statements describing each dimension and sub-dimension of CSR. In the research, based on the previous study by Platonova et al. (2016), to ease the determination of CSR disclosure, a new approach involving a scoring scheme is applied. By giving a score 1 (one) if the index includes an item disclosed by an Islamic bank and so a null score will be received otherwise (Haniffa & Hudaib 2007). These scores are equal to the total amount of CSR disclosure per Islamic bank by added together. In this case, unweighted indices caused by dichotomous approach are appropriate for studies, where all users can be targeted and allow independent analysis of a particular user group (Hossain & Hammami, 2009). Following Haniffa and Hudaib (2007) who formulate the estimation of the index, CSR Disclosure is calculated as the ratio of points awarded over the total number of selected dimensions, as we can see below:

$$CSRD_{ijt} = \frac{\sum_{i=1}^{n} x_{ijt}}{N}$$

CSRDi jt denotes the CSR disclosure index for dimension j and period t; Xijt is variable X (1, … n) for dimension j and time t; N is the number of variables/ statements.

2.6. Previous Studies on Defining Control Variables
Claessens et al. (2002) took total assets registered as a barometer of bank size. The study by Demirguc-Kunt and Huizinga (2000) asserts that financial and legal factors related to bank size become much more critical as they may affect bank profitability. Additionally, large-sized banks have more opportunity to attract cheaper capital which means there are rooms for more profits, and size has a potential effect on social credentials. Many big firms have sufficient resources to process and hold social information, which alternates gives the firm more competitive advantages (Maqbool & Zameer, 2018). According to Akhtar et al. (2011), the bank's size is an insignificant indicator in ROE but a significant ROA predictor used as a proxy for its profitability. Another research by Rami Zeitun (2012) said that the bank's size has a negative and

significant impact on ROA for a bank's profitability (see Gharaibeh, Ahmad & Gharaibeh, Obeid., 2018). Hence, it is expected that there should be a positive relationship between size and financial performance.

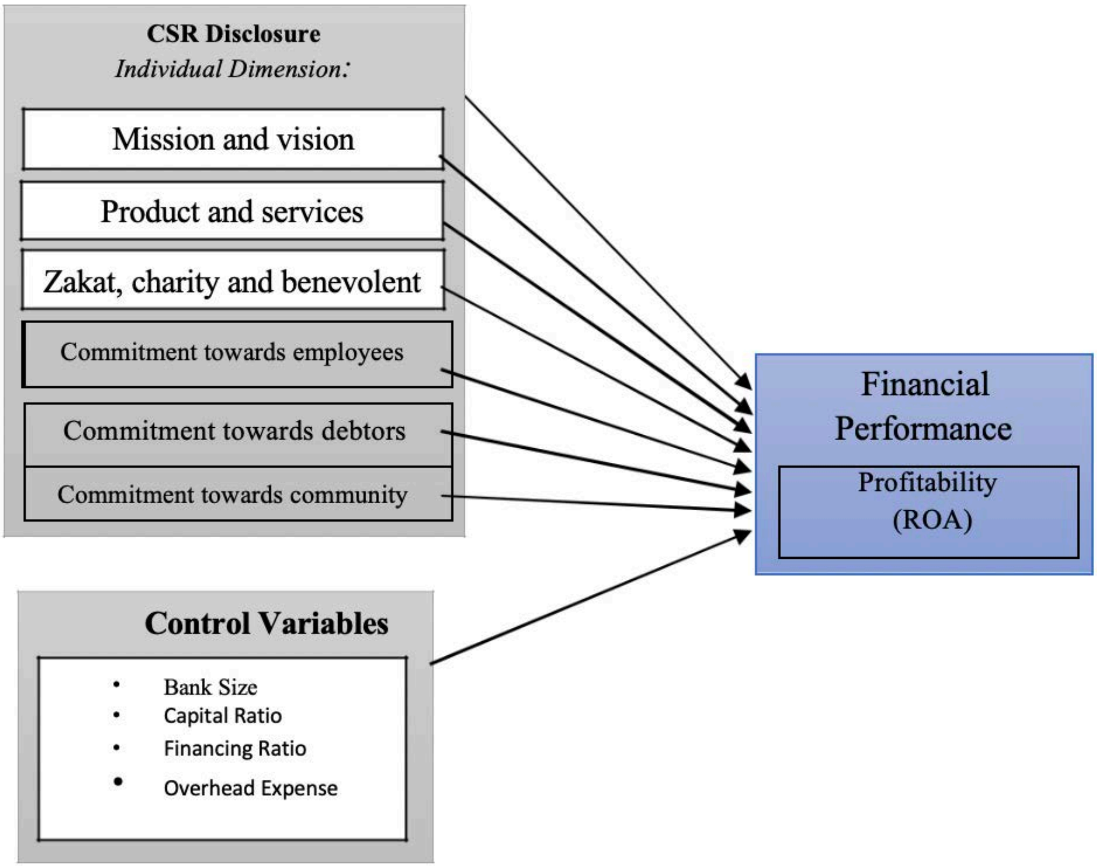
Capital ratio, defined as equity over average total assets (Simpson & Kohers, 2002), also plays a vital role like the size. It is mainly used as an indicator that banks can anticipate potential risk and shocks. High capital ratio ensured banks to aim for higher profitability while maintaining low-level external funding (Kosmidou, 2008). Banks with a high capital ratio have better flexibility, allowing them to open up for business opportunities and recover during a crisis (Athanasoglou et al., 2008). By that, Indonesian Islamic banks with a high capital ratio will have greater profitability. Hoffmann (2011) found a negative relationship between capital ratio and profitability. However, Athanasoglou et al. (2008) and Kosmidou (2008) show in their studies that capital ratio and bank profitability have a strong correlation. Thus, it is expected that a higher capital ratio for Indonesia Islamic banks will result in greater profitability.

Another variable used in this research is financing ratio. It shows how much power a bank has in store to earn a profit, and it is calculated by dividing average total financing by average total assets (Simpson & Kohers, 2002). A study by Christine & Dong (2011) found that the increases in capital and financing ratios are positively related to Islamic banking profitability in the Middle East (see Gharaibeh, Ahmad & Gharaibeh, Obeid., 2018). Consequently, it is expected that the financing ratio will have a positive association on profitability in Indonesia Islamic banks.

Numerous studies have attempted to use operating expenses as one of the significant variables of bank profitability. According to Simpson and Kohers (2002), operating expenses are the costs spent on banks' financial activities. It is calculated as total non-interest expenses divided by average total assets. Athanasoglou et al. (2008) suggested in their studies that expenses must be recognized as a variable that is essential for profit's function and expenses that are too much impact negatively on profitability, rendering overhead expenses management obligatory so that banks can efficiently increase the cost. Indeed, the same thing applies to Indonesian Islamic banks as expenses that are way too much to handle might decrease banks' potential to earn more profit. According to Naceur and Goaied (2008), overhead to assets ratio has a positive and significant coefficient in net interest margin and ROA. Contrast to Athanasoglou et al. (2008) and Sufian and Chong (2008); they found a negative effect on profitability's overhead expense variable. Therefore, it is expected that overhead expenses will positively affect profitability in the Indonesia Islamic banks.

Much of the socially responsible relationship with financial performance research in Indonesia Islamic bank has focused on identifying only CSR disclosure in general instead of disclosing CSR's individual dimension. Putri (2014) reported a significant positive relation between CSR and financial performance in the Islamic financial industry, including an Islamic bank in Indonesia. In the research, Putri (2014) used ROA and ROE as a proxy of profitability, and there are no other independent variables adopted. Moreover, the data used in her research is limited only for three years of annual bank report. Compared to Putri's study, which is limited in analyzing only the CSR disclosure in general, this research also examines more profound indicators within the CSR index relationship toward profitability. Likewise, this research uses ROA as a profitability proxy and four different ratios are adopted as control variables, as well the data applied is ten years. Therefore, this research appeared to examine the CSR disclosure and individual dimensions' relationship towards Islamic bank profitability. The proposed model of the conceptual framework in this research shown in Figure 1.

Figure 1: Conceptual Framework



3. METHODOLOGY

3.1. Data Collection

The sample covers annual reports for the 12 Indonesia Islamic commercial banks (BUS) over 2008-2017. The sample yielded 102 reports obtained due to several banks with incomplete data caused by a lack of database to store annual reports. The samples of the research are shown in Table 3.1.

Table 3.1. List of Banks

No.	Bank
1	Bank Muamalat Indonesia
2	Bank Syariah Mandiri
3	Bank Syariah Mega
4	BCA Syariah
5	Bank Jabar Banten syariah
6	Bank BRI Syariah
7	Bank Bukopin Syariah
8	Bank Panin Dubai Syariah
9	Bank Maybank Syariah

No.	Bank
10	Bank BNI Syariah
11	Bank Victoria Syariah
12	Bank BTPN Syariah

3.2. Operation Variables

In this research, the dependent variable is the Return of Asset (ROA) value adopted as a profitability proxy. It will be considered a representative of corporate financial performance. The ROA is used to indicate the competency of management in banks and how that competency directly affects the banks' ability to generate income from assets. The value of average assets is used to spot changes during the fiscal year.

While for independent variables, it divides into two types: main independent variables and control variables. The main independent variables are CSR Disclosure, and individual dimension point to 6 dimensions that combined the aggregate measure of CSR disclosure including 'mission and vision', 'products and services', 'zakat, charity and benevolent fund', 'commitment towards employees', 'commitment towards debtors' and 'commitment towards community'. There are more control variables to examine further the relationship between corporate social performance and financial performance. This research uses bank size, capital ratio, financing ratio, and overhead expense as control variables due to their importance in determining how significant the CSR disclosure variables (individual dimension) are with financial performance using profitability. Thus, the following models adopted from a study by Platonova et al. (2016) are constructed with the dependent and independent variables described below:

Model (1):

$$ROAit = \alpha + \beta 1 \text{ CSRD} + \beta 2 \text{ Size} + \beta 3 \text{ Cap.ratio} + \beta 4 \text{ Fin.ratio} + \beta 5 \text{ Ovrhd exp.} + \varepsilon$$

Model (2):

$$ROAit = \alpha + \beta 1 \text{ mission and vision} + \beta 1 \text{ products and services} + \beta 1 \text{ zakat, charity, and benevolent funds} + \beta 1 \text{ commitment toward employees} + \beta 1 \text{ commitment toward debtors} + \beta 1 \text{ commitment toward community} + \beta 2 \text{ Size} + \beta 3 \text{ Cap.ratio} + \beta 4 \text{ Fin. ratio} + \beta 5 \text{ Ovrhd exp.} + \varepsilon$$

where ROA is the return on assets ratio, calculated by dividing net income by average total assets; CSRD is the CSR disclosure score, measured as the ratio of disclosure content points over the maximum score a bank can achieve; individual dimension refers to six dimensions that composite the aggregate measure of CSR disclosure including 'mission and vision', 'products and services', 'zakat, charity and benevolent fund', 'commitment towards employees', 'commitment towards debtors' and 'commitment towards community'; and for the control variables there are: Size is the log of total assets; Cap ratio denotes for the capital ratio, calculated by dividing equity capital by average total assets; Fin ratio represents for financing ratio, calculated by dividing average total financing by average total assets; Ovhd exp. stands for overhead expenses measured by dividing total non-interest expenses by average total assets (non-interest expense include 'beban operational lainnya'); α is the intercept; β1… βn are the regression coefficients; ε is the error term.

This research uses a quantitative approach to observe the relationship formed between ROA and those independent variables. The hypothesis is tested in this research:

H1 = The higher the CSR disclosure level, the better profitability using ROA of Indonesia Islamic banks.

Therefore, it is expected that each of the compounds of all individual dimension variables of CSR disclosure will positively affect profitability. As a result, this research develops another hypothesis as follows:

H2 = Mission and vision dimension of CSR disclosure have a positive relationship with profitability using Indonesia Islamic banks' ROA.

H3 = Product and services dimension of CSR disclosure has a positive relationship with profitability using Indonesia Islamic banks' ROA.

H4 = Zakat, charity and benevolent funds dimension of CSR disclosure have a positive relationship with profitability using Indonesia Islamic banks' ROA.

H5 = Commitment toward employees' CSR disclosure dimension has a positive relationship with profitability using Indonesia Islamic banks' ROA.

H6 = Commitment toward debtors' dimension of CSR disclosure has a positive relationship with profitability using Indonesia Islamic banks' ROA.

H7 = Commitment toward CSR disclosure's community dimension has a positive relationship with profitability using Indonesia Islamic banks' ROA.

4. DATA ANALYSIS

4.1. Descriptive Statistic Analysis

Each observation consists of 1 independent variable and 11 dependent variables data. The descriptive statistical analysis is shown in Table 4.1. Based on the results, the mean of ROA is 0.81, with a maximum value of 11.19 and a minimum value of -20.13. It indicated that in general, the ROA of Indonesian Islamic Banks considered as high, based on Regulation of Bank Indonesia No. 6/23/DPNP. However, the range is quite extensive. The mean of CSRD is 0.83, with a maximum value of 0.92 and a minimum value of 0.66. The mean of SIZE is 15.68, with a relatively large gap between the maximum and minimum values. It indicated that the difference between the largest and the smallest bank is relatively high. The CR shows in average 17.19% of a total bank asset are derived from the capital. On the other hand, the LR shows that 23.63% of a total bank asset are distributed as financing to the public on average. The mean of OVEX is 6.72% with a maximum value of 46.72% and a minimum value of -4.51%. For the banks, the CSR Disclosure analysis shown in Table 4.2, the average Mission and Vision score for Indonesian Islamic Banks is 0.9281. The average score for Products and Services and Zakat / Charity are 0.8902 and 0.7204, respectively. In terms of the charity distribution, the average score for Charity to Employees is 0.8088, Charity to Debtors is 0.9569, and Charity to Community is 0.731.

Table 4.1 Descriptive Statistic Analysis Model 1

	ROA	CSRD	SIZE	CR	LR	OVEX
Mean	0.815490	0.828709	15.682200	0.171875	0.236388	0.067232
Median	1.020000	0.849057	15.650290	0.117848	0.230794	0.042684
Maximum	11.190000	0.924528	18.292160	0.950837	0.725645	0.467214
Minimum	-20.130000	0.660377	12.613000	0.054799	0.000000	-0.045070
Std. Dev.	3.455730	0.063815	1.346965	0.146697	0.168198	0.071649
Skewness	-2.567050	-0.757642	0.059843	2.475580	0.562334	2.870021
Kurtosis	17.477430	3.024737	2.388613	10.630050	3.091544	13.248580
Jarque-Bera	1002.808000	9.760975	1.649504	351.609700	5.411354	586.421500
Probability	0.000000	0.007593	0.438344	0.000000	0.066825	0.000000
Sum	83.180000	84.528300	1599.585000	17.531220	24.111610	6.857645
Sum Sq. Dev.	1206.149000	0.411311	183.245700	2.173519	2.857341	0.518494

Table 4.2 Descriptive Statistic Analysis Model 2

	MV	PS	ZC	CTE	CTD	CTC
Mean	0.928105	0.890196	0.723039	0.808824	0.956863	0.731092
Median	0.888889	0.900000	0.833333	0.800000	1.000000	0.714286
Maximum	1.000000	1.000000	0.916667	1.000000	1.000000	1.000000
Minimum	0.555556	0.600000	0.000000	0.600000	0.800000	0.285714
Std. Dev.	0.085134	0.082666	0.170807	0.098607	0.082666	0.117724
Skewness	-1.620644	-1.402091	-1.686626	-0.177100	-1.382521	-0.646715
Kurtosis	6.891369	6.140782	5.476074	2.585109	2.911364	4.366805
Jarque-Bera	109.007000	75.343780	74.416520	1.264768	32.526570	15.049750
Probability	0.000000	0.000000	0.000000	0.531324	0.000000	0.000539
Sum	94.666670	90.800000	73.750000	82.500000	97.600000	74.571430
Sum Sq. Dev.	0.732026	0.690196	2.946691	0.982059	0.690196	1.399760

4.2. Inferential Analysis

The relationship between corporate social responsibility (CSR) disclosure and financial performance with profitability ratios will be analyzed using panel data regression analysis. Chow test and Hausman test carried out to find the best type for research model. The result shows that the Fixed Effect is more appropriate for both model estimations.

4.3. Classical Linear Assumption Test

Since the Hausman test's conclusion is a fixed model (EGLS), then it is not necessary to conduct some of the classical assumptions such as normality test, autocorrelation test, and heteroscedasticity test. As stated by Gujarati and Porter (2009), "whenever we use an FGLS or EGLS method to estimate the parameters of the transformed model, the estimated coefficients will not necessarily have the usual optimum properties of the classical model, such as BLUE". However, multicollinearity test still conducted with the data. Multicollinearity test is performed to predict the correlation between the variables that are used in this research. The correlation coefficient between each variable should less than 0,8. Otherwise, there is an indication of multicollinearity symptoms (Gujarati & Porter, 2009). The result of all variables shows values less than 0,8, which indicate that there is no multicollinearity, as shown in Table 4.3.

Table 4.5 Multicollinearity Test Result

Model 1	**CSRD**	**SIZE**	**CR**	**LR**	**OVEX**
CSRD	1				
SIZE	0.511	1			
CR	-0.428	-0.532	1		
LR	0.099	0.053	0.035	1	
OVEX	-0.322	-0.145	0.314	-0.297	1

Model 2	**MV**	**PS**	**ZC**	**CTE**	**CTD**	**CTC**	**SIZE**	**CR**	**LR**	**OVEX**
MV	1									
PS	0.055	1								
ZC	0.181	0.133	1							
CTE	0.234	0.084	0.107	1						
CTD	0.024	-0.005	0.115	0.290	1					
CTC	0.169	0.162	0.246	0.219	0.104	1				
SIZE	0.249	0.009	0.348	0.406	0.310	0.349	1			
CR	-0.112	-0.190	-0.326	-0.202	-0.054	-0.381	-0.532	1		
LR	0.199	0.015	0.163	-0.046	-0.018	-0.136	0.053	0.035	1	
OVEX	-0.323	-0.316	-0.188	-0.138	0.032	-0.088	-0.145	0.314	-0.297	1

4.4. Regression Analysis

4.4.1. Regression Model 1

The first model to be tested is the relationship of corporate social responsibility disclosure, size, capital ratio, financing ratio and overhead expenses to profitability. The empirical results are shown in Table 4.6; it can be seen the value of constant (C) of

-0.416 shows the average return on assets in Islamic banks in Indonesia when all independent variables are zero. Estimation of the first regression model using a fixed model and obtained the following output.

Table 4.6 Regression Model I Results

Variable	Coefficient	Std. Error	t-statistic	Prob.
C	-0.416100	3.237797	-0.128513	0.8980
CSRD	10.04633	3.074754	3.267361	0.0016
SIZE	-0.206773	0.165480	-1.249532	0.2149
CR	-6.456283	1.976699	-3.266195	0.0016
LR	-3.334452	1.732376	-1.924786	0.0576
OVEX	-29.05390	4.471061	-6.498211	0.0000
R-squared	0.658854			
Adjusted R-squared	0.594638			
Prob(F-statistic)	0.000000			

Based on the analysis result, the regression model of this research written as:

$$ROA = -0.416100420089 + 10.0463316227*CSRD - 0.206772541643*SIZE - 6.45628343236*CR - 3.33445197524*LR - 29.0538987699*OVEX + \varepsilon$$

The coefficient of determination is calculated to determine the independent variable's influence (CSR disclosure, size, capital ratio, financing ratio and overhead expenses) on profitability. Based on the results of data processing in table 4.6, it obtained value adjusted R-Square of 0.595 or 59.5 per cent. It means that CSR disclosure, size, capital ratio, financing ratio and overhead expenses overall contribute to 59.5% to profitability in Islamic bank in Indonesia. The remaining of 40.5% comes from the influence of other factors that not examined in this research. The next test examines the relationship of each independent variable (CSR disclosure, size, capital ratio, financing ratio and overhead expenses) with return on asset.

F-test is to examine the relationship between all independent variables with the dependent variable, whether CSR disclosure, size, capital ratio, financing ratio and overhead expenses jointly have a relationship with profitability or not. Table 4.6 shows that the F-statistic probability value is close to zero, lower than the 0.05 level of significance. Thus, based on F-test analysis, it concluded that all the independent variables are significant to Islamic banks' profitability in Indonesia.

He was followed by conducting t-test, to identify the relationship between each independent variables and dependent variable, whether it is significant or not. The regression estimation indicated several independent variables have a substantial relationship to the dependent variable with a 0.05 significance level. Those independent variables are CSRD, Cap. Ratio, and Overhead Exp. Other variables, Size and Financing Ratio, appeared to be not significant than the particular significance level.

4.4.1.1. CSR Disclosure on Profitability

Based on the regression estimation output in Table 4.6, Corporate Social Responsibility Disclosure has a positive and significant relationship with profitability in Indonesian

Islamic banks. The p-value of CSRD represents this in the initial regression, which is way below the significance level (0.0016 > 0.05). The positive effect is represented by the coefficient, which is 10.04633, means that an increase of 1 unit in the CSR Disclosure will increase the bank's Return on Asset by 10.04633 units. The results of the analysis espouse Hypothesis 1. They are in accord with the theoretical frameworks discussed that predict a positive relation between CSR disclosure and financial performance in the Islamic banking industry. Therefore, this study's results provide empirical evidence that banks with a higher CSR disclosure level tend to have better profitability. The significant relationship between CSR disclosure and ROA is consistent with previous studies, such as Scholtens (2009), and Simpson & Kohers (2002). The instrumental stakeholder theory, the 'social impact hypothesis' and 'good management theory' are proven to be highly compatible with this research's results. The results are adjacent to instrumental theory, which agree on the positive effect stakeholder management has on corporate financial performance. Effectively, this study's results agree with the 'good management theory', which implies that positive financial performance achievable through good connection with stakeholders (Waddock & Graves 1997). Empirically, this study acknowledges the results presented by Preston & O'Bannon (1997) and Orlitzky et al. (2003).

4.4.1.2. Size on Profitability

Based on the result, Bank Size appeared to have an insignificant relationship with Return on Asset. The variable's p-value is 0,2149, which is above the level of significance used in this model (0.05). The negative effect is represented by the coefficient, which is -0.206773. It means that an increase of 1 unit in the log natural bank size will decrease the bank's Return on Asset by 0,206773 units. This result is in line with Hoffman's (2011) study, which found a non-significant and negative bank size relationship on profitability. The study results from Javaid et al. (2011) claimed that higher total assets might not necessarily lead to higher profits.

4.4.1.3 Capital Ratio on Profitability

According to the result, Capital Ratio has a significant negative relationship with Return on Asset, as the p-value of variable 0,002 is lower than the significance level (0.0000 > 0.05). The negative effect is represented by the coefficient, which is -3.266. It means that an increase of 1 unit in the capital ratio will decrease the bank's Return on Asset by 6,456283 units. This study provides empirical evidence that banks with larger capital ratio tend to have a lower return on assets. The result is consistent with Athanasoglou et al. (2008) who provide evidence of capital represented by equity to total assets found to have a negative and significant impact on profitability. According to Bashir A. H. (2003), coefficient relationships explain that a lower capital ratio shows insufficient protection to depositors that bank accounts are not entirely insured. It may provoke safety and public confidence burden for the respective bank.

4.4.1.4 Financing Ratio on Profitability

Based on the regression estimation output, Financing Ratio has an insignificant relationship toward Return on Asset. It is indicated by the p-value of the variable in the initial regression analysis is 0.0576, which is more than the 0.05 significance level. The negative relationship is represented by the coefficient, which is -3.34452. It means that an increase of 1 unit in the financing ratio will decrease the bank's Return on Asset by 3.34452 units. The result is contrary to a previous study by Christine & Dong (2011), who found that the increases in financing ratios are positively related to bank profitability. However, according to Bashir A. H. (2003), the negative coefficient on financing ratio might be caused by in higher-income countries, Islamic banks become highly leveraged and high in capital cost. Their financings-to-assets rates decrease, their exposure to macroeconomic shocks increases, therefore it leads to losses and few profits.

Additionally, Demirguc-Kunt and Huizinga (1997) stated that the financing-performance relationship depends significantly on the economy's expected to change since most Islamic banks' financing is in profit and loss sharing (financings with equity features). The bank could be capitally corrupt through a low economy since several borrowers are potentially failing on their financings. Preferably, banks should capitalize on good economic conditions and isolate themselves through adverse terms.

4.4.1.5. Overhead Expenses on Profitability

As seen in the result, Overhead Expense appeared to have a significant negative relationship with Return on Asset as the p-value of variable 0,0000 is less than the significance level (0.05). The negative relation is represented by the coefficient, which is -29.05390. In this research, the overhead expense is expressed in per cent as the ratio per total assets, not billion rupiahs. This result means a decrease of 29.05390 units in Overhead Expenses will increase 1 unit in ROA. Thus, this study's results provide empirical evidence that banks with more extraordinary overhead expenses tend to have a lower return on assets. This empirical result is consistent with Sufian and Chong (2008) results which suggested that banks profitability is negatively related to the size of the bank and overhead expenses. According to Bashir, A. H. (2003), bank efficiency is supposed to operate at a lower cost because a high overhead ratio is expected to affect performance negatively. Otherwise, a lower overhead rate may affect performance positively.

4.4.2. Regression Model 2

The second model to be tested is the relationship of an individual dimension of CSR (mission and vision; product and services; zakat, charity, and benevolent funds; commitment towards employees; commitment towards debtors; commitment towards community), size, capital ratio, financing ratio, and overhead expenses to profitability. The second regression model estimation used a fixed model and obtained the following output:

As presented in Table 4.7, the results obtained explain that the value of constant (C) of -6.24 shows the average return on assets in Islamic banks in Indonesia when all independent variables are zero. Therefore, the regression model of this research written as:

$$\begin{aligned} ROA = &- 6.23931949568 + 4.25090143216{*}MV + 4.8915485211{*}PS + \\ &1.23653988296{*}ZC + 3.60710860246{*}CTE - 1.23919984914{*}CTD + \\ &2.45921485212{*}CTC - 0.130667590762{*}SIZE - 4.98407373264{*}CR - \\ &3.80531889538{*}LR - 27.7150592915{*}OVEX + \varepsilon \end{aligned}$$

Table 4.7 Regression Model 2 Analysis Result

Variable	Coefficient	Std. Error	t-statistic	Prob.
C	-6.239319	3.778741	-1.651164	0.1026
MV	4.250901	1.302335	3.264060	0.0016
PS	4.891549	1.488835	3.285488	0.0015
ZC	1.236540	1.018672	1.213874	0.2284
CTE	3.607109	1.353497	2.665028	0.0093
CTD	-1.239200	1.596491	-0.776202	0.4399
CTC	2.459215	1.693346	1.452282	0.1503
SIZE	-0.130668	0.177430	-0.736445	0.4636
CR	-4.984074	2.054170	-2.426320	0.0175
LR	-3.805319	1.833951	-2.074930	0.0412
OVEX	-27.71506	4.058330	-6.829178	0.0000
R-squared	0.686868			
Adjusted R-squared	0.604671			
Prob(F-statistic)	0.000000			

Table 4.7 obtained adjusted R-Square value of 0.605 or 60.5 per cent. This empirical result shows that mission and vision, product and services, zakat and charity, commitment towards employees, commitment towards debtors, responsibility towards the community, company size, capital ratio, financing ratio, and overhead expenses contribute 60.5% profitability. The remaining of 39.5% comes from the influence of other factors that not examined in this research.

F-test is to examine the relationship between all independent variables with the dependent variable, whether CSR disclosure, size, capital ratio, financing ratio and overhead expenses jointly have a relationship with profitability or not. Table 4.7 shows that Fstatistic value of the data processing of 8.356366 with probability value zero, which is lower than 0.05 level of significance. Thus, based on F-test analysis, it concludes that all the independent variables are significant to Islamic banks' profitability in Indonesia.

T-test was conducted to identify the relationship between each independent variable and dependent variable, whether significant. The regression estimation indicated several independent variables have a substantial relationship to the dependent variable with a 0.05 significance level. Those independent variables are Mission and Vision, Product and Services, Commitment toward Employees, Cap. Ratio, Financing Ratio, and Overhead Exp. Other variables, namely Zakat Charity and Benevolent Funds, Commitment toward Debtors, Commitment toward Community, and Size appeared to be not significant compared to the particular significance level.

4.4.2.1. Mission and Vision on Profitability

Based on the regression estimation output in Table 4.7, Mission and Vision have a positive and significant profitability relationship. It is represented by the p-value MV, which is below the significance level (0.0016 > 0.05). The positive effect is represented by the coefficient, which is 4.250901. It means that an increase of 1 unit in the Mission and Vision index will increase the bank's ROA by 4.250901 units. This empirical result is consistent with a study conducted by Platonova et al. (2016), who found a significant relationship between mission and vision with bank profitability in Islamic banks as they argued that this dimension of CSR, expressed the Islamic compliancy and commitment, and also other Islamic ethical. In other words, this dimension is merely related to the prominent nature of Islamic banks from their conventional equivalent (Mallin et al. 2014).

4.4.2.2. Product and Services on Profitability

As seen in the result, Product and Services appeared to have a positive and significant relationship with Return on Asset. The p-value of variable 0,0015 is lower than the significance level (0.05). The positive relation is represented by the coefficient, which is 4.891549. It also means that an increase of 1 unit in Product and Services index will increase to 4.891549 units in ROA. This study provides empirical evidence that banks with product and services disclosure are more likely to have a higher return on asset. This result is also consistent with the study by Platonova et al. (2016), who asserts a significant relationship between product and services dimension with profitability in Islamic banks, as they argued that this dimension of CSR articulated as a seen and daily practice of the Islamic compliancy, commitment, and other Islamic ethical. In other words, this dimension is merely related to the prominent nature of Islamic banks from their conventional equivalent (Mallin et al. 2014).

4.4.2.3. Zakat, Charity, and Benevolent Funds on Profitability

According to the result, Zakat, Charity, and Benevolent Funds has a non-significant relationship with Return on Asset, as the p-value of variable 0,2284 is higher than the significance level (0.05). The positive relation is represented by the coefficient, which is 1.236540. Positive connection means that an increase of 1 unit in the Zakat, Charity, and Benevolent Funds will increase the bank's Return on Asset by 1.236540 units. This empirical result is consistent with a previous study conducted by Platonova et al. (2016), who found an insignificant relationship between zakat, charity, and benevolent funds and profitability of GCC banks. Non-significant relation of this coefficient and a probable confirmation of the low grade of the disclosure describes that Islamic banks have a relatively little tendency to disclose information regarding this dimension, since 'zakat, charity and benevolent funds' view as one of Islamic bank key nature. In terms of Islamic ethics, such revelations are considered contradictive to the dignity of those who receive and deemed prejudicial to the initial intentions of socially giving, thereby discouraging individuals and institutions from exposing their social responsibility and social services activities. Moreover, it is well known that most of such social distribution occurs unstructured, which implies that informal distribution is more common in the distribution of such funds.

4.4.2.4. Commitment Towards Employees on Profitability

As seen in the result, Commitment towards Employees appeared to have a significant positive relationship with Return on Asset as the p-value of variable 0,0093 is lower than the significance level (0.05). The positive relation is represented by the coefficient, which is -3.607109. It also means that an increase of 1 unit in Commitment Towards Employees will increase 3.607109 units in ROA. This study provides empirical evidence that banks with Commitment towards Employees disclosure tend to have a higher return on asset. This result is in line with the study proposed by Saleh et al. (2011) who found a positive and significant relation between CSR toward employee relations involvement with bank's profitability. They argued that it indicates that stakeholders, namely employees and investors, appreciate fair managers who support preserving and attracting the optimal workforce and are interested in product safety and quality.

4.4.2.5. Commitment towards Debtors on Profitability

Based on the result, Commitment towards Debtors appeared to have a negative and insignificant relationship with Return on Asset. The variable's p-value is 0.4399, which is way above the level of significance used in this model (0.05). The negative relation is represented by the coefficient, which is -1.239200. It means that an increase of 1 unit in the Commitment towards Debtors will decrease the bank's ROA by -1.239200 units. This empirical result is in line with a study by Platonova et al. (2016), who asserts that there is no significant relation between commitment towards debtors with Islamic banks' profitability in the GCC region.

4.4.2.6. Commitment Towards Community on Profitability

According to the result, Commitment towards Community has no significant relationship with Return on Asset, as the p-value of variable 0,1503 is more significant than the significance level (> 0.05). The positive relation is represented by the coefficient, which is 2.459215. It means that an increase of 1 unit in the Commitment towards Community will increase the bank's Return on Asset by 2.459215 units. The empirical result is consistent with Mahoney and Roberts (2007) study, which found a non-significant positive impact of community involvement coefficient. It is also compatible with Simpson and Kohers (2002), who asserts a positive link between CSR toward community and financial performance using profitability ratio. According to Saleh et al. (2010), a non-significant relation of this coefficient and a probable confirmation of the low grade of disclosure could be described by the fact. However, these expenditures might find the companies at an economic disadvantage compared with other, less socially responsible (Balabanis et al., 1998).

4.4.2.7. Size on Profitability

Based on the result, Bank Size appeared to have a non-significant relationship with Return on Asset. The variable's p-value is 0.4636, which is above the level of significance used in this model (0.05). The negative effect is represented by the coefficient, which is -0.130668. It means that an increase of 1 unit in the log natural bank size will decrease the bank's Return on Asset by 0.130668 units. This result is in line with the study by Hoffman (2011), who found a non-significant and negative bank size relationship on profitability and consistent with the study results from Javaid et al. (2011) who claimed that higher total assets might not necessarily lead to higher profits. According to Gharaibeh, Ahmad & Gharaibeh, Obeid. (2018) the negative sign of the natural logarithm of total assets indicates that this relationship is caused by diseconomies of scale suffered by banks in Bahrain.

4.4.2.8. Capital Ratio on Profitability

According to the result, Capital Ratio has a significant negative relationship with Return on Asset, as the p-value of variable 0,0175 is lower than the significance level (> 0.05). The negative effect is represented by the coefficient, which is -4.984074. It means that an increase of 1 unit in the capital ratio will decrease the bank's Return on Asset by 4.984074 units. This study provides empirical evidence that banks with larger capital ratio tend to have a lower return on assets. The result is consistent with Sufian & Chong (2008) results, where their results provide evidence of equity capital found to have a negative and significant impact on profitability. According to Bashir A. H. (2003), the negative and statistically significant capital coefficient relationships can be explained by the fact that banks with less equity capital are more danger and face higher expected bankruptcy. It prevents banks from reducing their capital cost and decreasing their profitability that can translate to such a disadvantage.

4.4.2.9. Financing Ratio on Profitability

Based on the regression estimation output, Financing Ratio has an insignificant relationship toward Return on Asset. It is indicated by the p-value of the variable in the initial regression analysis is 0.0412, which is lower than the 0.05 significance level. The negative relationship is represented by the coefficient, which is -3.805319. It means that an increase of 1 unit in the financing ratio will decrease the bank's Return on Asset by 3.805319 units. The result is contrary to a previous study by Christine and Dong (2011), who found that the increases in financing ratios are positively related to bank profitability. However, according to Bashir A. H. (2003), the negative coefficient on financing ratio might be caused by in higher-income countries Islamic banks become highly leveraged and high in capital cost. Their financings-to-assets ratios decrease, their exposure to macroeconomic shocks increases. Therefore it leads to losses and few profits. Additionally, Demirguc-Kunt and Huizinga (1997) stated that the financing-performance relationship depends significantly on the economy's expected to change since most Islamic banks' financing is in profit and loss sharing (financings with equity features). The bank could be capitally corrupt through a low economy since several borrowers are potentially failing on their financings.

4.4.2.10. Overhead Expenses on Profitability

As seen in the result, Overhead Expense appeared to have a significant negative relationship with Return on Asset as the p-value of variable 0,0000 is way below the significance level (0.05). The negative relation is represented by the coefficient, which is -27.71506. In this research, the overhead expense is expressed in per cent as the ratio per total assets, not billion rupiahs. This result means a decrease of 27.71506 units in Overhead Expenses will increase 1 unit in ROA. Thus, this study's results provide empirical evidence that banks with more significant overhead expenses tend to have a lower return on assets. This empirical result is consistent with Athanasoglou et al. (2008) results which suggested that banks profitability is negatively related to the size of the bank and overhead expenses. According to Bashir A. H. (2003), bank efficiency is supposed to operate at a lower cost because a high overhead ratio is expected to affect performance negatively. Otherwise, a lower overhead rate may impact performance positively.

4.4.3. Intercept Analysis

Table 4.8 Intercept Analysis Results

No	Bank	Intercept Fixed Effect (Model 1)	Rank	Intercept Fixed Effect (Model 2)	Rank
1	BCA Syariah	-1.140070	11	-1.283440	10
2	Mandiri Syariah	-1.091642	10	-1.306464	11
3	Mega Syariah	0.790980	3	0.677747	3
4	BNI Syariah	-0.540929	5	-0.431039	6
5	Muamalat	-1.048051	9	-1.040990	9
6	BRI Syariah	-0.961519	7	-0.884423	8
7	Bukopin Syariah	-1.648420	12	-1.701215	12
8	Panin Syariah	0.005854	4	0.318765	4
9	Maybank Syariah	2.699591	2	2.113407	2
10	Victoria Syariah	-0.925515	6	-0.478829	7
11	BTPN Syariah	9.144410	1	8.651587	1
12	BJB Syariah	-0.980614	8	-0.404294	5

Based on Table 4.8, the average value of each bank's ROA in the condition where every independent variable is used in this model (CSR Disclosure, Bank Size, Capital Ratio, Financing Ratio, and Overhead Expense) remain constant or zero (0). Bank BTPN Syariah has the highest value of intercept fixed effect, which placed in the first rank. In contrast, Bank Bukopin Syariah has the lowest intercept fixed effect, putting it to the last position among other Islamic banks. When independent variables are zero, the ROA will decrease by 16,484% during the research period. It is affected by other variables that are not examined in this research and vice versa.

5. CONCLUSION AND RECOMMENDATION

5.1. Conclusion

Based on the regression result, corporate social responsibility disclosure has a significant positive relationship with profitability using Return on Asset (ROA). Several individual dimensions variable such as 'Mission and Vision', 'Product and Services', and 'Commitment toward Employees' appeared to have a significant positive relationship with profitability. While the remains variables such as 'Zakat, Charity, and Benevolent Funds', 'Commitment toward Debtors', and 'Commitment toward Community' appeared to have a negative and insignificant relationship with profitability in Indonesia Islamic Banks. This research's results are consistent with stakeholder theory, the 'social impact hypothesis', and 'good management theory'. Thus, having higher CSR Disclosure will impact higher profitability is consistent with previous research suggested that the more a firm investing in social responsibility, it can be beneficial to both stakeholder and shareholder, which can gain highly financial profits (Wu & Shen, 2013).

5.1. Recommendation

Based on the empirical results regarding the CSR and also the individual dimension toward profitability, it indicates some of the critical policy implications. The essential thing for combining the Islamic banking business strategy's socio-economic dimensions is to build the CSR objectives more explicit through the Islamic approach to social activities, which some dimensions are identified in this empirical study. Since the Islamic bank is obliged to operate within the law's objectives and the morality of Islam, they should put CSR-related policies in the summit position of their business activities to recognize their own 'Islamic moral economy'. Thus, without enclosing social and economic dimensions, these institutions cannot be considered as fulfilling of moral Islamic economy requirement of various forms of Islamic as a matter that distinguishes them from conventional banks demonstrating and articulating ethics. Islamic banks' nature emphasizes ethical business, including disclosing information related to CSR and conducting CSR activities. Islamic obedience only affects the rational and legal framework of negative concealing downgrade the probation time or interest and limited uncertainty called gharar.
Moreover, maintaining an acceptable CSR policy will enhance Islamic banks' ability to overcome the possibility of reputation damage and the emergence of negative external news they may receive in the future so that they can retain their finances and protect their profits. Therefore, having an extensive, socially responsible agenda can help Islamic banks generate goodwill that will protect them from unexpected challenges and provide access to new projects that are not obtainable to companies with less CSR implementation. In essence, the 'prefix of Islam' in banking is the identity and policy that must be enforced by the financial industry rather than deviate from such ethical behaviour which ambitiously achieves profits.
Under certain circumstances, banks have to reveal a high level of dedication to CSR as proposed by stakeholders' theory to increase their profitability in the long-term. Consequently, Islamic banks must improve and keep on disclosing their social responsibility evidence in the annual report as a disclosure platform because bank with inflated visibility amongst consumers indicates more significant concern to update on favourable impression through high CSR disclosure in the annual report on websites.
This research still needs further analysis and may consider other CSR disclosure index indicators and different financial performance measures.

APPENDIX

APPENDIX A

Dimensions and Sub-dimensions of CSR Disclosure Index

No	Dimension	No	Indicator
1	Mission and Vision Statement	1	Commitments in operating within Islamic principles/ideals
		2	Commitments in providing returns within Islamic principles
		3	Current directions in serving the needs of the Muslim community
		4	Commitments to fulfil contractual relationships with various stakeholders via contract (uqud) statements

No	Dimension	No	Indicator
		5	Future directions in serving the needs of the Muslim community
		6	Commitments to engage only in permissible financing activities
		7	Commitments to fulfil contracts via contract (uqud) statement
		8	Appreciation to customers
		9	Focus on maximizing stakeholders returns
2	Products and Services	1	No involvement in non-permissible activities
		2	Involvement in non-permissible activities-% of profit
		3	Reason for involvement in non-permissible activities
		4	Handling of non-permissible activities
		5	Introduced new product
		6	Approval ex-ante by SSB for new product
		7	Basis of Islamic concept in approving new product
		8	Glossary/definition of products
		9	Investment activities - general
		10	Financing projects - general
3	Zakah, charity and benevolent funds	1	Bank liable for zakah
		2	Amount paid for zakah.
		3	Sources of zakah Uses/beneficiaries of zakah
		4	Balance of zakah not distributed-amount
		5	Reasons for balance of zakah
		6	SSB attestation that sources and uses of zakah according to Islamich
		7	SSB attestation that zakah has been computed according to Islamich
		8	Zakah to be paid by individuals-amount
		9	Sources of charity (sadaqa) Uses of charity (sadaqa)
		10	Sources of qard al-hassan Uses of qard al-hassan
		11	Policy for providing qard al-hassan

No	Dimension	No	Indicator
		12	Policy on non-payment of qard al-hassan
4	Commitment towards employees	1	Employees appreciation
		2	Number of employees
		3	Equal opportunities policy
		4	Competitive salary
		5	Employee welfare
		6	Training: Islamich awareness
		7	Training: other
		8	Training: student/recruitment scheme
		9	Training: monetary
		10	Reward for employees
5	Commitment towards debtors	1	Debt policy
		2	Attitude towards debt products
		3	Amount of debts written off
		4	Type of lending activities-general
		5	Type of lending activities-detailed
6	Commitment towards community	1	Woman branch
		2	Creating job opportunities
		3	Support for organizations that provide benefits to society
		4	Participation in government social activities
		5	Sponsored community activities
		6	Commitment to social role
		7	Conferences on Islamic economics and other educational areas

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