



# The Role of CSR (Corporate Social Responsibility) in reducing Reputation Risk due to Covid-19 For Islamic Financial Institutions in Indonesia

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## Abstract

**Purpose** - This study aims to analyze the effect of CSR programs carried out by Islamic banking companies on reducing reputation risk by covid 19.

**Method** - This study uses a literature study approach to answer the research objectives. The literature study conducted in this research is a form of research conducted by collecting journal articles with themes according to the research objectives, namely reviewing the definition and importance of implementing reputation risk management in Islamic Financial Institutions.

**Result** - The result of this research indicates that Islamic banks have a higher reputation risk than conventional banks because apart from looking at the operational aspects, the public also sees the spiritual aspects of Islamic banks in carrying out their operations.

**Implication** - This study uses the data from scientific journal articles available online with the help of search engines, google scholar. Source of data derived from two sources, namely: primary data derived from journals on Islamic Economics, Islamic Corporate Social Responsibility and articles on covid -19, as well as reliable readings that can support this research.

**Originality** - Relaxation of financing facilities for customers affected by the Covid-19 virus pandemic in the form of postponement of payments and/or granting of margin/profit sharing relief whose terms and conditions are adjusted to the economic sector, criteria, and customer conditions while still referring to OJK regulations.

**Keywords:** Banking, CSR, Islamic Bank, Reputation Risk



## Introduction

The phenomenon of the spread of the Covid-19 pandemic in a number of countries, including in Indonesia, has had a massive impact on health conditions and social interaction among the people, but has also affected economic conditions. To avoid a wider spread of Covid-19, the government was forced to adopt a policy of social restrictions in the form of staying at home, working from home, studying and worshipping at home (Fitrotus, 2020; Fuadi, 2022). The spread of this epidemic has spread to all provinces in Indonesia, quoted from [cnbcindonesia.com](http://cnbcindonesia.com). Indonesia is also listed as the country with the highest death rate or mortality rate due to this virus in Southeast Asia and is ranked 35th country with a mortality rate of 8.12 percent in the world. Based on data from the Covid-19 Handling Acceleration Group formed by the Government of Indonesia, data as of May 13 2020 recorded 14,749 people who were confirmed positive for Covid-19, 10,679 were in treatment, 3,063 people recovered while 1,007 people died, spread across 34 provinces in Indonesia. DKI Jakarta has the highest number of people, namely 4,397 people, West Java 1,043 people, East Java 1,037 people while the province that is the lowest affected by Covid-19, namely Aceh Province, 11 people (Fitrotus, 2020; Ana et al., 2022).

Government decision to take policy social distancing the positive aim is to avoid the more fatal consequences of the wide spread of Covid-19. But on the other hand, this policy has also caused the wheels of the economy to weaken and slow down very drastically, even to the lowest point. The government is also advised to make adjustments to health policies and macroeconomic policies (Ana et al., 2022; Ningrum, 2021; Susanti, 2022; Wardani et al 2021). The effects of this spread have also been felt by various levels of society in Indonesia, starting from banks and other financial institutions, market traders, MSME traders, traders who were forced to close their shops, online motorcycle taxi drivers who had lost their customers, bus and angkot drivers who were forced to stop, scarcity of basic needs so that the prices of basic necessities soar and this is also felt by all levels of society, both in urban and rural areas (Wardani et al., 2021; Ningrum, 2021; Octavina et al., 2022).



It needs to be realized by various parties that this epidemic is not necessarily the responsibility of the government alone, both at the central and regional levels. This disaster is a shared responsibility, every citizen as well as private institutions and BUMN are asked to play a role in overcoming the impact of covid 19. One of them is through the CSR (Corporate Social Responsibility) program to assist the government in efforts to fight the corona virus outbreak. CSR activities can build a positive image of the company in the eyes of the public (Yenti al., 2020; Ningrum, 2021; Susanti, 2022). A good company image is an asset, because brand image has an impact on consumer perceptions because there are many benefits that companies can get from CSR activities. CSR activities can improve the company's image in the eyes of the public and can foster public trust. In addition to the great benefits that can be obtained by recipients of CSR activities, the company's brand has also increased in the eyes of stakeholders. In fighting the corona virus in Indonesia, companies can compete in carrying out CSR activities. The assistance that can be distributed varies and can be adjusted according to needs. First, it can be in the form of equipment to prevent the spread of the corona virus such as test kits, personal protective equipment, hand sanitizers and also disinfectants. Second, in the form of concern for daily workers. This concrete action can be carried out by providing direct assistance in the form of providing groceries, masks, hand sanitizers to daily workers such as taxi drivers, online motorcycle taxis, construction workers and also cleaners. Third, CSR activities can also be in the form of assistance in the form of food and drinks for medical workers and volunteers to quickly respond to the corona virus. Fourth, companies can also provide internet access support and information and communication technology facilities for hospitals to make it easier for officers and volunteers to coordinate and help deal with the corona virus. And finally, companies can also provide free education through online seminars on the impacts and dangers of the corona virus to people who work, study and worship at home. With these various CSR activities, of course, it will reduce people's difficulties in dealing with the impact of the corona virus disaster in Indonesia (Afif & Mulyawisdawati, 2020; Wardani et al., 2021; Octavina et al., 2022).



Various previous studies have revealed that the number of companies disclosing social responsibility information (social corporate responsibility) in their annual reports is increasing. Likewise, the amount and type of CSR information disclosed is increasing. Many companies are increasingly realizing the importance of CSR programs as part of their business strategy. Problem Formulation based on the background above, the following research problems can be identified as follows (1). How is the reputation risk of Islamic Banks compared to Conventional Banks? (2) How can CSR programs carried out by Islamic banking companies reduce reputation risk due to the health crisis caused by Covid 19? And (3) How does the Al-Quran integrate the meaning and purpose of prayer with social values?. We aim to evaluate (1) Formulating the concept of reputation risk for Islamic Banks compared to Conventional Banks. (2) To analyze the effect of CSR programs carried out by Islamic banking companies on reducing reputation risk due to the health crisis caused by covid 19. And (3) To analyze how the Al-Quran can integrate the meaning and purpose of prayer with social values.

## **Literature Review**

### **Previous Study**

Islamic banking is currently growing rapidly and has become a part of financial life in the Islamic world. However, there are two realities that are important to observe in the life of Islamic banking in Indonesia. First, Islamic banks have not achieved a market share of 5 percent. Second, there is a decrease in Islamic banking compliance with sharia principles. Therefore a development strategy is needed through the implementation of sharia governance. The implementation of Sharia Governance is expected to have an impact on the reputation and trust of customers which in turn can increase the market share of Islamic banks. Based on this background, the research problem is how to implement sharia governance and its impact on reputation and trust in sharia banks. The object of this research is the Muamalat bank operating in Central Java (Semarang City, Solo, Purwokerto). The research sample is 200 respondents using analytical judgment techniques.



Measurement of the instrument using a Likert scale 1-5, from strongly disagree (STS) to strongly agree (SS). To find out the implementation of sharia governance, quantitative descriptive analysis is used using the average (mean). Second, to test the effect of implementing sharia governance on reputation and customer trust in Islamic banks, the Structural Equation Model (SEM) is used with the AMOS 4.0 program. Structural Equation Modeling Techniques (SEM) ) which consists of two kinds of analysis techniques, namely goodness of fit and regression weight in SEM to assess the suitability of an estimated model based on the level of significance measurement of some good or bad goodness of fit in a model, the degree of model accuracy is determined by the cut off value. This study concluded that the calculation of the total assessment of the implementation of sharia governance at Islamic banks (bank Muamalat) shows an average score of 3.427 in the good category. This shows that sharia compliance is an indicator that contributes the most to the implementation of sharia governance. Compliance with sharia is the main factor for customers in establishing partnerships with Islamic banks and deciding to maintain Islamic banks. Rahman El Yunusi (2012)

The research aims to examine the effect of zakat and Islamic Social Corporate Responsibilities on Company Reputation and Performance. Using a sample of 10 Islamic banks in Indonesia that were officially registered with the OJK from 2011 to 2014 and logistic regression testing tools and normality tests. Zakat and ICSR (Islamic Corporate Social Responsibilities) have a significant positive effect on company reputation, while Zakat has a significant positive effect on company performance and ICSR has no significant effect on company performance. Ichwan Sidik (2016)

Reputation is the most important intangible asset that a bank has. Reputation reflects the bank's success in meeting the expectations of various stakeholders. Realizing reputation is a key element of organizational strategy, especially banking. Any important issues related to the operations of Islamic banks either in terms of non-compliance with Islamic financial products or customer complaints can damage the reputation of Islamic banks. This study aims to analyze the determinants of reputation risk and its impact on Islamic



banking and how reputation risk management is implemented in Islamic banking. This study uses a literature study approach to answer research objectives while the analytical technique used in this study is content analysis. The finding of this study is that the reputation of Islamic banks is more important than conventional banks because the nature of their business is determined by Sharia principles. Thus, Islamic banks are expected to pay more attention to reputation risk management. Afrizal, Saparuddin Siregar, Sugianto (2022).

### **CSR (Corporate Social Responsibility)**

A concept that has been widely discussed by experts, CSR does not have the same definition in providing definitions, even though it has the same essence. Noor Hadi (2014) defines:

“Corporate Social Responsibility (CSR) is about how companies manage the business processes to produce an overall positive impact on society”.

This definition is lifted from the philosophy of how to manage a company in part or as a whole to have a positive impact on itself and the environment. Companies must be able to manage their business operations by producing products that are positively oriented towards society and the environment. The World Business Council for Sustainable Development (WBCSD), which is an international organization founded in 1955 and consists of 120 multinational companies from 30 countries of the world, through its publication "Making Good Business Sense" defines Corporate Social Responsibility:

“Continuing commitment by business to behave ethically and contributed to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”

This definition shows corporate social responsibility (Corporate Social Responsibility) is a form of action raised from company ethical considerations directed at improving the economy, which is accompanied by an increase in the quality of life for employees and their families, as well as at the same time



improving the quality of life for the surrounding community and society more broadly (Wardani et al., 2021; Ana et al., 2022; Octavina et al., 2022). While the definition of CSR according to Carroll (1991). Carroll (1991) defines CSR into 4 parts, namely: economic responsibilities, legal responsibilities, ethical responsibilities, philanthropic responsibilities. Carroll describes the four parts of CSR into a pyramid. The CSR pyramid starts with economic responsibility as the basis for other responsibilities. At the same time companies are expected to comply with the law, because law is a codification of acceptable and unacceptable behavior by society (Chapra, 2002). Furthermore, companies must be ethically responsible. And lastly, the company is expected to be a good corporate citizen (good corporate citizen).

### **The Role of CSR (Corporate Social Responsibility)**

The realm of social responsibility (Corporate Social Responsibility) contains very broad and complex dimensions. In addition, CSR responsibilities also contain very different interpretations, especially related to the interests of stakeholders (Stakeholders). Therefore, in order to facilitate understanding and simplification, many experts try to underline the basic principles contained in CSR responsibility. Crowther David (2008: 201) breaks down the principles of CSR responsibility into three, namely: 1). Sustainability, relating to how the company in carrying out activities (actions) still takes into account the sustainability of resources in the future. Sustainability also provides direction on how to use current resources while taking into account and taking into account the capabilities of future generations. Because of that sustainability revolves around taking sides and efforts on how society utilizes resources so that it pays attention to future generations (Fitrotus, 2020; Fuadi, 2022); 2). Accountability, it is an open company effort and is responsible for the activities that have been carried out. Accountability is needed, when the company's activities affect and are influenced by the external environment. This concept explains the quantitative influence of company activities on internal and external parties (Crowther David, 2008: 203). Accountability can be used as a medium for companies to build an image and network with



stakeholders. The level of breadth and information of company reports has social and economic consequences. The level of corporate accountability and responsibility determines the legitimacy of external stakeholders, as well as increasing company stock transactions (Crowther, David., 2008; Ningrum, 2021; Wardani et al., 2021). The company's openness regarding social responsibility activities determines the community's response to the company. However, negative information actually backfires the company, and tends to create a negative image. According to Crowther David (2008: 203) states that accountability and openness have social and economic benefits. It was further stated that the information submitted by the company is useful for stakeholders in supporting decision making. In order for the information in company reports as a form of accountability to meet the qualifications, accountability should reflect the following characteristics such as understand ability to all parties concerned, relevance to the users of the information provided, reliability and terms of accuracy of measurement, representation of impact and freedom from bias, and comparability, which implies consistency, both over time and between different organisations. 3). Transparency, it is an important principle for external parties. Transparency intersects with the reporting of company activities and the impact on external parties. Crowther David (2008: 204) states:

“transparency, as principle, means that the external impact of the actions of the organisation can be ascertained from that organisation as reporting and pertinent facts as are not this disguised within that reporting. The effect of the action of the organisation, including external impacts, should be apparent to all from using the information provided by the organisation's reporting mechanism”. Transparency is one thing that is very important for external parties, its role is to reduce information asymmetry, misunderstanding, especially information and accountability for various environmental impacts.

### **Benefits of CSR (Corporate Social Responsibility)**

The existence of the company is ideally beneficial to the surrounding community. The basic principle of CSR is empowering local communities who





are poor to be free from poverty. In addition to community empowerment, from the company's point of view, it is clear that the company's operations run smoothly without interruption. If the relationship between the company and the community is not good/harmonious, then there is definitely a problem (Fajar, Mukti., 2010; Wardani et al., 2021; Octavina et al., 2022). The CSR program has not been fully accepted by the community. Based on this description, it appears that the benefits of CSR for companies include: maintaining and boosting the company's reputation and brand image, obtaining a license to operate socially, reducing company reputation and business risks, widening access to resources for business operations, opening up wider market opportunities, reducing costs, for example the impact of waste disposal, improving relations with stakeholders, improving relations with regulators, increasing employee morale and productivity and opportunities for awards (Gunawan, Alex., 2008; Hadi, Nor., 2011; Fuadi, 2022).

#### **CSR in an Islamic perspective**

The development of the implementation of corporate social responsibility (CSR) is in line with the applicable law in Indonesia, namely Law no. 47 of 2012 concerning Limited Liability Companies article 3 paragraph 1 regarding Social and Environmental Responsibility, which states that: "Social and environmental responsibility is an obligation for companies that carry out their business activities in the field of and/or related to natural resources based on the law.". With this regulation, it will further support the development of CSR reporting in Indonesia (Untung, Hendrik Budi, 2009; Afif & Mulyawisdawati, 2020; Ningrum, 2021). In carrying out social responsibility, companies must be able to provide information about activities or activities related to social society and the environment as a form of corporate responsibility, as well as provide reporting and disclosure of these activities. But in terms of disclosure, companies are still not required, but are still voluntary disclosures (voluntary) and there are no specific regulations regarding the extent of corporate social and environmental responsibility



disclosures (Pradipta, D.H. and Purwaningsih, XV National Symposium on Accounting. Banjarmasin, 2012). In the Quran surah Al Baqarah verse 177 Allah says: It is not a virtue to turn your face towards the east and the west, but in fact that virtue is believing in God, the Last Day, angels, books, prophets and giving the wealth he loves to his relatives, orphans, people - the poor, travelers (who need help) and those who beg; and (liberate) the slave, establish prayer, and pay zakat; and those who keep their promises when they promise, and those who are patient in hardship, suffering and in war. Those are the true people (of faith) and those are the pious.

From the verse above, it can be concluded that Islam is a religion that emphasizes the importance of social values in society rather than just turning our faces to the west and east in prayer. Without neglecting the importance of prayer in Islam, the Qur'an integrates the meaning and purpose of prayer with social values. In addition to giving the value of faith in the form of faith in Allah SWT, His Book, and the Day of Judgment, the Koran emphasizes that faith is not perfect if it is not accompanied by social practices in the form of care and service to relatives, orphans, the poor, and travelers and ensure the well-being of those in need.

### **Reputation Risk**

Based on the elucidation of Article 3 paragraph (1) letter e POJK MR BPRS, Reputation risk is the risk due to decreased level of stakeholder trust originating from negative perceptions of BPRS. Reputation risk can originate from various BPRS business activities, including events that have damaged the reputation of the BPRS, for example negative coverage in the mass media, violations of business ethics, and customer complaints. The reputation risk of a bank is a collection of the bank's image in the minds of the public or stake holders. Reputation reflects public perceptions regarding the actions taken by a bank, it can also be caused by negative publications about a bank. Reputation risk is a risk that does not stand alone, but is a second degree risk (second tier risk) namely risks that occur because they are triggered by other risks such as credit risk, liquidity risk, or operational risk (Anthony, 2001; Chapra, 2002;



Fitrotus, 2020; Ningrum, 2021). Thus, in assessing reputation risk, it is necessary to understand the relationship between reputation risk and other risks. Reputation risk is formed from various attributes, namely: social responsibility, emotional appeal, financial performance, products and services, vision and leadership, work environment. Reputation management tends to be increasingly difficult to manage, losing a good reputation is much easier than trying to build it. Maintaining a banking reputation is not easy, let alone maintaining a good reputation from the company. Considering that the company's reputation is the result of fulfilling the rational expectations and emotional expectations of each stakeholder towards the company in every moment of interaction (Ningrum, 2021; Ana et al., 2022; Susanti, 2022). Rational expectations as we all know are based more on performance or the quality of the products consumed, while emotional expectations are based more on the behavior and perceptions of stakeholders. Stakeholders here include employees, customers, suppliers, shareholders, NGOs or the government. Each stakeholder has different degrees of interest and needs.

The wider coverage of this audience means that efforts to build a reputation take longer than building a corporate image. Reputation risk does not have a direct impact financially, but this risk slowly erodes the level of customer trust. Banks are an industry that has a high sensitivity to public trust (Fajar Mukti, 2010; Ningrum, 2021). Matters that greatly affect reputation include: management, shareholders, services provided, application of sharia principles and publications. If management, in the view of stakeholders, is considered good, reputation risk is low, so if the company is owned by strong shareholders, reputation risk is also low.

In terms of service, if the service is not good then the reputation risk is high. The application of sharia principles must be carried out consistently so that a negative assessment of the implementation of the sharia system does not arise which can result in negative publications that will increase the level of reputation risk (Wardani et al., 2021; Ana et al., 2022; Octavina et al., 2022). activities (Almonifi & Bhosle, 2023).



## Methods

This study uses a literature study approach to answer the research objectives. The literature study conducted in this research is a form of research conducted by collecting journal articles with themes according to the research objectives, namely reviewing the definition and importance of implementing reputation risk management in Islamic Financial Institutions. The objects of this research are scientific journal articles available online with the help of search engines (search-engine) google scholar (Subagio et al., 2008; Sugiyono, 2016). Researchers use documentation as a source of data derived from two sources, namely: primary data derived from journals on Islamic Economics, Islamic Corporate Social Responsibility and articles on covid -19, as well as reliable readings that can support this research. And the second source comes from secondary data which is other data that is not obtained from primary sources. The sources referred to are other books related to the issues that are the subject of this research (Cooper, Donald R. and Pamela S. Schindler, 2006).

The analysis technique used in this research is content analysis (content analysis). The purpose of a content analysis is to find out the content and intent of a text. If all the data has been collected, then the data will be analyzed to draw conclusions. Correct and precise results in analyzing data are needed by writers for content analysis techniques. Content analysis (Content Analysis) is research that is an in-depth discussion of the contents of written or printed information in the mass media. Content analysis can be used to analyze all forms of communication, both newspapers, radio news, television advertisements and all other documentation materials. While its relation to the discussion is as one of the author's efforts to facilitate understanding by analyzing the truth through the opinions of the scholars who then take the meaning and essence of the opinions of these scholars, regarding Corporate Social Responsibility. In addition, content analysis is a research technique to produce an objective and systematic description of the contents contained in the media studied (Subagio et al., 2008).

The strategic steps in content analysis research are as follows: First, determine the research design or model. Here are defined several media,



comparative or correlation analysis, many or few objects and so on. Second, search for primary data or primary data, namely the text itself (Avery, Robert K, 2006; Cooper, Donald R. and Pamela S. Schindler, 2006). As content analysis, text is the main object, even the most important. Searches can be carried out using certain observation form sheets that are deliberately made for the purpose of searching the data. Third, the search for contextual knowledge so that the research carried out can be meaningful and interrelated with other factors (Subagio et al., 2008; Sugiyono, 2016).

### **Results and Discussion**

In the midst of the outbreak of the Covid-19 outbreak, Islamic banking has also done various things to anticipate the impact of the Covid-19 outbreak itself. Based on Bank Indonesia regulation PBI No.13/25PBI/2011 concerning the implementation of risk management for Islamic Commercial Banks and Islamic Business Units, risk is defined as potential loss as a result of certain events. These losses can be in the form of financial or non-financial (Ningrum, 2021). In implementing Risk Management through the process of identifying, measuring, monitoring, and controlling Risk, as well as the Risk Management information system for reputation Risk, the following can be implemented:

Identification and Measurement of Reputation Risk in certain functional activities such as financing (distribution of funds), operations and services, information technology, and HR. Monitoring Reputation Risk on an ongoing basis in accordance with past experience of losses caused by reputation Risk. Reputation Risk Control, follow up immediately and resolve customer complaints and lawsuits that can increase reputation Risk exposure. The Risk Management Information System has procedures and mechanisms for reporting reputation risk or events that give rise to reputation risk.

There are several reputation risk indicators that absolutely must be observed, namely:

The influence of the reputation of bank owners and stakeholders, the indicators are the credibility of the owners and related companies, the occurrence of reputation on the owners and related companies. The influence



of the reputation of bank owners is one of the factors that causes an increase in reputation risk in Islamic banks. Credibility is indeed very influential on the reputation of a company, for example, when a bank has many customers because it is based on public trust in the bank. Stakeholder reputation here has its own role and this results in efforts to build a reputation that takes longer than building a corporate image. Banking institution employees must be experienced or have expertise in their field, that is one of the things that can improve the reputation of a banking institution (Wardani et al., 2021; Fuadi, 2022).

Violation of Business Ethics, the indicators are transparency of financial information, business cooperation with other stakeholders. It should be noted if the company violates the generally accepted business ethics/norms. Not only in the transparency of financial information, but also bank resource policies and product marketing. This violation of business ethics most often causes a low reputation of a banking institution both from its employees and its shareholders as well. Even though the reputation of a banking institution is already high, the owner of the institution must maintain its reputation by carrying out appropriate business ethics. As an example in terms of service to customers, namely call centers, providing adequate facilities when customers are waiting at the bank (Octavina et al., 2022; Fitrotus, 2020).

The complexity of Islamic bank products and business cooperation, the indicators are the number and level of customer use of complex Islamic bank products, the amount and materiality of cooperation between Islamic banks and business partners. Complex products and cooperation with business partners can be exposed to reputation risk if there is a misunderstanding in the use of products/services with business partners, for example banking services with mutual fund products (Ana et al., 2022).

Frequency of Reporting, the indicators are the frequency and materiality of the news, the type of media and the scope of the news. Negative reporting on Islamic banks also includes management of Islamic banks as measured during the assessment period (Octavina et al., 2022).



The frequency of materiality of customer complaints, the indicator is the frequency of materiality of customer complaints measured during the assessment period. The increasing number of customer complaints should not always be seen as a decrease in service quality but must be examined first unless the bank is experiencing a significant growth in the number of customers, this could be what caused the increase in the number of customer complaints. Matters that greatly affect reputation include: Management, Shareholders, Services provided, Implementation of sharia principles and Publications. If management, in the view of stakeholders, is considered good, reputation risk is low, so if the company is owned by strong shareholders, reputation risk is also low. In terms of service, if the service is not good then the reputation risk is high. The application of sharia principles must be carried out consistently so that a negative assessment of the implementation of the sharia system does not arise which can result in negative publications that will increase the level of reputation risk. The reasons for the decline in reputation include: mismanagement, breaking regulations, violating the DSN fatwa, financial scandals, incompetence in both management and service, doubtful integrity and poor financial performance (Fuadi, 2022).

Compared to conventional banks, Islamic banks have a higher reputation risk because apart from looking at the operational aspects, the public also sees the spiritual aspects of Islamic banks in carrying out their operations. So that Islamic banks are required to have good reputation management (Fitrotus, 2020; Ningrum, 2021). Optimization of the customer complaint unit must be followed up immediately, so that there are no customers who complain to other parties, for example to the mass media. RolePublic Relation (PR) is also an important concern, because the task of public relations besides designing, must also organize a communication strategy that contains the right messages for the audience in order to maintain reputation and minimize reputation risk. Sharia principles must also be upheld whose implementation is not only in products and services, but also in behavior (attitude) Human Resources (HR) Islamic banks. Optimally applying the principles of Good Corporate Governance, namely fairness, transparency, accountability and responsibility,



the implementation of GCG will complement the principles of prudence (prudential banking), including compliance with sharia principles (sharia principle) which is oriented towards the fatwas of the Ulema Council (MUI), as well as the human resources of Islamic banks as the engines of Islamic banks must also have high professionalism and integrity, by carrying out their work culture and code of ethics (code of conduct). Sharia human resources also participate in overseeing the sharia of Islamic banks by having good understanding and knowledge in the field of Islamic banking. Reputation management must be implemented by Islamic banks both in their institutions and also in their human resources, to maintain the image of Islamic banks and also the Islamic banking industry (Ningrum, 2021; Octavina et al., 2022).

The health crisis due to the impact of covid 19, sharia economic and business activity in Indonesia weakened. Economic growth is only approx 2.5 percent or even 0 percent if the Covid 19 pandemic in RI is not resolved immediately. With Covid 19, Indonesia's economic growth will definitely be below 5 percent. Economic conditions were also exacerbated by oil and gas prices falling to around USD 30 per barrel. In fact, the Indonesian economy depends on commodity prices. Likewise with bank failures, especially Islamic banking in Indonesia (Ningrum, 2021; Ana et al., 2022).

Impacts on shareholders such as loss of all investments or decreased investment, impacts on employees in the form of disciplinary actions, loss of income and impacts on customers in the form of reduced service quality, reduced product availability, liquidity and regulatory changes. The increased reputation risk due to covid 19 can be caused by The decline in demand for sharia business products was due to the drastic drop in the number of visits by foreign tourists and domestic tourists. In general, hotel occupancy rates in Indonesia have fallen to 10-50 percent, including occupancy rates for sharia hotels. Sales of tour packages, including sharia tours. Umrah travel agencies even had to bear considerable losses due to the ban on Umrah travel to Mecca, Saudi Arabia. Meanwhile, the decline in public consumption activities has begun to occur in all non-staple products, including halal food and beverage products, halal cosmetics and Muslim fashion. Production costs have also





increased, both due to supply chain disruptions and those caused by changes in employment (Wardani et al., 2021).

Supply chain disruptions occur because Indonesia's dependence is still quite high on raw materials and capital goods from abroad, including raw materials and capital goods used to produce halal products. Likewise supply chain disruptions due to the imposition of restrictions on activities outside the home in several strategic areas in Indonesia. Meanwhile, changes in employment occur due to the implementation of working from home, reduction of some working hours or in the worst case, complete termination of work for a certain period and a decrease in the health level of some workers who work in sharia businesses. Investment realization is also hampered due to high uncertainty amid the outbreak of Covid-19 which will likely force investors to postpone or even cancel some of their investment plans in 2020. Investors who plan to invest in sharia businesses are no exception. And of course the increased risk of Islamic financial institutions. This increased risk occurs not only in Islamic commercial banks, but also in other Islamic financial institutions such as Islamic people's finance banks, Islamic finance companies and Islamic microfinance institutions (Aris, 2021; Octavina et al., 2022).

The reputation risk of sharia banking which has decreased due to the health crisis caused by Covid 19 can be reduced with the program corporate social responsibility (CSR) carried out by these sharia banking companies. PT Bank Syariah Mandiri (Mandiri Syariah) responded to Government policy directives in the context of stimulating the national economy affected by the Covid-19 pandemic by preparing several special programs for customers affected by the Covid-19 pandemic (Ningrum, 2021; Octavina et al., 2022). The Covid-19 pandemic is a challenge for the business world including banks, customers and the public. The Bank will provide concessions to customers in accordance with POJK No.11/POJK.03/2020 concerning National Economic Stimulus as a Countercyclical Policy for the Impact of the Spread of Coronavirus Disease by relaxing financing facilities for customers affected by the Covid-19 virus pandemic in the form of payment delays and/or provision of margin/profit sharing relief with a period of time and conditions adjusted to



the economic sector, criteria and customer conditions while still referring to OJK provisions for customers, especially MSMEs. The synergy of various parties is urgently needed to overcome the domino effect due to the Covid-19 disease which has impacts starting from the health, education, environmental, social, to economic sectors (Afif & Mulyawisdawati, 2020; Ana et al, 2022).

The penta-helix configuration takes the form of dynamic interaction between the public (government), private (business) sectors, universities, communities including credible media, and the presence of international institutions to become big energy which is believed to be able to effectively minimize the impact of the destructive power of the Covid-19 virus. With the level of trust given by the public to the business world, entrepreneurs are required to show real dedication. Filling the social space that so far seemed empty or minimal activity. The real role of entrepreneurs can be given to the community in various forms, for example disseminating correct information about Covid-19 effectively and reaching all levels of society, prioritizing corporate social responsibility (CSR) budget allocations in efforts to overcome socio-economic impacts, medical assistance initiatives in the form of personal protective equipment (PPE), respirators and other medical needs, or by inviting health experts to provide both preventive and curative services, as well as other assistance according to community needs. The real contribution of entrepreneurs is highly expected to work together to overcome the impact of Covid-19. Trust (trust) which is very high from the community is an important momentum that can be utilized by sharia banking and corporate businesses to reduce stress, panic, and mounting social unrest (Ana et al, 2022).

Risk is uncertainty, besides being able to form the potential for unwanted negative consequences from an event or event that threatens success, it can also be an opportunity to gain profit. At a time when the national banking system is predicted to experience a depression due to the Covid-19 pandemic, Islamic banks have the advantage with the concept of profit sharing to be one level more robust in dealing with crises. Reputation risk experienced by Islamic banks can be reduced by CSR programs which are social responsibility



referring to the obligations of an organization to protect and contribute to the society in which it is located. An organization carries social responsibility in three domains, namely to organizational actors, to the natural environment, and to social welfare in general. Social responsibility really must be carried out, because it will have an impact on the image of the organization or company in the eyes of its environment (Fitrotus, 2020; Susanti, 2022).

The advantage of Islamic banking with a profit sharing system during these difficult times is certainly a good opportunity to strengthen the market share of Islamic banks. Building optimism even in the worst conditions is a beacon for the development of Islamic banking in Indonesia. PThe stimulus package issued by the government in order to deal with the impact of the spread of Covid-19 is still far from ideal, whether in the form of fiscal stimulus, non-fiscal stimulus, or financial sector stimulus, but at least it can reduce the burden that must be borne by sharia businesses amid the outbreak of Covid-19. Octavina et al., 2022) Statement of Bank Indonesiato reduce the minimum reserve requirement (GWM) and the statement of the Financial Services Authority (OJK) which states that the condition of domestic banking is currently in normal condition, even though the economy is predicted to experience a decline as a result of the Covid-19 pandemic are also things that can reduce market panic (Wardani et al., 2021; Octavina et al., 2022).

## Conclusion

Islamic banks have a higher reputation risk than conventional banks because apart from looking at the operational aspects, the public also sees the spiritual aspects of Islamic banks in carrying out their operations. So that Islamic banks are required to have a good reputation management. Sharia human resources also oversee the sharia banking itself by having good understanding and knowledge in the field of Islamic banking. Reputation management must be implemented by Islamic banks both in their institutions and also in their human resources, to maintain the image of Islamic banks and also the Islamic banking industry.



Relaxation of financing facilities for customers affected by the Covid-19 virus pandemic in the form of postponement of payments and/or granting of margin/profit sharing relief whose terms and conditions are adjusted to the economic sector, criteria, and customer conditions while still referring to OJK regulations. One of the conveniences that can be provided by banks based on government instructions in order to minimize risks includes reputation risk, while the reputation risk of sharia banking which has decreased due to the health crisis caused by COVID-19 can be reduced by the corporate social responsibility (CSR) program carried out by these sharia banking companies.

Al Quran integrates the meaning and purpose of prayer with social values. In addition to giving the value of faith in the form of faith in Allah SWT, His Book, and the Day of Judgment, the Koran emphasizes that faith is not perfect if it is not accompanied by social practices in the form of care and service to relatives, orphans, the poor, and travelers and ensure the welfare of those in need where this is reflected in the CSR programs rolled out by the company.

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