INTERNATIONAL JOURNAL
IHYA' 'ULUM AL-DIN

International Journal Ihya' 'Ulum al-Din
Vol 26, No 1 (2024): 143–155
DOI: https://doi.org/10.21580/ihya.26.1.20482

Shariah Governance, Leverage, And Their Impact on Islamic Corporate Social Responsibility in Sharia Banking in Indonesia

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Citation (APA):
Suryani, Y., Siregar, S., Nurlaila. (2024). Shariah Governance, Leverage, And Their Impact on Islamic Corporate Social Responsibility In Sharia Banking In Indonesia. *International Journal Ihya' 'Ulum al-Din*, 26(1), 143-155. https://doi.org/10.21580/ihya.26.1.20482

Submitted: 26 Feb 2024
Revised: 06 Jun 2024
Accepted: 08 Jun 2024
Published: 20 Jun 2024

Abstract: This research aims to test and analyze the influence of Shariah Governance and Leverage on Islamic Corporate Social Responsibility. The population in this study consisted of 14 Sharia Commercial Banks in Indonesia, with a sample of 10 Sharia Commercial Banks obtained using the purposive sampling method. The research methodology used is quantitative with the analytical tool used is panel data regression with Eviews 10 software. Research findings show that Sharia Governance significantly affects Islamic Corporate Social Responsibility (CSR). The implementation of sharia governance expands the disclosure of Islamic Corporate Social Responsibility (ICSR). However, Leverage does not affect Islamic Corporate Social Responsibility. The lack of leverage impact as measured by the total debt-to equity ratio is caused by Islamic banking, both with high and low levels of leverage, still revealing Islamic Corporate Social Responsibility as measured by the Islamic Social Reporting Index (SRI). as a means of fulfilling information needs for customers. It represents man's accountability to God and, aims to gain legitimacy from God as an ultimate goal.

Keywords: Shariah Governance, Leverage, Islamic Corporate Social Responsibility

Abstrak: Tujuan dari penelitian ini adalah untuk menguji dan menganalisis pengaruh Shariah Governance dan Leverage terhadap Islamic Corporate Social Responsibility. Populasi dalam penelitian ini terdiri dari 14 Bank Umum Syariah di Indonesia, dengan sampel sebanyak 10 Bank Umum Syariah yang diperoleh dengan menggunakan metode purposive sampling. Metodologi penelitian yang digunakan adalah kuantitatif dengan alat analisis yang digunakan adalah regresi data panel dengan software Eviews 10. Temuan penelitian menunjukkan bahwa Tata Kelola Syariah berpengaruh signifikan terhadap Islamic Corporate Social Responsibility (CSR). Penerapan tata kelola syariah memperluas pengungkapan Islamic Corporate Social Responsibility (ICSR). Namun Leverage tidak berpengaruh terhadap Islamic Corporate Social Responsibility. Kurangnya dampak leverage yang diukur

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dengan rasio total hutang terhadap ekuitas disebabkan oleh perbankan syariah, baik yang memiliki tingkat leverage tinggi maupun rendah, masih mengungkapkan Islamic Corporate Social Responsibility yang diukur dengan Islamic Social Reporting Index (SRI). sebagai sarana pemenuhan kebutuhan informasi bagi pelanggan. Ini mewakili pertanggungjawaban manusia kepada Tuhan dan karena itu bertujuan untuk mendapatkan legitimasi dari Tuhan sebagai tujuan akhir.

Kata Kunci: Tata Kelola Syariah, Leverage, Tanggung Jawab Sosial Perusahaan Islam

Introduction

The disclosure of Islamic Corporate Social Responsibility (ICSR) in Islamic banking is the responsibility of Islamic banks to all stakeholders to participate in realizing the well-being of society. The scope of responsibility of Islamic banking is not only to stakeholders but also broader responsibility to gain the pleasure of Allah SWT (Afandi et al., 2019). Corporate social responsibility in the Islamic perspective is part of Islamic teachings derived from the Qur'an and Hadith, making Islamic banking a Shariah-based entity obligated to social responsibility towards society and the environment. As a Shariah-based entity, Islamic banking has relationships with Allah, humans, and the environment. Therefore, Islamic banking is expected to contribute to economic development by Shariah Maqasid as part of its relationship with humanity and the environment (Abadi et al., 2020).

Islam regulates relationships with fellow humans and interactions with the surrounding environment. According to Hanifa, Islamic banking should implement Corporate Social Responsibility (CSR) more effectively than conventional banks because the accountability of Islamic banks extends not only to stakeholders but also to Allah SWT as the ultimate owner of everything in the world (Budi, 2021). ICSR is crucial for Islamic banks, as evidenced by the disclosure in their annual reports. ICSR takes the form of disclosures used to inform stakeholders about the social responsibility activities undertaken by Islamic banks. In signaling theory, it is explained that the better the information provided by Islamic banks, the better their performance. Through ICSR, it is expected that Islamic banks can provide more informative disclosures to achieve better performance (Rahmawaty & Helmayunita, 2021)

Referring to several previous research findings, it is known that disclosure based on Islamic Corporate Social Responsibility, measured using the Islamic Social Reporting (ISR) Index in Islamic banks in Indonesia, has not achieved a full score. Nevertheless, in Indonesia, the annual reports of Islamic banks are already categorized as accountable. The following are data on the assessment of ICSR disclosure by Islamic banks based on the Islamic Social Reporting Index (ISR Index):

Corporate Social Responsibility (CSR) is closely related to good corporate governance. From the Islamic perspective, corporate governance is crucial, driven by the desire for honesty, integrity, transparency, accountability, and responsibility of all organizational stakeholders. Additionally, Shariah Governance in Islamic banking, as an institution of Islamic finance, plays a crucial role in realizing the development and maintenance of trust among shareholders and other stakeholders, ensuring that every transaction and activity conducted by the company aligns with Islamic values (Mais & Lufiani, 2018).

Previous studies related to Shariah Governance and its impact on Islamic Corporate Social Responsibility (ICSR) include research by (Maulana & Violita, 2020), whose findings indicate that Islamic

Corporate Governance (ICG) influences Islamic Social Reporting. Their study encompasses all Shariah banks located in countries with the largest market share, according to (Ernst & Young, 2016).

Another study by (Rosita & Kurniawati, 2022) concludes that ICG partially influences Islamic Corporate Social Responsibility (ICSR). In a study conducted by (Kasih & Rini, 2018), it was found that Islamic Corporate Governance influences Islamic Social Reporting (ISR). The aim of this research is to test and analyze the influence of Shariah Governance and Leverage on Islamic Corporate Social Responsibility.

Results and Discussion

Population and Sample

The population for this study comprises all Islamic Commercial Banks in Indonesia, totaling 14 Islamic Commercial Banks (www.ojk.go.id). The sample selection in this study employs purposive sampling technique. Purposive sampling is a sample selection technique based on specific considerations (Sugiyono, 2014). As stated by Anwar Sanusi, purposive sampling is a type of sample selection known as judgment sampling, which involves selecting samples based on specific considerations, particularly those provided by a group of experts (Sanusi, 2017). According to Indriantoro and Supomo, purposive sampling is a non-random sample selection method driven by specific goals and targets (Indriantoro & Supomo, 2018). The sample for this research consists of 10 Islamic Commercial Banks. The criteria for selecting companies as samples in this study are as follows: (1) Islamic Commercial Banks listed in the Statistical Report of Indonesian Islamic Banking 2020; (2) Islamic Commercial Banks that have published annual reports for the research period from 2015-2020, on their respective official websites; (3) Operating as Islamic Commercial Banks throughout the research period from 2015-2020.

Methodology and Conceptual Framework

This research utilizes Panel Data Regression to analyze the data, and the software employed is Eviews.

Table 2. Operational Definitions of Variables

Variabel	Indicators	Skala
Shariah Maqasid Performance (Y_2)	SMP = PI (O1) + PI (O2) + PI (O3)	Rasio
Islamic Corporate Social Resonsibility (Y_1)	$ICRR = \frac{\Sigma \text{ Disclousure item}}{\Sigma \text{ All Item}}$	Rasio
Sharia Governance (X_1)	$SG = \frac{\Sigma \text{ Disclousure Item}}{\Sigma \text{ All item}}$	Rasio
Leverage (X_2)	DER = Total Debt/Total Equity	Rasio

Descriptive Statistics

The results of the descriptive statistics test using Eviews software are presented in the table below:

Table 3. Descriptive Statistics

	Shariah Governance	Leverage	ICSR
Mean	76.06667	2.600117	57.21667
Median	78.00000	2.321010	57.00000
Maximum	89.00000	9.150472	74.00000
Minimum	58.00000	0.373970	43.00000
Observations	60	60	60

The results of the descriptive statistical analysis in Table 3 above show that there are 60 samples for each variable under investigation. The descriptive statistical analysis is explained below for each variable.

The Shariah Governance (SG) variable with the SG Score indicator in Islamic Commercial Banks in Indonesia from 2015 to 2020 has an average of 76.06. This means that the average disclosure of Shariah Governance (SG) with the SG Score indicator in Indonesian Islamic Commercial Banks is 76%. The highest SG Score is 89%, obtained by Bank Syariah Mandiri (BSM) in 2018, and the lowest is 58%, obtained by Bank Jabar Banten (BJB) in 2020.

The Leverage variable with the Debt-to-Equity Ratio (DER) indicator in Islamic Commercial Banks in Indonesia from 2015 to 2016 has an average of 2.600117. The recommended Debt to Equity Ratio (DER) standard is below 0.90 or 90% (Sufriani & Rimawan, 2020). The average Leverage in Indonesian Islamic Commercial Banks, using the Debt to Equity Ratio indicator, is higher than the recommended DER standard (2.600 > 90%), indicating that the average Debt to Equity ratio for Islamic Commercial Banks is less favorable. The highest Debt to Equity Ratio is 9.1504, obtained by Bank Bukopin Syariah in 2016, and the lowest is 0.3739, obtained by BCA Syariah in 2015. This implies that the DER of Bank Bukopin Syariah in 2016 is unfavorable as it exceeds the recommended ratio, while the DER of BCA Syariah in 2015 is considered good as it is below 0.90.

The Islamic Corporate Social Responsibility (ICSR) variable with the ISR Index indicator in Islamic Commercial Banks in Indonesia from 2015 to 2020 has an average of 57.21667 or 57%. This means that the average disclosure of Islamic Social Reporting by Islamic Commercial Banks from 2015 to 2020 is 57%, categorizing it as less informative. The highest ISR Index is 74%, obtained by Bank Muamalat Indonesia (BMI) in 2016, 2017, 2018, and 2020. This indicates that the ICSR disclosure by Bank Muamalat Indonesia (BMI) in 2016, 2017, 2018, and 2020 is considered informative. Meanwhile, the lowest ISR Index is 43%, obtained by Bank Bukopin Syariah (BBS) in 2017, 2018, and BTPNS in 2018, 2019. This implies that the ICSR disclosure by Bank Bukopin Syariah in 2017, 2018, and BTPNS in 2018, 2019 is considered not informative.

Testing Data Normality and Autocorrelation

Normality testing is conducted to ensure that the error values obtained follow a normal distribution in this regression model. Residual normality testing in this study is performed using the Jarque-Bera (JB) test with a significance level of alpha 0.05. The Jarque-Bera (JB) test result in this study is 0.489345, and its probability value is 0.782961, which is above (α 0.05), indicating that the data in this study follows a normal distribution.

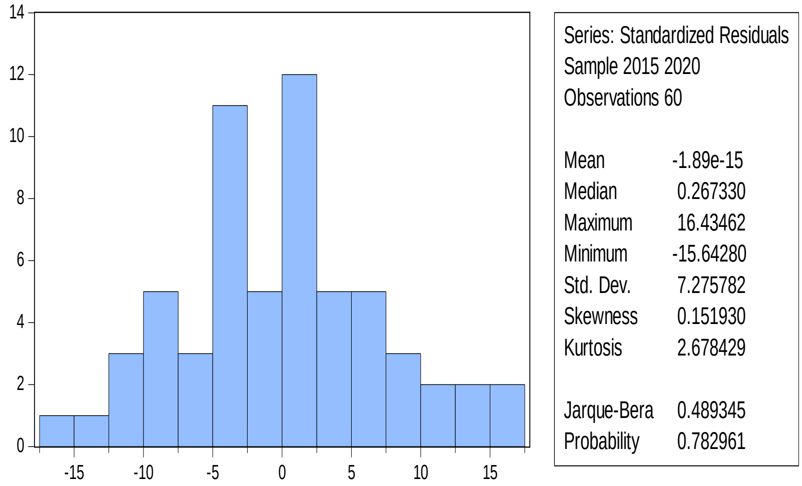

Figure 1. Data Normality Test Result

Multicollinearity testing aims to determine if there is a strong linear relationship among variables explaining the regression model (predictor variables) (Rahayu Sri Ribut & Cahyati Dewi Ari, 2014). In this test, its purpose is to identify whether a regression model shows correlation among independent variables. A good model is one where predictor variables do not have relationships and are independent. Multicollinearity occurs when there is a strong correlation or linear relationship among several predictor variables, making it difficult to separate the influence of these variables individually on the dependent variable (Gujarati, 2014) The panel data regression model can avoid multicollinearity issues in regression model estimation. However, if you want to detect multicollinearity problems in regression model estimation, you can calculate the correlation coefficient values between independent variables. The regression model estimation has no multicollinearity issues if the correlation coefficient is less than 0.8 (Algifari, 2021) Similarly, according to (Gujarati, 2014), if the correlation coefficient between independent variables > 0.8, it can be concluded that the model has multicollinearity problems. Conversely, if the correlation coefficient < 0.8, the model is free from multicollinearity.

Table 4. Multicollinearity Test Results

	X_1_SG	X_2_LEV
X_1_SG	1	0.1801258121509906
X_2_LEV	0.1801258121509906	1

Based on the multicollinearity test results as evident from Table 4, it shows that the correlation coefficient is < 0.8; thus, it can be concluded that the model is free from multicollinearity.

Table 5. Results of Random Effects Panel Data Estimation

Variable	Coefficient	Std-error	t-stat	Prob
Contant	2.995416	3.400115	0.880975	0.3820
Shariah Governance	0.682240	0.042874	15.91260	0.0000
Leverage	0.752601	0.492241	1.528928	0.1318

Based on the estimation results of the Random Effect Model presented in Table 5, the model equation in this study can be written as follows:

$ICSRit = 2.995416 + 0.682240\ SG_{it} + 0.752601\ LEV_{it} + e_{it}$

Simultaneous Test or F-test is conducted to determine whether Shariah Governance and Leverage variables have simultaneous (joint) effects on Islamic Corporate Social Responsibility. Based on the F test results, the probability value of the F-statistic is 0.000, which is smaller than α 0.05, indicating that jointly (simultaneously), Shariah Governance and Leverage variables have a significant impact on the dependent variable (Islamic Corporate Social Responsibility).

Relationship between Shariah Governance and Islamic Corporate Social Responsibility

The first hypothesis testing in this study is that Shariah Governance influences Islamic Corporate Social Responsibility. In Table 4.17 above, the probability value of Shariah Governance is 0.0000, which is lower than α 0.05. This means that Shariah Governance significantly influences Islamic Corporate Social Responsibility. Thus, it can be concluded that the first hypothesis (H1) stating that Shariah Governance influences Islamic Corporate Social Responsibility is accepted.

Relationship between Leverage and Islamic Corporate Social Responsibility

The second hypothesis testing in this study is that Leverage influences Islamic Corporate Social Responsibility. In Table 5, the probability value of Leverage is 0.1318, which is greater than α 0.05. This implies that Leverage does not influence Islamic Corporate Social Responsibility. Therefore, the second hypothesis (H2) stating that Leverage influences Islamic Corporate Social Responsibility is rejected.

This research incorporates several theories to analyze the relationship between Shariah Governance, Leverage, and Islamic Corporate Social Responsibility. The implementation of Shariah Governance in Islamic banking in Indonesia is based on Shariah Enterprise Theory, Agency Theory, Stakeholder Theory, and Legitimacy Theory (Ilmi, Fatimah, & Sumarlin, 2020).

Shariah Enterprise Theory explains the development of the enterprise theory by incorporating Islamic values to achieve a more humanistic and transcendental theory is termed Shariah Enterprise Theory. It is founded on the metaphor of zakat with the fundamental characteristics of balance and concern for a broad range of stakeholders. In the perspective of Shariah Enterprise Theory, stakeholders encompass God, humans, and the environment (Muchlis, 2021).

Agency Theory explains the existence of conflicts of interest between principals and agents due to differing goals according to their positions and interests within the company. The Agency Theory also addresses issues of information asymmetry between agents (management) and principals (owners), providing opportunities for managers to act opportunistically, potentially harming the owners. (Rokhlinasari, 2015).

Shariah Governance's Relationship with Islamic Corporate Social Responsibility

Shariah governance is an extension of the Good Corporate Governance (GCG) and Shariah Compliance concepts. It is crucial because it tends to support integrity, honesty, transparency, responsibility, and accountability among all stakeholders in Islamic banking. Shariah governance forms the basis for the foundation of Islamic financial institutions in building and maintaining the trust of shareholders and other stakeholders that all transactions, practices, and activities carried out in Islamic banking comply with Shariah standards/principles (Nurmalia & Ardana, 2020). The better the Shariah governance of a bank, the better the disclosure of Islamic Corporate Social Responsibility and transparency in its annual reports. Research findings by Rosita and Kurniawati indicate that Islamic Corporate Governance influences Islamic Corporate Social Responsibility (Rosita & Kurniawati, 2022) Similarly, the results of Farook and Lanis' study demonstrate that Islamic governance influences the level of Corporate Social Responsibility disclosure (Mais & Lufiani, 2018).

Hypothesis 1 (H1): Shariah Governance influences Islamic Corporate Social Responsibility in Islamic Banking in Indonesia.

Leverage's Relationship with Islamic Corporate Social Responsibility

The dependency of banks on debt to finance their operational activities is reflected in the level of leverage. According to agency theory, the leverage level negatively affects the disclosure of social responsibility (ICSR). The leverage ratio is used to provide an overview of the capital structure of a company, indicating the level of risk associated with its debt. Therefore, companies with low leverage ratios have an obligation to make broader disclosures than companies with high leverage ratios (Devy & Wulandari, 2018). Research findings by Pratama, Muchlis, and Wayuni suggest that leverage influences the extent of Islamic Social Reporting disclosure (Pratama et al., 2018). Similarly, Alfiyah's study indicates that leverage influences Corporate Social Responsibility (Alfiyah, 2019).

Hypothesis 2 (H2): Leverage influences Islamic Corporate Social Responsibility in Islamic Banking in Indonesia

The results of testing the influence of Shariah Governance on Islamic Corporate Social Responsibility indicate that Shariah governance has a significant effect on Islamic Corporate Social Responsibility. Previous studies (Maulana & Violita, 2020) found that Shariah corporate governance significantly affects the level of ISR disclosure. The research results (Rosita & Kurniawati, 2022). found that Islamic Corporate Governance significantly influences Islamic Corporate Social Responsibility, meaning that the better the implementation of ICG in Islamic Commercial Banks, the better and broader the disclosure of social responsibility. The implementation of governance in companies conducted maximally will result in effective and efficient company operations. The research results (Kasih & Rini, 2018) found that the level of Islamic governance has a significant impact on the disclosure of corporate social responsibility because it is based on the fact that social responsibility disclosure has become an obligation for companies in the general public, not only as an obligation when the company earns higher profits or as a demand of the majority of Muslims. Additionally, the knowledge and experience of the Sharia Supervisory Board can also increase ISR disclosure. These research results are not in line with the findings of (Sutapa & Hanafi, 2019), which found that the expertise of the Sharia Supervisory Board has no effect on Islamic Social Reporting disclosure.

Tabel 1. Islamic Social Reporting Index (ISR)

No	Bank	Years						Average
		2015	2016	2017	2018	2019	2020	
1	Bank Muamalat	63%	74%	74%	74%	72%	74%	72%

	Indonesia (BMI)							
2	Bank Rakyat Indonesia (BRI)	70%	59%	61%	59%	63%	61%	62%
3	Bank Jabar Banten Syariah (BJBS)	43%	48%	52%	54%	52%	65%	52%
4	Bank Negera Indonesia Syariah (BNIS)	59%	61%	61%	67%	67%	67%	64%
5	Bank Syariah Mandiri (BSM)	63%	63%	61%	70%	67%	79%	66%
6	BMS	46%	57%	52%	52%	50%	52%	52%
7	BPS	52%	57%	57%	57%	50%	50%	54%
8	Bank Bukopin Syariah (BBS)	57%	52%	43%	43%	47%	63%	51%
9	Bank Central Asia Syariah (BCAS)	54%	50%	49%	57%	59%	59%	60%
10	Bank Tabungan Pensiunan Negara Syariah (BTPNS)	47%	47%	47%	43%	43%	47%	45%

Based on Table 1, it can be observed that the average Islamic Social Reporting (ISR) Index of Islamic banks from 2015 to 2020 shows that none of the Shariah banks achieved a full score. This implies that there are still items that have not been disclosed, or in other words, ICSR has not been fully disclosed. Only two Islamic Commercial Banks have informatively disclosed their ISR on average, namely BMI with 72% and BSM with 66%. The highest average disclosure of Islamic Social Reporting is from BMI at 72%, while the lowest is from BTPNS at 45%

Implementation of Shariah Governance can expand the disclosure of Islamic Corporate Social Responsibility (ICSR). The presence of corporate organs (Board of Commissioners, Sharia Supervisory Board, Board of Directors, Audit Committee, Remuneration and Nomination Committee) is an implementation of Shariah Governance that encourages Islamic banking to enhance the principles of transparency and accountability, including in the disclosure of Islamic Corporate Social Responsibility. This study finds that in Shariah Governance Score, the highest disclosure score is in the dimension of the System and Mechanism of the Board of Commissioners and Sharia Business Ethics. The function of the Board of Commissioners is collectively responsible for oversight and advising the board of directors, ensuring the implementation of Shariah governance at all levels and stages of the organization. Next are the dimensions of the System and working mechanisms of the Sharia Supervisory Board and the system and working mechanisms of the board of directors. All Islamic Banks from 2015 to 2020 have disclosed the names of Sharia Supervisory Board members in their annual reports. The disclosure of the names of Sharia Supervisory Board members in the Annual Report of Islamic Banks is part of good governance implementation, namely transparency. By disclosing the names of Sharia Supervisory Board members, stakeholders know who ensures the Sharia compliance of the operational and halal aspects of the products and operations of Islamic Banks. In this case, all appointed members of the Sharia Supervisory Board have received recommendations from DSN MUI and have adequate competence. In this research, Bank Syariah Mandiri had the highest Shariah Governance Score in 2018, while Bank Jabar Banten

Syariah had the lowest score in 2020. The scores in Shariah Governance indicate that Islamic banking has implemented Shariah governance effectively.

The results of this study indicate that Shariah Governance influences Islamic Corporate Social Responsibility in Islamic Commercial Banks in Indonesia. This means that the better the implementation of Shariah Governance, the broader the disclosure of Islamic Corporate Social Responsibility. Consistent with the Agency Theory and Shariah Enterprise Theory, this study indicates that good Shariah Governance in Islamic banking can reduce information asymmetry by applying transparency principles that include disclosure of Islamic Corporate Social Responsibility (ICSR).

This research also shows that the implementation of good Shariah Governance is a form of responsibility to society, indicating that the management of Islamic banking is done well, carefully, and professionally, including conveying all information on corporate social responsibility disclosures that are expected to contribute to the growth of Islamic banking. The role of the Sharia Supervisory Board, which is in line with its functions in providing opinions regarding the fulfillment of Sharia principles and overseeing products and activities in the fundraising and disbursement of funds conducted by Islamic banking, in this case, Islamic commercial banks. Thus, the Sharia Supervisory Board has a role in implementing and disclosing Islamic Corporate Social Responsibility (ICSR) in Islamic Banking in Indonesia in relation to the authority and supervision of compliance with the Sharia principles possessed by the Sharia Supervisory Board. Shariah Governance is crucial for Islamic banking because it tends to support integrity, honesty, transparency, responsibility, and accountability among all stakeholders in Islamic banking. Shariah Governance is the foundation for the Islamic financial institution to build and maintain the trust of shareholders and other stakeholders that all transactions, practices, and activities carried out in Islamic banking comply with Sharia standards/principles. Consistent with the Shariah Enterprise Theory (SET), the foundation of Shariah Governance in Islamic Commercial Banks is based on the values of tauhid. Governance of Islamic banking integrated with the values of tauhid is Good Corporate Governance in the Shariah dimension. Shariah Enterprise Theory contains basic values, including justice, trustworthiness, and accountability. The concept of accountability in Shariah Enterprise Theory is comprehensive accountability covering vertical accountability (accountability to the Creator) and horizontal accountability (accountability to humans) covering all stakeholders directly or indirectly, as well as the natural environment. In this case, accountability (responsibility) is the conformity in managing the bank with applicable regulations/laws and healthy bank management principles as well as Sharia principles. In addition to responsibility (Responsibility), another principle in Shariah governance is accountability (Accountability). In Surah Al-Ahqaaf verse 3 and Surah Al-Baqarah verse 284, it explains human accountability as Khalifah on Earth. With the existing economic resources utilized to the fullest for the benefit of humanity, humans have the responsibility to carry out the mandate as a spreader of mercy and goodness to all stakeholders in realizing the welfare or maqashid syariah in the dimension of justice by prioritizing the interests of the people.

Allah SWT as the main source of trust and humans are the recipients of trust. The metaphor of trust is derived from the axiom that humans fundamentally function as Khalifah of God on Earth (khalifatullah fil ard). As Khalifah on Earth, humans receive responsibilities and mandates. Humans have been entrusted to manage and utilize resources in which the responsibility is inherent to the trust giver (Allah SWT). Humans as Khalifah on Earth, essentially as agents of Allah SWT on Earth. Thus, humans are required to manage the earth and resources to the best of their ability. Similarly, in the management of Islamic banking, it is required to carry out management to the best of their ability. Besides, humans have an obligation to spread mercy (wealth) to all creatures on earth (rahmatan lil'alamin) through enjoining good and forbidding evil, acting justly, and following reason and conscience. The process of distributing mercy must adhere to the principle of justice. The value of justice in the perspective of Islamic Sharia contained within Shariah Governance by internalizing the values of tauhid into justice values within Shariah Governance principles, so that the justice value applied in Islamic banking is divine justice. In this case, Islamic banking not only shares prosperity with shareholders who contribute directly but also shares prosperity with all creatures without exception, shareholders, and parties who do not contribute directly to the company, such as the poor, orphans, and ibnu sabil.

The findings of this study are aligned with stakeholder theory, where well-implemented Shariah governance in Islamic banking generates positive assumptions from the public about the control and direction of Shariah banking operations. Consequently, the better the Shariah Governance of a bank, the more extensive and improved the disclosure of Islamic Corporate Social Responsibility (ICSR). Additionally, the study highlights that the disclosure of ICSR in Islamic Commercial Banks is information that should be promptly disclosed to the public or stakeholders, forming the basis of the signaling theory. Islamic Commercial Banks feel the necessity to promptly communicate that the company has fulfilled its social responsibilities.

The examination of the influence of Leverage on Islamic Corporate Social Responsibility reveals that Leverage does not affect Islamic Corporate Social Responsibility. This result aligns with previous studies (Masruki et al., 2012) that found no significant relationship between leverage and CSR. Other studies (Luqyana & Saezana Zunaidi, 2021); (Jati et al., 2020) also confirm that leverage has no impact on Islamic Social Reporting and Islamic Corporate Social Responsibility, respectively. However, there are conflicting findings in studies by (Felicia & Rasmini, 2015) and (Pratama et al., 2018).

The Shariah Enterprise Theory acknowledges that accountability is not solely to the company owners but extends to stakeholder groups. Allah is the primary source of trust, and the resources owned by stakeholders are entrusted by Allah SWT. The disclosure of social responsibility or Islamic Corporate Social Responsibility in Islamic Banking is a form of human accountability to God and is directed towards obtaining His approval (legitimacy) as the primary goal. In this study, the average Leverage of Islamic banks measured using the Debt to Equity Ratio (DER) is deemed unfavorable, as the average DER exceeds the standard DER ratio. The highest Debt to Equity Ratio is held by Bank Bukopin Syariah in 2020, and the lowest DER is owned by Bank BCA Syariah in 2015.

The research findings indicate that leverage does not affect Islamic Corporate Social Responsibility; thus, the proposed hypothesis is rejected. This aligns with the Shariah Enterprise Theory used as the foundational theory in this study. The lack of influence of leverage, measured by the total debt to equity ratio, is because Islamic banks, whether with high or low leverage, continue to disclose Islamic Corporate Social Responsibility measured by the Islamic Social Reporting Index as a form of information fulfillment for customers. Furthermore, regardless of the level of leverage, Islamic banks will still disclose Islamic Corporate Social Responsibility as a form of responsibility to stakeholders.

The disclosure of social responsibility or Islamic Corporate Social Responsibility in Islamic banking is a form of human accountability to God and is directed towards obtaining approval (legitimacy) from God as the primary goal. Additionally, the disclosure of social responsibility or Islamic Corporate Social

Responsibility must have the goal of providing information to all stakeholders (direct, indirect, and environmental) regarding the extent to which the institution has fulfilled its obligations to all stakeholders. The disclosure of social responsibility is mandatory, considering the function of Islamic banks as one of the instruments to achieve Shariah goals. Furthermore, in disclosing social responsibility, it should encompass both material and spiritual dimensions related to stakeholder interests and must include not only qualitative information but also quantitative information. This aligns with Islamic teachings that mandate companies to be transparent in conducting their business activities. Transparency is a Shariah principle emphasized in Surah Al-Baqarah verse 282.

The research results are in line with the legitimacy theory, which explains that for a company to survive, legitimacy from society is required. Through the disclosure of Islamic Social Responsibility (ISR), an Islamic bank will create a positive understanding among the public that it is socially responsible, thereby gaining legitimacy and ensuring the continued sustainability of the company. Hence, whether a company has high or low leverage, it will continue to disclose ISR (Jati et al., 2020) The principles of Islam in commercial transactions clearly emphasize the openness of information and transparency in all business activities. All of these are essential for maintaining successful and peaceful relationships with all stakeholders in the company. Therefore, it is the ethical responsibility of every company to disclose relevant information, including ISR, to employees, shareholders, customers, and regulators for making informed decisions and maintaining good relations with the company (Widyastuti, 2019), (Hussain et al., 2020) This is emphasized in Surah Al-Baqarah verse 4.

Conclusion

Shariah Governance has a significant impact on Islamic Corporate Social Responsibility (ICSR). The implementation of Shariah governance principles expands the disclosure of ICSR. The various organs of the company, including the Board of Commissioners, Sharia Supervisory Board, Board of Directors, Audit Committee, Remuneration Committee, and Nomination Committee, represent the application of Shariah Governance. These organs drive Islamic banks to enhance transparency and accountability principles, particularly in the disclosure of Islamic Corporate Social Responsibility. The research findings reveal that within the Shariah Governance Score, the highest disclosure scores are attributed to the System and Mechanism dimensions of the Board of Commissioners and Sharia Business Ethics. The collective responsibility of the Board of Commissioners involves overseeing and advising the directors, ensuring the implementation of Shariah governance at all levels and stages of the organization.

Leverage does not have a significant influence on Islamic Corporate Social Responsibility. The non-effectiveness of leverage, measured by the total debt to equity ratio, is attributed to Shariah banks, which, whether operating with high or low leverage, continue to disclose Islamic Corporate Social Responsibility. This disclosure, measured by the Islamic Social Reporting Index, serves as a means to fulfill the informational needs of customers. Moreover, regardless of the leverage level, Shariah banks persist in disclosing Islamic Corporate Social Responsibility as a testament to their responsibility towards stakeholders. The disclosure of social responsibility or Islamic Corporate Social Responsibility in Shariah banking represents a form of human accountability to God, aiming to secure legitimacy from God as the primary objective.

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