HISTORY OF MANUSCRIPT PUBLICATION

(JIMA - Journal of Islamic Marketing)

Comparative analysis of QISMUT+3's Islamic Corporate Social Responsibility

Agung Nur Probohudono

Astri Nugraheni

An Nurrahmawati

Dept. of Accounting, Faculty of Economics and Business

Universitas Sebelas Maret

DAFTAR ISI

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Manuscripts with Decisions

ACTION	STATUS	ID	TITLE	SUBMITTED	DECISIONED
Forms Completion submitted (14-Jan-2021) - view	AE: El-Bassiouny, Noha GE: Not Assigned • Accept (12-Jan-2021) *Archiving completed on 14-Feb-2021* view decision letter Contact Journal	JIMA-05-2020-0146.R1	Comparative Analysis of QISMUT+3's Islamic Corporate Social Responsibility *Files Archived*	06-Dec-2020	12-Jan-2021
a revision has been submitted (JIMA-05-2020-0146.R1)	AE: El-Bassiouny, Noha GE: Not Assigned • Minor Revision (06-Nov-2020) • a revision has been submitted *Archiving completed on 14-Feb-2021* view decision letter Contact Journal	JIMA-05-2020-0146	Comparative Analysis of QISMUT+3's Islamic Corporate Social Responsibility *Files Archived*	16-May-2020	06-Nov-2020

I. ACCOUNT CREATED IN EMERALD SYSTEM

May 13, 2020

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13-May-2020

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PASSWORD: If you are unsure of the password that you set when you created your account you should click the link below which will take you directly to the option for setting a new password.

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Journal of Islamic Marketing Editorial Office
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II. ARTICLE SUBMITED

May 16, 2020

Journal of Islamic Marketing - JIMA-05-2020-0146 External Inbox ×

Journal of Islamic Marketing <onbehalfof@manuscriptcentral.com> Sat, May 16, 2020, 11:36 AM

to me

16-May-2020

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Your manuscript entitled "Comparative Analysis of QISMUT+3's Islamic Corporate Social Responsibility" has been successfully submitted online and is presently being given full consideration for publication in the Journal of Islamic Marketing.

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Sincerely,
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Reply Forward

III. INITIAL SCREENING STAGE

May 19, 2020

Journal of Islamic Marketing - Author update External Inbox ×

Journal of Islamic Marketing <onbehalfof@manuscriptcentral.com> Tue, May 19, 2020, 8:34 AM

to anprobohudono, astrinugraheni97, mustdownnow, me, annurrahmawati.ann

19-May-2020

Dear Author(s),

It is a pleasure to inform you that your manuscript titled Comparative Analysis of QISMUT+3's Islamic Corporate Social Responsibility (JIMA-05-2020-0146) has passed initial screening and is now awaiting reviewer selection. The manuscript was submitted by Miss An Nurrahmawati with you listed as a co-author. As you are listed as a co-author please log in to https://mc.manuscriptcentral.com/jima and check that your account details are complete and correct, these details will be used should the paper be accepted for publication.

Yours sincerely,
Jonathan Wilson
Editorial Assistant, Journal of Islamic Marketing
jw@islamicmarketing.co.uk

Reply Reply all Forward

IV. NOTIFICATION OF 1st REVISION MINOR IN THE SYSTEM AND ITS REMINDER VIA EMAIL.

November 6, 2020

THE REVISION DETAIL GIVEN IN BOTH SYSTEM AND EMAIL.

a revision has been submitted (JIMA-05-2020-0146.R1)	AE: El-Bassiouny, Noha GE: Not Assigned • Minor Revision (06-Nov-2020) • a revision has been submitted *Archiving completed on 14-Feb-2021* view decision letter	JIMA-05-2020-0146	Comparative Analysis of QISMUT+3's Islamic Corporate Social Responsibility *Files Archived*	16-May-2020	06-Nov-2020

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Journal of Islamic Marketing <onbehalfof@manuscriptcentral.com> Fri, Nov 6, 2020, 11:22 PM
to me, annurrahmawati.ann

Dear Mr. Probohudono:

Manuscript ID JIMA-05-2020-0146 entitled "Comparative Analysis of QISMUT+3's Islamic Corporate Social Responsibility" which you submitted to the Journal of Islamic Marketing, has been reviewed. The comments of the reviewer(s) are included at the bottom of this letter.

The reviewer(s) have recommended publication, but also suggest some minor revisions to your manuscript. Therefore, I invite you to respond to the reviewer(s)' comments and revise your manuscript.

To revise your manuscript, log into https://mc.manuscriptcentral.com/jima and enter your Author Centre, where you will find your manuscript title listed under "Manuscripts with Decisions." Under "Actions," click on "Create a Revision." Your manuscript number has been appended to denote a revision.

You will be unable to make your revisions on the originally submitted version of the manuscript. Instead, revise your manuscript using a word processing program and save it on your computer. Please also highlight the changes to your manuscript within the document by using the track changes mode in MS Word or by using bold or coloured text.

Once the revised manuscript is prepared, you can upload it and submit it through your Author Centre.

When submitting your revised manuscript, you will be able to respond to the comments made by the reviewer(s) in the space provided. You can use this space to document any changes you make to the original manuscript. In order to expedite the processing of the revised manuscript, please be as specific as possible in your response to the reviewer(s).

IMPORTANT: Your original files are available to you when you upload your revised manuscript. Please delete any redundant files before completing the submission.

Because we are trying to facilitate timely publication of manuscripts submitted to the Journal of Islamic Marketing, your revised manuscript should be uploaded as soon as possible. If it is not possible for you to submit your revision in a reasonable amount of time, we may have to consider your paper as a new submission.

Once again, thank you for submitting your manuscript to the Journal of Islamic Marketing and I look forward to receiving your revision.

Sincerely,
Prof. Jonathan Wilson
Editor, Journal of Islamic Marketing

18 of 23

Sincerely,
Prof. Jonathan Wilson
Editor, Journal of Islamic Marketing
jw@islamicmarketing.co.uk

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Reviewer(s)' Comments to Author:
Reviewer: 1

Recommendation: Minor Revision

Comments:
I reviewed it

Manuscript ID JIMA-05-2020-0146 entitled "Comparative Analysis of QISMUT+3's Islamic Corporate Social Responsibility"

It's a good handwriting.
I have some suggestions to improve it.
It is better, first, to draw a conceptual model and then write the assumptions.
In selecting the statistical population and sample, the type of banks is not specified whether they are public, private or international.
Attach the list of banks that studied.
Number of tables is alot.
How have the region's financial crises, which have affected banks' performance, mitigated?
If this research done in 2020, it would be better to examine the data of 2019, 2018 and 2017.

Additional Questions:
1. Originality: Does the paper contain new and significant information adequate to justify publication?: I reviewed it

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Best wish.
Ebrahim Heshmati

2. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored?: I reviewed it

Manuscript ID JIMA-05-2020-0146 entitled "Comparative Analysis of QISMUT+3's Islamic Corporate Social Responsibility"

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3. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate?: I reviewed it

Manuscript ID JIMA-05-2020-0146 entitled "Comparative Analysis of QISMUT+3's Islamic Corporate Social Responsibility"

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Ebrahim Heshmati

4. Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?: I reviewed it

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Ebrahim Heshmati

5. Implications for research, practice and/or society: Does the paper identify clearly any implications for research, practice and/or society? Does the paper bridge the gap between theory and practice? How can the research be used in practice (economic and commercial impact), in teaching, to influence public policy, in research (contributing to the body of knowledge)? What is the impact upon society (influencing public attitudes, affecting quality of life)? Are these implications consistent with the findings and conclusions of the paper?: I reviewed it

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6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: I reviewed it

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Best wish.
Ebrahim Heshmati

V. REVISION

DECEMBER 6, 2020

The author made revisions through the emerald system and was given proof of receipt of the first revision through the system and email. The detail of respond are stated below.

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Journal of Islamic Marketing

Decision Letter (JIMA-05-2020-0146)

From: jw@islamicmarketing.co.uk

To: an_nurrahmawati@staff.uns.ac.id, annurrahmawati.ann@gmail.com

CC:

Subject: Journal of Islamic Marketing - Decision on Manuscript ID JIMA-05-2020-0146

Body:

Dear Miss Nurrahmawati:

Manuscript ID JIMA-05-2020-0146 entitled "Comparative Analysis of QISMUT+3's Islamic Corporate Social Responsibility" which you submitted to the Journal of Islamic Marketing, has been reviewed. The comments of the reviewer(s) are included at the bottom of this letter.

The reviewer(s) have recommended publication, but also suggest some minor revisions to your manuscript. Therefore, I invite you to respond to the reviewer(s)' comments and revise your manuscript.

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Sincerely,
Prof. Jonathan Wilson
Editor, Journal of Islamic Marketing
jw@islamicmarketing.co.uk

To help support you on your publishing journey we have partnered with Editage, a leading global science communication platform, to offer expert editorial support including language editing and translation.

Journal of Islamic Marketing - JIMA-05-2020-0146.R1 Inbox x

Journal of Islamic Marketing <onbehalfof@manuscriptcentral.com> Sun, Dec 6, 2020, 10:07 PM

to me, annurrahmawati.ann

06-Dec-2020

Dear Mr. Probohudono:

Your revised manuscript entitled "Comparative Analysis of QISMUT+3's Islamic Corporate Social Responsibility" has been successfully submitted online and is presently being given full consideration for publication in the Journal of Islamic Marketing.

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B. The Detail of Revision Submitted:

Reviewer(s)' Comments to Author:
Manuscript ID JIMA-05-2020-0146 entitled "Comparative Analysis of QISMUT+3's Islamic Corporate Social Responsibility"

1. **Reviewer: 1**

Recommendation: Minor Revision
It's a good handwriting.
I have some suggestions to improve it.
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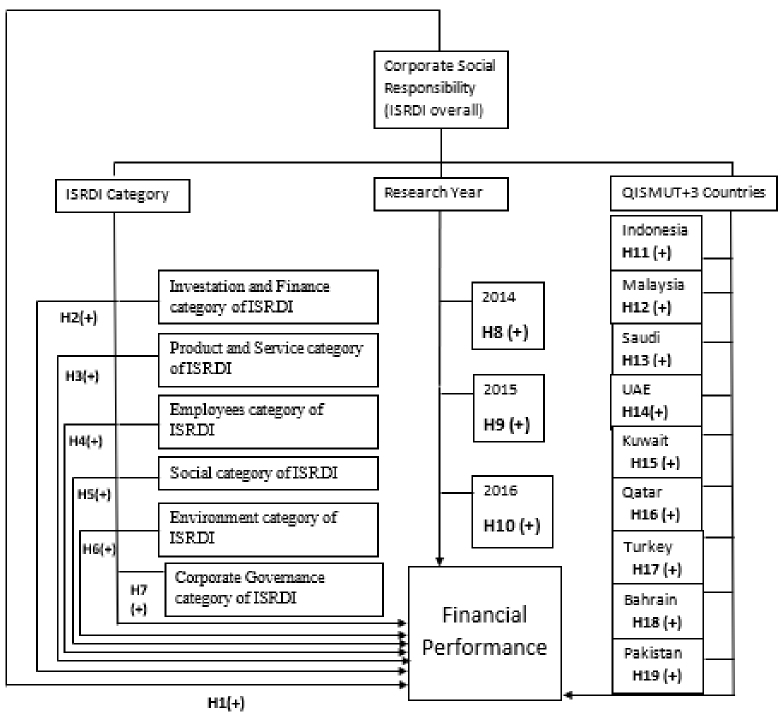
In selecting the statistical population and sample, the type of banks is not specified whether they are public, private or international.
Attach the list of banks that studied.
Number of tables is alot?
If this research done in 2020, it would be better to examine the data of 2019, 2018 and 2017.
Best wish.
Ebrahim Heshmati

➔ **I already draw the conceptual model. I already delete the statistical data and number that are not used. Due to the data limitation, we cannot extend and specified the database year. The screen capture for the revision is below:**

Hereby we draw the conceptual framework figure:



2. **Reviewer 2**

a Originality: Does the paper contain new and significant information adequate to justify publication?

⇨ **Yes, we already add some new significant contribution in our paper. We state that there are only a few research that investigating CSR on companies that perform their business based on sharia law. We also ad up to 7 countries to make it more comprehensive.**

Given that CSR disclosure for Islamic banks is very important, further research is needed. Previously there has been a lot of researches on CSR disclosure, but only a few are investigating on companies that perform their business based on sharia law (Anuar, 2004; Haniffa and Hudaib, 2007; Aribi and Gao, 2010; Hassan and Harahap, 2010; Farook et al., 2011; Sairally, 2013; Mallin et al., 2014; Nobanee and Ellili, 2016). Although many previous studies have shown that CSR disclosure of sharia-based companies is higher than conventional firms, Hassan and Harahap (2010) in their research indicate that CSR disclosure is not the main concern of 7 Islamic bank research in 7 countries. It is also similar to the results of Haniffa and Hudaib (2007) which founds that Islamic banks have less effort to communicate their sharia value and assure harmony between what is in the annual report and the code of ethics of sharia. In short, the CSR literature on Islamic banks is still a qualitative-based study that measures the volume of narrative CSR disclosure according to the ideal benchmark taken from sharia-based CSR based on AAOIFI standards. There is little research that examines what is the impact of CSR disclosure in an Islamic bank.

In contrast to previous researches, this research focuses on Islamic bank in nine countries

User contribution

User Moved down [1]: There is little research that examines what is the impact of CSR disclosure in an Islamic bank.

User A few seconds ago Moved (insertion) [1]

User Deleted: ¶

Comparative Analysis of QISMUT+3's Islamic Corporate Social Responsibility

User Formatted: Centered

Abstract:

Purpose - To analyze the impact of Corporate Social Responsibility (CSR) disclosure on the financial performance of Islamic banks across 9 countries as major markets that contribute international Islamic bank assets (Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan or further will be called QISMUT+3 Countries).

Design/methodology/approach - Islamic Social Reporting Disclosure Index (ISRDI) is being used as a benchmark for Islamic bank CSR performance that contains a compilation of CSR standard items specified by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The secondary data is collected from the respective bank's annual

User Deleted: to international Islamic bank assets (Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan or further will be called QISMUT+3 Countries).¶

b Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored

⇨ **Yes it does demonstrate it and no significant work ignored.**

c Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate?

⇨ **Yes it does. We used the same methodology that most researcher used in the sharia bank for the CSR disclosure level, which is ISRDI.**

Design/methodology/approach - Islamic Social Reporting Disclosure Index (ISRDI) is being used as a benchmark for Islamic bank CSR performance that contains a compilation of CSR standard items specified by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The secondary data is collected from the respective bank's annual reports and it used the regression analysis techniques for statistical testing.

Findings – This research found that corporate social responsibility disclosure measured by ISRDI has a positive effect on financial performance. Almost all ISRDI sub-major categories have a positive effect on financial performance except the "environment" sub-category. The highest major sub-category for ISRDI is the "corporate governance" category (82%) and the "environment" category (13%) is the lowest. For the UAE, Kuwait, dan Turkey, the ISRDI is positively affected by financial performance and the other countries on this research are not.

Originality/value - This research highlighted the economic benefits of social responsibility

d Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?

⇨ **Yes it is. We are not only give some descriptive result, we also give some graphs and tables that help to understand the way our conclusion drawn.**

Table 4.1

Descriptive Statistic

Data		N	Minimum	Maximum	Mean	Median	Std. Deviation
ROA ***(pooled)***		75	0,15%	2,36%	1,13%	1,15%	0,55%
Year	ROA2014	25	0.15%	2.36%	1.11%	1.13%	0.59%
	ROA2015	25	0.19%	2.04%	1.13%	1.18%	0.54%
	ROA2016	25	0.19%	2.04%	1.13%	1.18%	0.54%
Country	ROASaudi	6	0.86%	2.04%	1.84%	2.03%	0.48%
	ROAMalaysia	12	2.04%	2.04%	2.04%	2.04%	0.00%
	ROAUAE	6	0.85%	1.64%	1.21%	1.38%	0.32%
	ROAKuwait	6	1.13%	1.79%	1.29%	1.46%	0.34%
	ROAQatar	6	1.61%	2.36%	1.52%	1.65%	0.29%
	ROAIndonesia	24	0.15%	1.58%	0.63%	0.55%	0.43%
	ROABahrain	6	1.06%	1.49%	1.25%	1.16%	0.19%
	ROAPakistan	3	1.15%	1.40%	1.32%	1.40%	0.14%

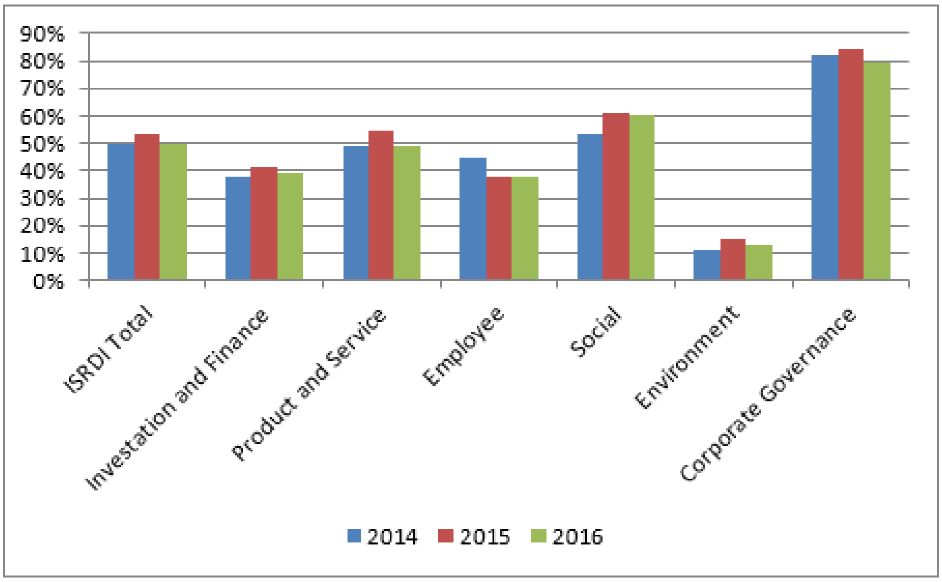
Table 4.2

Level of *Islamic Social Reporting Disclosure Index* (In 2014-2016)

Islamic Social Reporting Disclosure ***Item***	**Pooled**	**2014**	**2015**	**2016**
Total of Islamic Social Reporting Disclosure Index (ISRDI)	**51%**	**50.03%**	**52.52%**	**50.14%**
Investment and Finance	**39%**	**38%**	**41%**	**39%**
Identification of activities that contain of *riba*	36%	28%	36%	44%
% *riba* from profit	0%	0%	0%	0%
Identification of activities that contain of *gharar*	35%	24%	36%	44%
% *gharar* from profit	0%	0%	0%	0%
Zakat methods that used	68%	76%	72%	56%
Zakat Sources	68%	72%	72%	60%
Zakat Total	75%	76%	80%	68%

Chart 4.1

Level of *Islamic Social Reporting Disclosure Index* Based on Category (2014-2016)



ISRDI has 6 themes of index categories consist of 69 items. Furthermore, we made

e **Implications for research, practice and/or society: Does the paper identify clearly any implications for research, practice and/or society? Does the paper bridge the gap between theory and practice? How can the research be used in practice (economic and commercial impact), in teaching, to influence public policy, in research (contributing to the body of knowledge)? What is the impact upon society (influencing public attitudes, affecting quality of life)? Are these implications consistent with the findings and conclusions of the paper?**

⇨ **We believe we already stated the implication we draw from the result, and believe that it is in line with the result we get from the research.**

6.2. Implication

Corporate Social Responsibility (CSR) disclosure is essential for Islamic banking to increase stakeholder trust. The results of this research indicate that CSR disclosure has positively related to financial performance especially for Return On Assets (ROA). Besides, the results of this research also show that the lack of CSR disclosure in the category of the environment and some important items, such as special items that exist only in Islamic financial institutions (activity and percentage of *riba*, *gharar*, Sharia Supervisory Board's opinion, religious social activities such as zakat, *shadaqah*, *qard hasan*, concern for orphans, mosque construction, etc.). This has implications for the future Islamic banking to pay more attention related to their CSR disclosure to improve financial performance so that

f **Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc**

⇨ **Yes we do make sure all of the technical language matter above being done carefully.**

VI. ARTICLES ARE ACCEPTED FOR PUBLICATION

JANUARY 12, 2021

Journal of Islamic Marketing - Decision on JIMA-05-2020-0146.R1 Inbox ×

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to anprobohudono, astrinugraheni97, mustdownnow, me, annurrahmawati.ann

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Dear Probohudono, Agung; Nugraheni, Astri; Nurrahmawati, An

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Prof. Jonathan Wilson
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LAMPIRAN

Lampiran:

1. **Manuscript Awal**

Comparative Analysis of QISMUT+3's Islamic Corporate Social Responsibility

Abstract:

Purpose - To analyze the impact of Corporate Social Responsibility (CSR) disclosure on the financial performance of Islamic banks across 9 countries as major markets that contribute to international Islamic bank assets (Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan or further will be called QISMUT+3 Countries).

Design/methodology/approach - Islamic Social Reporting Disclosure Index (ISRDI) is being used as a benchmark for Islamic bank CSR performance that contains a compilation of CSR standard items specified by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The secondary data is collected from the respective bank's annual reports and it used the regression analysis techniques for statistical testing.

Findings – This research found that corporate social responsibility disclosure measured by ISRDI has a positive effect on financial performance. Almost all ISRDI sub-major categories have a positive effect on financial performance except the "environment" sub-category. The highest major sub-category for ISRDI is the "corporate governance" category (82%) and the "environment" category (13%) is the lowest. For the UAE, Kuwait, dan Turkey, the ISRDI is positively affected by financial performance and the other countries on this research are not.

Originality/value - This research highlighted the economic benefits of social responsibility practices as a part of business ethics in 9 countries that uphold the value of religiosity. Thus, the development of the results of this research for subsequent research is very wide open.

Keywords: *Islamic bank, corporate social responsibility, islamic social reporting disclosure index, financial performance, Islamic Business Ethics, Islamic countries.*

1. Introduction

Over the past four decades, Islamic banking is growing rapidly across the globe with some concentration in few countries in terms of Islamic banks being established all over the world. Islamic banking has mushroomed into a growing global financial market segment and has been recognized as a viable and competitive form of financial intermediation, not only in Muslim countries but also outside the Muslim world (Dusuki, 2008). Islamic banking service is one of the two important parts of Islamic finance as it accounts for about 95% of Islamic financial assets worth $ 1.8 trillion by the end of 2013 (Hirst, 2015). Ernst and Young's (2016) study shows that about 93% of international Islamic banking assets in 2016 were donated by nine major markets; Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan. Furthermore, the members of the Gulf Cooperation Council (GCC) are still the most important players, especially Saudi Arabia that continues to dominate the market share of the Islamic banking market strongly.

Unlike a conventional bank, Islamic bank has different principles because it is based on Islamic principles and religious norms to bring prosperity and justice in society. From a theoretical perspective, an Islamic bank is based on the profit-sharing principle and not based on interest as a result of lending or deposit funds like in conventional banks (Mallin, Farag, and Ow-Yong, 2014). Dusuki (2008) explains that Islam has a strong commitment to fraternity and justice for human welfare. Islamic bank also has functions and roles as stated in the preamble of accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). One of its functions is the implementation of social activities. Based on the AAOIFI standard, an Islamic bank is obliged to issue and manage (collect, administer, and distribute) zakat, as well as other social funds. These principles are similar to those of Corporate Social Responsibility (CSR), which is the bank's obligation to manage their social, economic, and environmental activities at the local and global level.

CSR principles can follow the rules in Islam as they both aim to provide social independence of the general public (Abbasi, 2012). Even within the Islamic state, the government supports the implementation of CSR (Sharani, 2004). This is interesting, as an Islamic bank and the conventional bank has different stakeholder needs (Mallin et al., 2014). Unlike a conventional bank, the implementation of CSR in Islamic Financial Institutions (IFI's) is unique because it is implemented based on sharia laws (Menne, 2016). As a result, Islamic bank has virtue in CSR practice and disclosure from a conventional bank, and it should be different in general.

CSR practice in Islam emphasizes on Islamic business ethics. Furthermore, Rosly (2010) explains that CSR should be performed based on the Sharia law, such as zakat, infaq, alms, waqf, and not through activities that contain elements of *riba* (which is also in conventional bank known as interest rates), *gharar* (uncertainty), *maisir* (speculation), and several other types of financial transactions such as buying and selling liquor and pork. Moreover, in the Qur'an letter of *Al Baqarah* verse 177, which relates to the verse fragment, "*... and gives his beloved treasure ...*", explained by Ibn-Katsir (2015) that gives the wealth we are loved to the others is an obligation after zakat in the Muslim wealth. So it can be concluded that the faith of a Muslim will not be perfect if it is not in common with good deeds in the context of *muamalah* (social activities) in the form of care and service to relatives, orphans, the poor, and traveler or people who are traveling far (*Musafir*), the welfare of those in need.

However, some studies revealed that Islamic bank has failed to implement the *profit-loss principle* (Dar and Presley, 2000; Chong and Liu, 2009) which is the primary of Islamic bank principles. Their researches also emphasize the similarity between the practice of Islamic bank and conventional bank, even the benefit of Islamic bank only exist in the theory. Some research mentioned in the research of Farook, Hassan, and Lanis (2011) revealed that Islamic bank does not fully fulfill their social role based on sharia law (Metwally, 1992; Aggarwal and Yousef, 2000). This is contrary to the social role of the Islamic bank to provide social and economic benefits especially to carrying out CSR practice based on sharia law.

Islamic Financial Institutions (IFIs) may not disclose all of their CSR activities publicly even though the majority have performed their social activities. Alchaar (2007) stated that there should be a standard development on CSR disclosure that applicable to Islamic financial institutions, so they can communicate their CSR activities well. Therefore, CSR disclosure can bring their stakeholders, the public, and other parties to be more confident and increase their trust. To increase the rate of CSR disclosure, international regulatory authorities such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) developed a special reporting standard for Islamic banking. The standard is published in Standard No.7 on "Governance Standards for Islamic banks concerning Corporate Social Responsibility (CSR) conduct and disclosure in 2010". In this standard, CSR for Islamic Financial Institutions (IFIs) is defined as all activities organized by Islamic financial institutions to fulfill their religious, economic, legal, ethical, and policy responsibilities as financial intermediaries for individuals and institutions. Therefore, to meet these standards, the aspect of CSR reporting in Islamic banks, and the results of their business activities should be different from conventional banks (Mallin et al., 2014).

Given that CSR disclosure for Islamic banks is very important, further research is needed. Previously there has been a lot of researches on CSR disclosure, but only a few are investigating on companies that perform their business based on sharia law (Anuar, 2004; Haniffa and Hudaib, 2007; Aribi and Gao, 2010; Hassan and Harahap, 2010; Farook et al., 2011; Sairally, 2013; Mallin et al., 2014; Nobanee and Ellili, 2016). Although many previous studies have shown that CSR disclosure of sharia-based companies is higher than conventional firms, Hassan and Harahap (2010) in their research indicate that CSR disclosure is not the main concern of 7 Islamic bank research in 7 countries. It is also similar to the results of Haniffa and Hudaib (2007) which founds that Islamic banks have less effort to communicate their sharia value and assure harmony between what is in the annual report and the code of ethics of sharia. In short, the CSR literature on Islamic banks is still a qualitative-based study that measures the volume of narrative CSR disclosure according to the ideal benchmark taken from sharia-based CSR based on AAOIFI standards. There is little research that examines what is the impact of CSR disclosure in an Islamic bank.

In contrast to previous researches, this research focuses on Islamic bank in nine countries (Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan) which have the largest Islamic banking financial assets in the world based on Ernst and Young (2016) research. Based on previous research, Mallin *et al.* (2014) in his research with a sample of 90 Islamic banks from 13 countries, showed that CSR disclosure has a positive effect on the company's financial performance measured by ROA. With a sample of 9 countries that have the largest Islamic financial assets, this research examined the effect of CSR disclosure on the financial performance of Islamic banks as measured by Return On Assets (ROA). Also, this research analyzed comparatively the effect of CSR disclosure on financial performance in Islamic banking based on the index category, based on CSR disclosure year, and based on country, to find further levels of CSR disclosure in the nine countries over three years study. This research used the Islamic Social Reporting Disclosure Index (ISRDI) as a benchmark for Islamic bank's performance that contains a compilation of CSR standard items specified by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions).

2. Theoretical Framework and Hypothesis Development

2.1. Stakeholder Theory

Freeman (1984) defines stakeholders in two points of view, first is which are groups or individuals affected by organizational goals, and both are groups or individuals that can influence organizational goals. This stakeholder theory by Freeman (1984) is classified into various groups in the social environment that can be influenced by an organization, and these groups have a legitimate claim to the organization because of the concept of agency theory and property theory. Then Donaldson (1995) refined the definition of stakeholders, stating that to be identified as stakeholders, groups, or individuals must have a legitimate interest in an organization. Stakeholders also provide the resources that companies need to perform their businesses such as capital, customers, employees, materials, and legitimacy (Deegan, 2002). Thus, such a relation creates a shared obligation whereby stakeholders provide "licenses to operate" to the organization in return for the social provision received (Suchman, 1995).

The discussion of CSR practice from a stakeholder management perspective has been widely considered by the public and CSR researchers in recent years (Lim and Greenwood, 2017). CSR emphasizes the important role of corporate communications in establishing and maintaining an open dialogue with multiple stakeholders to encourage ethical and socially responsible actions for various issues (Golob and Bartlett, 2007). The relation between the company and its stakeholders through CSR relies on its communication strategy considering the impact of CSR on the well-being of its stakeholders (Kirat, 2015). Reporting is an important communication tool that can ensure greater corporate transparency and better engagement with multiple stakeholders (Golob and Bartlett, 2007). Arshad, Othman, and Othman (2012) also stated that CSR disclosure is a management tool for influencing the perceptions of various stakeholders.

CSR is influenced by how businesses adjust their values and behaviors to the stakeholder's needs, not only customers and investors, but also employees, suppliers, communities, regulators, special interest groups, and the community (Islam, Ahmed, and Hasan, 2012). Stakeholder needs as reasons for assessing different public interactions and engaging in reporting practices (Whetten, Rands, and Godfrey, 2002). CSR reporting is a way for organizations to provide stakeholder information on social and environmental issues (Golob and Bartlett, 2007). Furthermore, disclosure of information about risks will increase the broader stakeholder understanding: the company (using internal data) can directly communicate the level or various risks it faces (Probohudono, 2012).

2.2. *Islamic Banking*

Dusuki (2008) mentions many prominent Islamic economists, such as Chapra (1985), Chapra (2000), Ahmad (2000), Siddiqui (2001), and Naqvi (2016), who assert that Islamic banking is a part of the whole Islamic economic system that seeks to realize justice and balanced society as envisioned and written in the purpose of sharia (also known as *maqahsid as-shariah*). Thus, many restrictions (such as interest, gambling or speculation, excessive risks, etc.) are applied to protect the interests and benefits of all members in market transactions and to promote social harmony (Ahmad, 2000; Chapra, 1985; Chapra, 2000; Naqvi, 2016; Siddiqui, 2001). Islamic banking is also characterized by ethical norms and social commitment (Ahmad, 2000; Mirakhor, 2000; Warde, 2000).

Islamic banking is more than just refraining from burdening the interest and adjusting to the technicalities of the law and the terms of offering Islamic financial products (Dusuki, 2008). But Islamic banking is a system that aims to contribute to the fulfillment of socio-economic goals and the creation of a just society (Siddiqui, 2001; Haron and Hisham, 2003). In the process of operating business, Islamic banking seeks to balance the income and expenditure to achieve better progress across society (Haron, 1995, Al-Omar and Abdel-Haq, 1996).

2.3. *Corporate Social Responsibility*

Although there is no single definition that generally accepted, CSR generally refers to business decisions that make connections to ethical values, compliance with legal requirements, respect for human beings, involvement in social, community and environmental activities (Hassan and Harahap, 2010). Theoretically, the relation and impacts of business into society will become stronger if people have a close relation or are involved with the core business of an organization. Currently, CSR has become a very important thing for a business and can be the main reason for a company's competition and ability to survive and has produced the best success in business after being adopted by the company (Mustafa et al., 2012). Islam et al. (2012) also argue that CSR can improve long-term profitability and corporate sustainability such as enhancing the organization's reputation. Moreover, CSR is an important part of business strategy from many companies around the world, because the performance of business organizations is influenced by their strategy in the market, as well as the non-market environment (Baron, 2007). Furthermore, CSR also makes the standard of living remain high by maintaining the profitability of the organization to the public (Hopkins, 2004). Every day more companies are implementing initiatives to improve public health, safety, environment, or community welfare, with examples of well-known companies such as Primark, Ikea, or Coca Cola Company (García-Jiménez et al., 2017).

Haniffa and Hudaib (2007) concluded that to remain competitive, Islamic banks need to communicate more effectively to improve their public image and reputation. Islamic perspective on

CSR disclosure is an understanding of responsibility, social justice, and ownership concepts that are important for social relations (Hassan and Harahap, 2010). Hassan and Harahap (2010) stated that Islamic banks should disclose information to ensure the stakeholders know that Islamic banks have committed: 1) to invest in activities under sharia principles; 2) to fulfill contractual relations with various stakeholders, including customer relation through contractual declarations, etc. This is because Islamic banks operate their activities under sharia law, of course, they have different stakeholders from the conventional banks. Stakeholders and depositors of Islamic bank funds would ideally want to assess their trust that has been given with their funds from how Islamic banks operate their business based on sharia law.

2.4. Islamic Social Reporting Disclosure Index

Given that there are more than forty definitions of CSR (Dahlsrud, 2008) proves a lack of consistency in conceptualization and measurement of CSR (García-Jiménez et al., 2017). Establishing a global framework for CSR reporting is an aim that desired generally, and there have been several attempts that have been made (Owen, 2003). So far, the measurement of CSR disclosure in Islamic banking still refers to the Global Reporting Initiative Index (GRI Index). This is interesting, as Islamic banking has different stakeholder needs (Mallin et al., 2014). Unlike conventional banks, the implementation of CSR in Islamic financial institutions is unique because it is implemented based on sharia law (Menne, 2016). Therefore, a sharia-based CSR disclosure guideline is required.

Islamic Social Reporting Disclosure Index (ISRDI) is a benchmark for the implementation of Islamic banking performance which contains a compilation of CSR standard items set by AAOIFI. Furthermore, it is developed by researchers to add the CSR items which should be disclosed by an Islamic entity (Sofyani and Setiawan, 2015). ISRDI becomes relevant for the measurement of CSR disclosure of Islamic banking because it uses standards that also pay attention to every Islamic responsibility. The standard is published in Standard No.7 on "*Governance Standards for Islamic banks concerning Corporate Social Responsibility (CSR) conduct and disclosure in 2010*". Within these standards, CSR for Islamic financial institutions in all activities organized by Islamic Financial Institutions not only to fulfill their economic, legal, ethical, and policy responsibilities but also to religious responsibilities.

2.5. Financial Performance

Financial performance can be used as a measuring tool for the company's achievement to make a profit. Financial performance is an illustration of a company's financial condition that analyzed by a financial analysis tool, so it can be known the work achieved at a certain time. The financial performance also defined as financial feasibility, to measure the extent of how the company achieves its economic goals (Fischer and Sawczyn, 2013). Moreover, profitability (measured by financial performance) is the most important aspect affecting the company growth and survival (Lyon, 2007).

The most widely used variables to measure financial performance include profit (operational and net), cash flow, EPS, ROA, ROE, sales growth, Return On Sales (ROS), contribution margin, Tobin's Q, market share, corporate risk and Return On Capital Employed (ROCE) (Boaventura, Silva, and Bandeira-de-Mello, 2012). Regarding company social performance, two primary measuring tools in investigating the relationship between social performance and financial performance is market base variable and accounting base variable, however, the most widely used are Return On Equity (ROE) and Return On Assets (ROA) (Boaventura et al., 2012).

Some theoretical and empirical studies have studied the impact of Corporate Social Responsibility (CSR) as measured by social performance and its relation to financial performance (Mallin et al., 2014). Simpson and Kohers (2002) in his research found a consistent result with the theoretical constructs of corporate social performance that predicting a positive relationship between corporate social performance and corporate financial performance. However, some studies indicate a negative relation between CSR and financial performance, because CSR will be paid only after certain investment threshold amount and the achievement of CSP has been done, before this point is reached, CSR spending will decrease CFP (Nollet et al., 2016).

2.6. Hypothesis Development

2.6.1. The Influence of CSR Disclosures on Financial Performance

The companies that have good management and attention to social responsibility activities are expected to have a positive impact from their stakeholders so it can improve their financial performance. Chen and Wang (2011) in his research stated that CSR activities can improve their financial performance in the current year, have a significant impact on financial performance next year, and vice versa, variations of CSR and financial performance can influence each other significantly. Comparing the performance implications of CSR practices that targeting different stakeholders, empirical results indicate that different types of CSR have various influences on the financial performance of firms from different industrial sectors (Feng, Wang, and Kreuze, 2017).

Many studies have shown that CSR activities have a positive effect on company performance (Mustafa et al., 2012). One of them is Islam et al. (2012) found that a bank with high CSR performance has a higher average return on assets than a bank with low CSR performance. A comprehensive study has examined the relation between CSR and financial performance (Margolis and Walsh, 2001). Margolis and Walsh (2001) stated that when used as an independent variable, corporate social performance has a positive relationship with financial performance in 53% of the researches, 5% found a negative relation, 19% found both of positive and negative relation, while 24% found there is no relation between of them. Whereas when CSR is used as a dependent variable, 68% of the researches found there is a positive relation between CSR and the company's financial performance. The majority of these studies conclude that companies that disclose CSR will improve their financial performance. Mallin et al. (2014) in his research with a sample of 90 Islamic banks from 13 countries, indicating that there is a positive relation between CSR disclosure with the company's financial performance calculated by measuring instrument one of which is ROA. With good CSR disclosure, it will increase customers' trust to save and invest in an Islamic bank, so it can improve the company's financial performance through asset turnover.

From the hypotheses development that has been described previously then we obtained the formulation of hypotheses to be used in this research are:

H_1 : ISRDI has a positive effect on ROA in overall

ISRDI has 6 themes of index categories consist of 69 items. Each IRSDI index category has its functions and values for companies and their stakeholders, especially index categories that directly relate to stakeholder needs base on the type of company. In contrast to the types of companies in general, Islamic banking is a system that aims to contribute to the fulfillment of socio-economic goals and the creation of a just society (Siddiqui, 2001; Haron and Hisham, 2003). That way, Islamic banking is expected to run all aspects of its social responsibility to be able to support the sustainability of their company, in this case, is the financial performance of the company. To examine how ISRDI Islamic bank discloses in the nine largest Islamic financial assets countries, comparation is needed to examine the effect of ISRDI on ROA based on the theme of each index, so it will be known whether all aspects of ISRDI have a positive effect on the company's ROA. Then some hypothesis developed as follows:

H_2 : Investation and Finance category of ISRDI has a positive effect on ROA

H_3 : Product and Service category of ISRDI has a positive effect on ROA

H_4 : Employees category of ISRDI has a positive effect on ROA

H_5 : Social category of ISRDI has a positive effect on ROA

H_6 : Environment category of ISRDI has a positive effect on ROA

H_7 : Corporate Governance category of ISRDI has a positive effect on ROA

This research is a cross-country study; Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan, with the timeframe used in this research, is for three years; 2014, 2015, and 2016. In the range of such studies, ISRDI by Islamic banking may experience a change both increase and decrease their disclosure level each year. Therefore, to know how the influence of ISRDI on Islamic banking's ROA every year, then some of the following hypotheses are developed:

H_8 : ISRDI has a positive effect on ROA in 2014

H_9 : ISRDI has a positive effect on ROA in 2015

H_{10} : ISRDI has a positive effect on ROA in 2016

Although 9 study sample countries are the countries with the largest Islamic financial assets in the world, many factors such as the characteristics of the country, politics, etc. that can influence the level of Islamic bank's financial performance, so that one country with another country is not the same in ISRDI influence on their financial performance. To investigate more deeply, comparations will be made in testing the effect of ISRDI on ROA based on each country. Here are some of the hypotheses developed:

H_{11} : ISRDI has a positive effect on ROA in Indonesia

H_{12} : ISRDI has a positive effect on ROA in Malaysia

H_{13} : ISRDI has a positive effect on ROA in Saudi Arabia

H_{14} : ISRDI has a positive effect on ROA in UAE

H_{15} : ISRDI has a positive effect on ROA in Kuwait

H_{16} : ISRDI has a positive effect on ROA in Qatar

H_{17} : ISRDI has a positive effect on ROA in Turkey

H_{18} : ISRDI has a positive effect on ROA in Bahrain

H_{19} : ISRDI has a positive effect on ROA in Pakistan

3. Research Methodology

3.1. Research Design and Data Collection Method

This research is classified as explanatory research which aims to explain the relationship between the variables through testing a hypothesis that has been formulated in the study. This research is quantitative in nature so it used in the numerical or statements form that being scored in number, then are analyzed by using the statistic. In this research, the data are secondary data obtained from the annual reports and financial statements of the Islamic Bank in nine countries in 2014-2016. The secondary data were collected from the respective websites of Islamic banking samples through the documentary collection method. The data needed for this research were those related to the corporate social responsibility disclosure and Return on Asset (ROA). The data of this research were analyzed by SPSS 21.

3.2. Population, Sample and Sampling Technique

The population of this research is the Islamic banks in nine countries in 2014, 2015, and 2016. The sample was selected to observe the relation between CSR disclosure and financial performance in the Islamic banking sector. The sample was selected using a purposive sampling technique. It uses certain criteria according to the purpose of the study. The criteria that the sample should meet in this research:

1. An Islamic bank who operating its business in nine countries (Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan).
2. An Islamic bank that issued annual reports and financial reports for the period 2014, 2015, 2016.
3. An Islamic bank who issues a complete data needed for the research.

3.3. Operational Definition and Variable Measurement

3.3.1. Dependent Variable

The dependent variable used in this research is the financial performance measured by Return On Asset (ROA). Return On Asset is a ratio that explains how much net profit earned by the company is measured by the value of its assets (El Mousaid and Boutti, 2012).

$$ROA = \frac{Income\ Before\ Tax\ and\ Zakat}{Total\ Asset}\ x\ 100\%$$

3.3.2. Independent Variable

The independent variable in this research is the Islamic Social Reporting Disclosure Index (ISRDI). ISRDI is an index made by the AAOIFI consist of 6 categories and 69 items. It measured by using the unweighted index or dummy variable. An undisclosed item is symbolized by 1 and disclosed item symbolized by 0.

$$ISRDIbt = \frac{\sum_{i=1}^{n} xibt}{n}$$

Explanation :

ISRDIbt : *Islamic Social Reporting Index for Bank b and time t (year)*

Xibt : *equal to 1 if item 1 is disclosed for bank b and Tim 1 (year)*

n : a *total of items*

3.4. *Data Analysis Method*

In this research, the data were analyzed by the following method:

1. Descriptive analysis was done to discover the characteristics of the research variable to be tested.
2. Descriptive of Islamic Social Reporting Disclosure Index (ISRDI) result was done to observe the level of CSR disclosure for Islamic banking samples.
3. Simple regression analysis was used to see the test result of the impact of the Islamic Social Reporting Disclosure Index (ISRDI) on the Islamic banks' financial performance and to make a comparative analysis. The equation of the current research' regression is as follow:

$$ROA = \alpha + \beta \text{ ISRDIcnt} + \varepsilon$$

Explanation :

ROA : *Return On Asset* at a certain time

α : The constant of the regression

β : The coefficient of regression

ISRDIcnt : *Islamic Social Reporting Index* for category c, country n, time t (year)

ε : The score of error for each individual

4. Result and Discussion

4.1. Descriptive Statistic

The descriptive statistic aims to discover the character of the research variables. The sample of this research is the Islamic banks in nine countries; Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan in 2014, 2015, and 2016. From the data collection process, there are 32 Islamic banks fulfilled the criteria to be included as the sample of the research. However, there are 7 data included as outliers data so that they are excluded from the sample. Thus, the sample that will be used in this research is 25 Islamic banks in three periods of data. According to the criteria above then we obtained a sample of 75 years of Islamic banks.

Table 4.1

Descriptive Statistic

	Data	N	Minimum	Maximum	Mean	Median	Std. Deviation
ROA *(pooled)*		75	0,15%	2,36%	1,13%	1,15%	0,55%
Year	ROA2014	25	0.15%	2.36%	1.11%	1.13%	0.59%
	ROA2015	25	0.19%	2.04%	1.13%	1.18%	0.54%
	ROA2016	25	0.19%	2.04%	1.13%	1.18%	0.54%
Country	ROASaudi	6	0.86%	2.04%	1.84%	2.03%	0.48%
	ROAMalaysia	12	2.04%	2.04%	2.04%	2.04%	0.00%
	ROAUAE	6	0.85%	1.64%	1.21%	1.38%	0.32%
	ROAKuwait	6	1.13%	1.79%	1.29%	1.46%	0.34%
	ROAQatar	6	1.61%	2.36%	1.52%	1.65%	0.29%
	ROAIndonesia	24	0.15%	1.58%	0.63%	0.55%	0.43%
	ROABahrain	6	1.06%	1.49%	1.25%	1.16%	0.19%
	ROAPakistan	3	1.15%	1.40%	1.32%	1.40%	0.14%
	ROATurkey	6	0.68%	1.65%	1.16%	1.24%	0.43%
ISRDI (*pooled*)		75	20,29%	82,61%	51,23%	49,28%	15,13%
Category	ISRDI1	75	0.00%	64.29%	38.95%	42.86%	20.21%
	ISRDI2	75	14.29%	100.00%	50.86%	42.86%	16.65%
	ISRDI3	75	0.00%	91.67%	40.33%	41.67%	23.65%
	ISRDI4	75	0%	92.86%	58.07%	64.29%	30.09%
	ISRDI5	75	0.00%	85.71%	12.76%	0.00%	17.19%
	ISRDI6	75	46.67%	100.00%	81.69%	86.67%	15.43%
Tahun	ISRDI2014	75	20.29%	82.61%	50.67%	49.28%	15.25%
	ISRDI2015	75	23.19%	78.26%	52.87%	52.17%	16.20%
	ISRDI2016	75	27.54%	73.91%	50.15%	46.38%	14.37%
Negara	ISRDISAUDI	6	39.13%	50.72%	46.38%	49.28%	5.10%
	ISRDIMALAYSIA	12	42.03%	68.12%	53.14%	54.35%	9.21%
	ISRDIUAE	6	27.54%	63.77%	42.27%	36.23%	16.96%
	ISRDIKUWAIT	6	20.29%	47.83%	33.34%	34.06%	11.15%
	ISRDIQATAR	6	40.58%	46.38%	43.48%	43.48%	2.25%
	ISRDIINDONESIA	24	49.28%	82.61%	66.79%	68.12%	8.70%
	ISRDIBAHRAIN	6	37.68%	55.07%	47.83%	49.28%	6.28%
	ISRDIPAKISTAN	3	39.13%	55.07%	48.31%	50.72%	8.24%
	ISRDITURKEY	6	27.54%	31.88%	29.47%	28.99%	2.18%

Note: ROA (Return On Assets) = income before tax and zakat/total assets, ISRDI (Islamic Social Reporting Disclosure Index) = dummy variable of Islamic social reporting disclosure.

Table 4.1 presents the results of the descriptive statistics of all data. Table 1 shows that the variable Return On Assets (ROA) has an average value (mean) of 10.89%, while the median value (median) of 1.15%. The lowest ROE value of 0.15% is owned by Bank Muamalat Indonesia in the country in Indonesia in 2014. While the highest ROA is 2.36% owned by Qatar Islamic Bank in Qatar in 2014. The standard deviation of ROA the overall data is 0.55%. The Islamic Social Responsibility Disclosure Index (ISRDI) variable shows the mean value of 51.23%, while the median value is 49.28%. The lowest ISRDI value of 20.29% is owned by the United Bank of the United States of Saudi Arabia by 2014. While the highest ISRD value is 82.61% owned by Bank Muamalat Indonesia in Indonesia in 2014. The standard deviation of ISRDI is 15.13%.

4.2. The level of Corporate Social Responsibility disclosure based on Islamic Social Reporting Disclosure Index

Corporate Social Responsibility disclosure based on the Islamic Social Reporting Disclosure Index (ISRDI) is classified into 6 theme categories. The level of ISRDI for each item in each year is presented in table 2.

Table 4.2

Level of *Islamic Social Reporting Disclosure Index* (In 2014-2016)

Islamic Social Reporting Disclosure *Item*	**Pooled**	**2014**	**2015**	**2016**
Total of Islamic Social Reporting Disclosure Index (ISRDI)	**51%**	**50.03%**	**52.52%**	**50.14%**
Investment and Finance	**39%**	**38%**	**41%**	**39%**
Identification of activities that contain of *riba*	36%	28%	36%	44%
% *riba* from profit	0%	0%	0%	0%
Identification of activities that contain of *gharar*	35%	24%	36%	44%
% *gharar* from profit	0%	0%	0%	0%
Zakat methods that used	68%	76%	72%	56%
Zakat Sources	68%	72%	72%	60%
Zakat Total	75%	76%	80%	68%
Zakat Recipients	51%	40%	52%	60%
Shariah Supervisory Board's opinion related to zakat collection and distribution	76%	76%	72%	80%

Identification of the policy to resolve insolvent clients.	99%	100%	100%	96%
The amount of additional fees (fines) charged as a consequence of late payment	39%	36%	48%	32%
Shariah Supervisory Board’s opinion related to the permit regarding additional fees charged as a consequence of late payment by the insolvent client.	0%	0%	0%	0%
Current Value Balance Sheet	0%	0%	0%	0%
Value Added Statement	0%	0%	0%	0%
Product and Service	**51%**	**49%**	**55%**	**49%**
Halal and Shariah labels on the product	92%	92%	92%	92%
Product development	97%	92%	100%	100%
Service improvement	96%	88%	100%	100%
Total consumer complaints	13%	12%	24%	4%
Handling consumer complaints	43%	36%	44%	48%
Fines both money and non money related violations of regulations	5%	4%	12%	0%
Survey of customer decisions	9%	16%	12%	0%
Employee	**40%**	**45%**	**38%**	**38%**
The number of working hours and holidays	3%	0%	8%	0%
Remuneration	84%	88%	80%	84%
Salary ratio	39%	56%	32%	28%
Composition of employees based on specific performance	16%	40%	8%	0%
Education and training programs for employees	92%	88%	92%	96%
Establish development programs and employee career path	39%	48%	52%	16%
Employee retention strategy	19%	24%	12%	20%
Percentage of employees receiving	12%	20%	8%	8%
The same opportunity	41%	40%	44%	40%
Occupational Health and Safety	52%	44%	48%	64%
Work environment	53%	56%	44%	60%
Special Reqruitment	35%	32%	32%	40%
Social	**58%**	**53%**	**61%**	**60%**
Shaddaqah/Donation	65%	60%	64%	72%

Waqf	44%	32%	52%	48%
Qard Hasan	57%	48%	60%	64%
Zakat or donations from employees or clients	67%	60%	76%	64%
Establishment of school	3%	4%	0%	4%
Assistance at school in financial or non-financial	56%	64%	72%	32%
Scholarship	73%	64%	76%	80%
Health assistence	68%	60%	71%	72%
Economic empowerment	76%	80%	72%	76%
Concern for orphans	45%	32%	52%	52%
Construction or renovation mosque	37%	24%	44%	44%
Youth activities	67%	72%	60%	68%
Other social activities	83%	80%	80%	88%
Sponsor of health events, sports, education, etc.	72%	64%	72%	80%
Environment	**13%**	**11%**	**15%**	**13%**
Go green campaign	12%	12%	16%	8%
Environmental conversion	33%	28%	40%	32%
Protection of wild or enandgered fauna and flora	4%	0%	8%	4%
Polution	15%	8%	16%	20%
Repairment and construction of public facilities	23%	28%	16%	24%
Environmental audit	1%	0%	4%	0%
Environmental management policies	1%	0%	4%	0%
Corporate Governance	**82%**	**82%**	**84%**	**79%**
Organizational profil and strategy	95%	84%	100%	100%
Organizational structure	97%	92%	100%	100%
Implementation of the Board of Commissioners' duties and responsibilities	96%	100%	100%	88%
Implementation of Board of Director's duties and responsibilities	100%	100%	100%	100%
Completeness and execution of the Committee's duties	85%	80%	92%	84%
Implementation of Sharia Supervisory Board's duties and responsibilities	85%	88%	80%	88%
Implementation of sharia principles in the collection and distribution of funds and service	91%	88%	92%	92%
Handling of conflict of interest	47%	52%	36%	52%

Implementation of Bank's compliance function	93%	92%	92%	96%
Implementation of internal audit function	97%	100%	96%	96%
Implementation of external audit function	97%	100%	96%	96%
Maximum limit of fund disbursement	45%	56%	52%	28%
Transparency of financial and non financial condition	47%	44%	68%	28%
Anti-money laundering and other deviant policies	67%	76%	56%	68%
Company ethics	83%	76%	100%	72%

Source: Data that had been processed

Table 4.2 shows that corporate social responsibility disclosure of Islamic banks overall is quite good (more than 50%). Disclosure of the Corporate Governance category has the highest level of disclosure (82%), and the disclosure of the Environment category has the lowest disclosure rate (13%). This could be due to the lack of concern of Islamic banking to the environment. Besides, Environment category disclosure is still voluntary in some countries.

According to table 4.2, the disclosure of the Investment and Finance category is still very low (39%). Some items indicate the level of disclosure of 0% or there was no Islamic banking that discloses the activity, ie item Percentage of *riba* from profit, Percentage of *gharar* from profit, and opinion of Sharia Supervisory Board related to permitting regarding additional fee charged as a consequence of late payment by an insolvent client, current value balance sheet, and value-added statement. While activity identification items containing *riba* and identification of activities containing *gharar* are still had low disclosure rates, 36%, and 35%. This indicates there is still low attention to financial disclosures under sharia principles in the Islamic banking sector.

Disclosure of Product and Service category and Employee category shows a medium level of disclosure. Islamic banking is necessary to increase the disclosure of both categories, especially for items related to customer service management, customers, and working hours or holidays, composition info, and percentage of employees. Besides, most Islamic banks have disclosed their responsibilities to the community by conducting Social category activities (above 52%). However, for the endowment items, the establishment of schools, and the care of orphans is still a little level of disclosure.

Table 4.2 shows that more than 80% of Islamic banks have disclosed information about their Corporate Governance's category well. This is also supported by the existence of a Good Corporate Governance program from each Islamic bank. However, not all Islamic banks have disclosed the activities of Sharia Supervisory Board duties and responsibilities and the implementation of Sharia principles in the collection and distribution of funds and services.

4.3. The Relation Between Islamic Social Reporting Disclosure Index to Financial Performance

Table 4.3 presents the results of statistical tests to see the influence of the Islamic Social Reporting Disclosure Index (ISRDI) on financial performance (ROA).

Table 4.3

Regression Result Data Pooled

	2014	**2015**	**2016**	**Pooled**
N	25	25	25	**75**
Durbin-Watson	1.916	1.687	1.688	**1.847**
Adjusted R2	0.223	0.179	0.188	**0.228**
F *statistic*	7.899	6.249	6.545	**21.506**
Significance	0.010*	0.020**	0.018**	**0.000***

*highly significant at 1% level, **significant at 5% level, ***moderately significant at 10% level

Table 4.3 presents the results of regression analysis between ISRDI as an independent variable and ROA as a dependent variable in the pooled data. It is shown that there is a statistically significant variable (*p-value*<0.01) in 2014, 2015, 2016, and data pooled (2014-2016). So it can be concluded that ISRDI has a highly positive significance related to ROA (financial performance).

4.4. A Comparative Analysis Based on ISRDI Category Index

Table 4.4

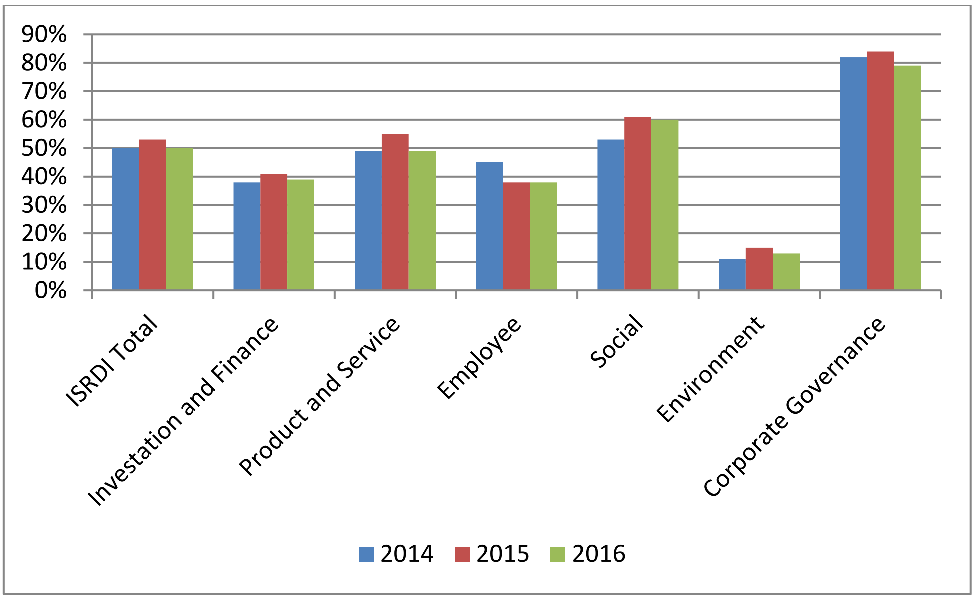
Level of *Islamic Social Reporting Disclosure Index* Based on Category (2014-2016)

ISRDI Category	**Mean**			
	Pooled	**2014**	**2015**	**2016**
Total ISRDI	**51%**	**50%**	**53%**	**50%**
Investation and Finance	**39%**	38%	41%	39%
Product and Service	**51%**	49%	55%	49%
Employee	**40%**	45%	38%	38%
Social	**58%**	53%	61%	60%
Environment	**13%**	11%	15%	13%
Corporate Governance	**82%**	82%	84%	79%

Source: the secondary data that had been processed

Chart 4.1

Level of *Islamic Social Reporting Disclosure Index* Based on Category (2014-2016)



ISRDI has 6 themes of index categories consist of 69 items. Furthermore, we made comparations in testing the influence of ISRDI on ROA based on the index categories. Table 4.4 and Chart 4.1 presents the ISRDI levels that have been classified according to the index category themes. It is shown that Corporate Governance's category has the highest average disclosure level of other disclosure themes (82%), while the lowest category disclosure is Environment (13%).

Table 4.5.

Regression Result of Comparative Analysis Based on ISRDI Category (Data Pooled)

ISRDI Category	N	Adjusted R^2	F *statistic*	Significance
1. Investation and Finance	75	0.122	11.278	**0.001***
2. Product and Service	75	0.052	5.039	**0.028****
3. Employee	75	0.063	5.938	**0.017****
4. Social	75	0.170	16.149	**0.000***
5. Environment	75	-0.010	0.242	**0.625*****
6. Corporate Governance	75	0.205	20.086	**0.000***

*highly significant at 1% level, **significant at 5% level, ***moderately significant at 10% level

Table 4.5 presents the results of regression analysis between ISRDI as an independent variable and ROA as a dependent variable based on ISRD Category in data pooled (2014-2016). It is shown that there is statistically significant variable (*p-value*< 0.05) in almost all of categories except for the "environment" category (*p-value*> 0.05). So it can be concluded that category disclosure of Investation and Finance, Product and Service, Employee, and Corporate Governance have positively significantly related to ROA (financial performance). While Environment category disclosure has not significantly related to ROA.

4.5. A Comparative Analysis Based on Year

Table 4.6

Regression Result of Comparative Analysis Based on Year (Data Pooled)

Year	N	Adjusted R^2	F *statistic*	Significance
2014	25	0.223	7.899	**0.010***
2015	25	0.179	6.249	**0.020****
2016	25	0.188	6.545	**0.018****

*highly significant at 1% level, **significant at 5% level, ***moderately significant at 10% level

Table 4.6 presents the results of regression analysis between ISRDI as an independent variable and ROA based on the year in 2014, 2015, and 2016. It is shown that there is a statistically significant variable (*p-value*< 0.05) in all of the years. So it can be concluded that ISRDI has positively significantly related to ROA (financial performance) in ranging from 2014 to 2016.

4.6. A Comparative Analysis Based on Country

Table 4.7

Regression Result of Comparative Analysis Based on Country (Data Pooled)

Country	N	Adjusted R^2	F *statistic*	Significance
Indonesia	24	-0.031	0.316	**0.580*****
Malaysia	12	-0.027	0.709	**0.419*****
Saudi Arabia	6	-0.143	0.373	**0.574*****
UAE	6	0.684	11.821	**0.026****
Kuwait	6	0.87 9	37.16	**0.004***
Qatar	6	0.088	1.484	**0.290*****
Turkey	6	0.727	14.31	**0.019****
Bahrain	6	-0.157	0.321	**0.601*****
Pakistan	3	-0.871	0.069	**0.837*****

*highly significant at 1% level, **significant at 5% level, ***moderately significant at 10% level

Table 4.7 presents the results of regression analysis between ISRDI as an independent variable and ROA based on country (Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan). It is shown that there is a statistically significant variable (*p-value*< 0.05) in UAE, Kuwait, and Turkey, and not statistically significant variables (*p-value*> 0.05) in Indonesia, Malaysia, Saudi Arabia, Qatar, Bahrain, and Pakistan. So it can be concluded that ISRDI has positively significantly related to ROA (financial performance) in UAE, Kuwait, and Turkey but has not significantly related to Indonesia, Malaysia, Saudi Arabia, Qatar, Bahrain, and Pakistan.

5. Discussion

The hypothesis test result shows that the effect of the Islamic Social Reporting Disclosure Index (ISRDI) toward financial performance measured by Return on Assets (ROA) has positively significant relation. So ISRDI can be used to predicting ROA in the Islamic banking sector. Based on the research result, H1 is accepted. The results of this research support the research of Mallin et al. (2014) which has the result of a positive and significant relation between CSR disclosure and financial performance measured by ROA. Positive results between ISRDI and ROA mean that if ISRDI is good then ROA will increase. The results of this research reject the research from Mosaid and Boutti (2012) who found that there is no significant relation between CSR disclosure and ROA within Islamic banking. The different results of researches are due to the difference between samples and the range of research is quite long.

Almost all theme categories of ISRDI have a significant positive relation on Islamic banking ROA, except on the theme of environmental disclosure, so H_2, H_3, H_4, H_5, $H_7$are accepted but H_6 is rejected. The majority of Islamic banks still have less attention to the disclosure of their environment and also the disclosure of the percentage of activities of *riba* and *gharar*. This may be because there is no detailed regulation regarding these items. For three consecutive years (2014, 2015, 2016) ISRDI proved to have a positively significant related toROA, so H_8, H_9, H_{10} are accepted. Furthermore, ISRDI has positively significant related to ROA (financial performance) in UAE, Kuwait, and Turkey but has not significantly related in Indonesia, Malaysia, Saudi Arabia, Qatar, Bahrain, and Pakistan, so H_{14}, H_{15}, $H_{17}$are accepted and H_{11}, H_{12}, H_{13}, H_{16}, H_{18}, H_{19} are rejected. This means that multiple disclosures over time and across countries may be influenced by firm characteristics (Probohudono, 2012), and the characteristics of stakeholders of each country.

6. Summary, Implication, and Limitation

6.1. Summary

This research discusses the influence of corporate social responsibility disclosure based on the Islamic Social Reporting Disclosure Index (ISRDI) on financial performance in Islamic banking that measured by ROA (Return on Assets). The samples used in this research are 25 Islamic banks in nine countries (Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan) in the period 2014, 2015, 2016. The research finding is Islamic banks have disclosed CSR based on ISRDI well, 50% in 2014, 53% in 2015, and 50% by 2016. The top category disclosure for ISRDI is the "corporate governance" category of 82 %, while the category "environment" is the lowest disclosed of 13%. Furthermore, the lowest ISRDI level in data pooled is 20.29% owned by the United Bank of the United States of Saudi Arabia in 2014. While the highest ISRD level is 82.61% owned by Bank Muamalat Indonesia in Indonesia in 2014.

The results showed that a simple regression analysis provides evidence that the disclosure of corporate social responsibility positively related to financial performance. The results of comparative analysis for each year shows that there is a positive relation between ISRDI and financial performance each year. Almost all the major categories of ISRDI have a positive relationship with financial performance except for the environmental subcategory. For the UAE, Kuwait, and Turkey, ISRDI has positively significantly related to financial performance but has not significantly related to Indonesia, Malaysia, Saudi Arabia, Qatar, Bahrain, and Pakistan.

6.2. Implication

Corporate Social Responsibility (CSR) disclosure is essential for Islamic banking to increase stakeholder trust. The results of this research indicate that CSR disclosure has positively related to financial performance especially for Return On Assets (ROA). Besides, the results of this research also show that the lack of CSR disclosure in the category of the environment and some important items, such as special items that exist only in Islamic financial institutions (activity and percentage of *riba*, *gharar*, Sharia Supervisory Board's opinion, religious social activities such as zakat, *shadaqah*, *qard hasan*, concern for orphans, mosque construction, etc.). This has implications for the future Islamic banking to pay more attention related to their CSR disclosure to improve financial performance so that the asset turnover becomes better. Besides, the results of this research could be a consideration for AAOIFI to develop a more appropriate standard of CSR reporting for Islamic banking.

6.3. Limitation

This research focuses on Islamic banks in nine countries that have the largest Islamic banking assets in the world; Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan. The number of samples of each country may be too small and uneven in number. The suggestions for further research can add research samples apart from the 9 countries.

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Comparative Analysis of QISMUT+3's Islamic Corporate Social Responsibility

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Abstract:
Purpose - To analyze the impact of Corporate Social Responsibility (CSR) disclosure on the financial performance of Islamic banks across 9 countries as major markets that contribute international Islamic bank assets (Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan or further will be called QISMUT+3 Countries).
Design/methodology/approach - Islamic Social Reporting Disclosure Index (ISRDI) is being used as a benchmark for Islamic bank CSR performance that contains a compilation of CSR standard items specified by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The secondary data is collected from the respective bank's annual reports and it used the regression analysis techniques for statistical testing.
Findings – This research found that corporate social responsibility disclosure measured by ISRDI has a positive effect on financial performance. Almost all ISRDI sub-major categories have a positive effect on financial performance except the "environment" sub-category. The highest major sub-category for ISRDI is the "corporate governance" category (82%) and the "environment" category (13%) is the lowest. For the UAE, Kuwait, dan Turkey, the ISRDI is positively affected by financial performance and the other countries on this research are not.
Originality/value - This research highlighted the economic benefits of social responsibility practices as a part of business ethics in 9 countries that uphold the value of religiosity. Thus, the development of the results of this research for subsequent research is very wide open.

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Keywords: *Islamic bank, corporate social responsibility, islamic social reporting disclosure index, financial performance, Islamic Business Ethics, Islamic countries.*

1. Introduction

Over the past four decades, Islamic banking is growing rapidly across the globe with some concentration in few countries in terms of Islamic banks being established all over the world. Islamic banking has mushroomed into a growing global financial market segment and has been recognized as a viable and competitive form of financial intermediation, not only in Muslim countries but also outside the Muslim world (Dusuki, 2008). Islamic banking service is one of the two important parts of Islamic finance as it accounts for about 95% of Islamic financial assets worth $ 1.8 trillion by the end of 2013 (Hirst, 2015). Ernst and Young's (2016) study shows that about 93% of international Islamic banking assets in 2016 were donated by nine major markets; Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan. Furthermore, the members of the Gulf Cooperation Council (GCC) are still the most important players, especially Saudi Arabia that continues to dominate the market share of the Islamic banking market strongly.

Unlike a conventional bank, Islamic bank has different principles because it is based on Islamic principles and religious norms to bring prosperity and justice in society. From a theoretical perspective, an Islamic bank is based on the profit-sharing principle and not based on interest as a result of lending or deposit funds like in conventional banks (Mallin, Farag, and Ow-Yong, 2014). Dusuki (2008) explains that Islam has a strong commitment to fraternity and justice for human welfare. Islamic bank also has functions and roles as stated in the preamble of accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). One of its functions is the implementation of social activities. Based on the AAOIFI standard, an Islamic bank is obliged to issue and manage (collect, administer, and distribute) zakat, as well as other social funds. These principles are similar to those of Corporate Social Responsibility (CSR), which is the bank's obligation to manage their social, economic, and environmental activities at the local and global level.

CSR principles can follow the rules in Islam as they both aim to provide social independence of the general public (Abbasi, 2012). Even within the Islamic state, the government supports the implementation of CSR (Sharani, 2004). This is interesting, as an Islamic bank and the conventional bank has different stakeholder needs (Mallin et al., 2014). Unlike a conventional bank, the implementation of CSR in Islamic Financial Institutions (IFI's) is unique because it is implemented based on sharia laws (Menne, 2016). As a result, Islamic bank has virtue in CSR practice and disclosure from a conventional bank, and it should be different in general.

CSR practice in Islam emphasizes on Islamic business ethics. Furthermore, Rosly (2010) explains that CSR should be performed based on the Sharia law, such as zakat, infaq, alms, waqf, and not through activities that contain elements of *riba* (which is also in conventional bank known as interest rates), *gharar* (uncertainty), *maisir* (speculation), and several other types of financial transactions such as buying and selling liquor and pork. Moreover, in the Qur'an letter of *Al Baqarah* verse 177, which relates to the verse fragment, "*... and gives his beloved treasure* ...", explained by Ibn-Katsir (2015) that gives the wealth we are loved to the others is an obligation after zakat in the Muslim wealth. So it can be concluded that the faith of a Muslim will not be perfect if it is not in common with good deeds in the context of *muamalah* (social activities) in the form of care and service to relatives, orphans, the poor, and traveler or people who are traveling far (*Musafir*), the welfare of those in need.

However, some studies revealed that Islamic bank has failed to implement the *profit-loss principle* (Dar and Presley, 2000; Chong and Liu, 2009) which is the primary of Islamic bank principles. Their researches also emphasize the similarity between the practice of Islamic bank and conventional bank, even the benefit of Islamic bank only exist in the theory. Some research mentioned in the research of Farook, Hassan, and Lanis (2011) revealed that Islamic bank does not fully fulfill their social role based on sharia law (Metwally, 1992; Aggarwal and Yousef, 2000). This is contrary to the social role of the Islamic bank to provide social and economic benefits especially to carrying out CSR practice based on sharia law.

Islamic Financial Institutions (IFIs) may not disclose all of their CSR activities publicly even though the majority have performed their social activities. Alchaar (2007) stated that there should be a standard development on CSR disclosure that applicable to Islamic financial institutions, so they can communicate their CSR activities well. Therefore, CSR disclosure can bring their stakeholders, the public, and other parties to be more confident and increase their trust. To increase the rate of CSR disclosure, international regulatory authorities such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) developed a special reporting standard for Islamic banking. The standard is published in Standard No.7 on "Governance Standards for Islamic banks concerning Corporate Social Responsibility (CSR) conduct and disclosure in 2010". In this standard, CSR for Islamic Financial Institutions (IFIs) is defined as all activities organized by Islamic financial institutions to fulfill their religious, economic, legal, ethical, and policy responsibilities as financial intermediaries for individuals and institutions. Therefore, to meet these standards, the aspect of CSR reporting in Islamic banks, and the results of their business activities should be different from conventional banks (Mallin et al., 2014).

Given that CSR disclosure for Islamic banks is very important, further research is needed. Previously there has been a lot of researches on CSR disclosure, but only a few are investigating on companies that perform their business based on sharia law (Anuar, 2004; Haniffa and Hudaib, 2007; Aribi and Gao, 2010; Hassan and Harahap, 2010; Farook et al., 2011; Sairally, 2013; Mallin et al., 2014; Nobanee and Ellili, 2016). Although many previous studies have shown that CSR disclosure of sharia-based companies is higher than conventional firms, Hassan and Harahap (2010) in their research indicate that CSR disclosure is not the main concern of 7 Islamic bank research in 7 countries. It is also similar to the results of Haniffa and Hudaib (2007) which founds that Islamic banks have less effort to communicate their sharia value and assure harmony between what is in the annual report and the code of ethics of sharia. In short, the CSR literature on Islamic banks is still a qualitative-based study that measures the volume of narrative CSR disclosure according to the ideal benchmark taken from sharia-based CSR based on AAOIFI standards. There is little research that examines what is the impact of CSR disclosure in an Islamic bank.

In contrast to previous researches, this research focuses on Islamic bank in nine countries (Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan) which have the largest Islamic banking financial assets in the world based on Ernst and Young (2016) research. Based on previous research, Mallin *et al.* (2014) in his research with a sample of 90 Islamic banks from 13 countries, showed that CSR disclosure has a positive effect on the company's financial performance measured by ROA. With a sample of 9 countries that have the largest Islamic financial assets, this research examined the effect of CSR disclosure on the financial performance of Islamic banks as measured by Return On Assets (ROA). Also, this research analyzed comparatively the effect of CSR

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disclosure on financial performance in Islamic banking based on the index category, based on CSR disclosure year, and based on country, to find further levels of CSR disclosure in the nine countries over three years study. This research used the Islamic Social Reporting Disclosure Index (ISRDI) as a benchmark for Islamic bank's performance that contains a compilation of CSR standard items specified by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions).

2. Theoretical Framework and Hypothesis Development

2.1. Stakeholder Theory

Freeman (1984) defines stakeholders in two points of view, first is which are groups or individuals affected by organizational goals, and both are groups or individuals that can influence organizational goals. This stakeholder theory by Freeman (1984) is classified into various groups in the social environment that can be influenced by an organization, and these groups have a legitimate claim to the organization because of the concept of agency theory and property theory. Then Donaldson (1995) refined the definition of stakeholders, stating that to be identified as stakeholders, groups, or individuals must have a legitimate interest in an organization. Stakeholders also provide the resources that companies need to perform their businesses such as capital, customers, employees, materials, and legitimacy (Deegan, 2002). Thus, such a relation creates a shared obligation whereby stakeholders provide "licenses to operate" to the organization in return for the social provision received (Suchman, 1995).

The discussion of CSR practice from a stakeholder management perspective has been widely considered by the public and CSR researchers in recent years (Lim and Greenwood, 2017). CSR emphasizes the important role of corporate communications in establishing and maintaining an open dialogue with multiple stakeholders to encourage ethical and socially responsible actions for various issues (Golob and Bartlett, 2007). The relation between the company and its stakeholders through CSR relies on its communication strategy considering the impact of CSR on the well-being of its stakeholders (Kirat, 2015). Reporting is an important communication tool that can ensure greater corporate transparency and better engagement with multiple stakeholders (Golob and Bartlett, 2007). Arshad, Othman, and Othman (2012) also stated that CSR disclosure is a management tool for influencing the perceptions of various stakeholders.

CSR is influenced by how businesses adjust their values and behaviors to the stakeholder's needs, not only customers and investors, but also employees, suppliers, communities, regulators, special interest groups, and the community (Islam, Ahmed, and Hasan, 2012). Stakeholder needs as reasons for assessing different public interactions and engaging in reporting practices (Whetten, Rands, and Godfrey, 2002). CSR reporting is a way for organizations to provide stakeholder information on social and environmental issues (Golob and Bartlett, 2007). Furthermore, disclosure of information about risks will increase the broader stakeholder understanding: the company (using internal data) can directly communicate the level or various risks it faces (Probohudono, 2012).

2.2. Islamic Banking

Dusuki (2008) mentions many prominent Islamic economists, such as Chapra (1985), Chapra (2000), Ahmad (2000), Siddiqui (2001), and Naqvi (2016), who assert that Islamic banking is a part of the whole Islamic economic system that seeks to realize justice and balanced society as envisioned and written in the purpose of sharia (also known as *maqahsid as-shariah*). Thus, many restrictions (such as interest, gambling or speculation, excessive risks, etc.) are applied to protect the interests and benefits of all members in market transactions and to promote social harmony (Ahmad, 2000; Chapra, 1985; Chapra, 2000; Naqvi, 2016; Siddiqui, 2001). Islamic banking is also characterized by ethical norms and social commitment (Ahmad, 2000; Mirakhor, 2000; Warde, 2000).

Islamic banking is more than just refraining from burdening the interest and adjusting to the technicalities of the law and the terms of offering Islamic financial products (Dusuki, 2008). But Islamic banking is a system that aims to contribute to the fulfillment of socio-economic goals and the creation of a just society (Siddiqui, 2001; Haron and Hisham, 2003). In the process of operating business, Islamic banking seeks to balance the income and expenditure to achieve better progress across society (Haron, 1995, Al-Omar and Abdel-Haq, 1996).

2.3. Corporate Social Responsibility

Although there is no single definition that generally accepted, CSR generally refers to business decisions that make connections to ethical values, compliance with legal requirements, respect for human beings, involvement in social, community and environmental activities (Hassan and Harahap, 2010). Theoretically, the relation and impacts of business into society will become stronger if people have a close relation or are involved with the core business of an organization. Currently, CSR has become a very important thing for a business and can be the main reason for a company's competition and ability to survive and has produced the best success in business after being adopted by the company (Mustafa et al., 2012). Islam et al. (2012) also argue that CSR can improve long-term profitability and corporate sustainability such as enhancing the organization's reputation. Moreover, CSR is an important part of business strategy from many companies around the world, because the performance of business organizations is influenced by their strategy in the market, as well as the non-market environment (Baron, 2007). Furthermore, CSR also makes the standard of living remain high by maintaining the profitability of the organization to the public (Hopkins, 2004). Every day more companies are implementing initiatives to improve public health, safety, environment, or community welfare, with examples of well-known companies such as Primark, Ikea, or Coca Cola Company (García-Jiménez et al., 2017).

Haniffa and Hudaib (2007) concluded that to remain competitive, Islamic banks need to communicate more effectively to improve their public image and reputation. Islamic perspective on CSR disclosure is an understanding of responsibility, social justice, and ownership concepts that are important for social relations (Hassan and Harahap, 2010). Hassan and Harahap (2010) stated that Islamic banks should disclose information to ensure the stakeholders know that Islamic banks have committed: 1) to invest in activities under sharia principles; 2) to fulfill contractual relations with various stakeholders, including customer relation through contractual declarations, etc. This is because Islamic banks operate their activities under sharia law, of course, they have different stakeholders from the conventional banks. Stakeholders and depositors of Islamic bank funds would ideally want to assess their trust that has been given with their funds from how Islamic banks operate their business based on sharia law.

2.4. Islamic Social Reporting Disclosure Index

Given that there are more than forty definitions of CSR (Dahlsrud, 2008) proves a lack of consistency in conceptualization and measurement of CSR (García-Jiménez et al., 2017). Establishing a global framework for CSR reporting is an aim that desired generally, and there have been several attempts that have been made (Owen, 2003). So far, the measurement of CSR disclosure in Islamic banking still refers to the Global Reporting Initiative Index (GRI Index). This is interesting, as Islamic banking has different stakeholder needs (Mallin et al., 2014). Unlike conventional banks, the implementation of CSR in Islamic financial institutions is unique because it is implemented based on sharia law (Menne, 2016). Therefore, a sharia-based CSR disclosure guideline is required.

Islamic Social Reporting Disclosure Index (ISRDI) is a benchmark for the implementation of Islamic banking performance which contains a compilation of CSR standard items set by AAOIFI. Furthermore, it is developed by researchers to add the CSR items which should be disclosed by an Islamic entity (Sofyani and Setiawan, 2015). ISRDI becomes relevant for the measurement of CSR disclosure of Islamic banking because it uses standards that also pay attention to every Islamic responsibility. The standard is published in Standard No.7 on "*Governance Standards for Islamic banks concerning Corporate Social Responsibility (CSR) conduct and disclosure in 2010*". Within these standards, CSR for Islamic financial institutions in all activities organized by Islamic Financial Institutions not only to fulfill their economic, legal, ethical, and policy responsibilities but also to religious responsibilities.

2.5. Financial Performance

Financial performance can be used as a measuring tool for the company's achievement to make a profit. Financial performance is an illustration of a company's financial condition that analyzed by a financial analysis tool, so it can be known the work achieved at a certain time. The financial performance also defined as financial feasibility, to measure the extent of how the company achieves its economic goals (Fischer and Sawczyn, 2013). Moreover, profitability (measured by financial performance) is the most important aspect affecting the company growth and survival (Lyon, 2007).

The most widely used variables to measure financial performance include profit (operational and net), cash flow, EPS, ROA, ROE, sales growth, Return On Sales (ROS), contribution margin, Tobin's Q, market share, corporate risk and Return On Capital Employed (ROCE) (Boaventura, Silva, and Bandeira-de-Mello, 2012). Regarding company social performance, two primary measuring tools in investigating the relationship between social performance and financial performance is market base variable and accounting base variable, however, the most widely used are Return On Equity (ROE) and Return On Assets (ROA) (Boaventura et al., 2012).

Some theoretical and empirical studies have studied the impact of Corporate Social Responsibility (CSR) as measured by social performance and its relation to financial performance (Mallin et al., 2014). Simpson and Kohers (2002) in his research found a consistent result with the theoretical constructs of corporate social performance that predicting a positive relationship between corporate social performance and corporate financial performance. However, some studies indicate a negative relation between CSR and financial performance, because CSR will be paid only after certain investment threshold amount and the achievement of CSP has been done, before this point is reached, CSR spending will decrease CFP (Nollet et al., 2016).

2.6. Hypothesis Development

2.6.1. The Influence of CSR Disclosures on Financial Performance

The companies that have good management and attention to social responsibility activities are expected to have a positive impact from their stakeholders so it can improve their financial performance. Chen and Wang (2011) in his research stated that CSR activities can improve their financial performance in the current year, have a significant impact on financial performance next year, and vice versa, variations of CSR and financial performance can influence each other significantly. Comparing the performance implications of CSR practices that targeting different stakeholders, empirical results indicate that different types of CSR have various influences on the financial performance of firms from different industrial sectors (Feng, Wang, and Kreuze, 2017).

Many studies have shown that CSR activities have a positive effect on company performance (Mustafa et al., 2012). One of them is Islam et al. (2012) found that a bank with high CSR performance has a higher average return on assets than a bank with low CSR performance. A comprehensive study has examined the relation between CSR and financial performance (Margolis and Walsh, 2001). Margolis and Walsh (2001) stated that when used as an independent variable, corporate social performance has a positive relationship with financial performance in 53% of the researches, 5% found a negative relation, 19% found both of positive and negative relation, while 24% found there is no relation between of them. Whereas when CSR is used as a dependent variable, 68% of the researches found there is a positive relation between CSR and the company's financial performance. The majority of these studies conclude that companies that disclose CSR will improve their financial performance. Mallin et al. (2014) in his research with a sample of 90 Islamic banks from 13 countries, indicating that there is a positive relation between CSR disclosure with the company's financial performance calculated by measuring instrument one of which is ROA. With good CSR disclosure, it will increase customers' trust to save and invest in an Islamic bank, so it can improve the company's financial performance through asset turnover.

Hereby we draw the conceptual framework figure:

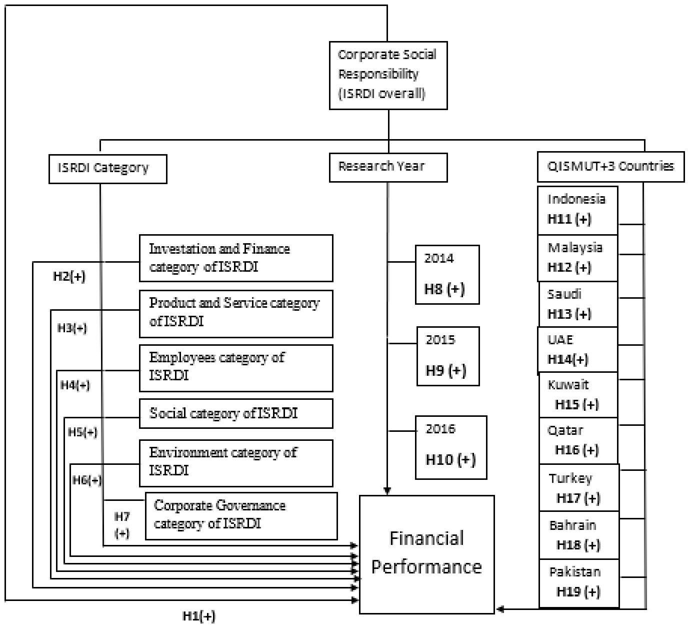

Figure 1. Conceptual Framework

From the hypotheses development that has been described previously then we obtained the formulation of hypotheses to be used in this research are:

H_1 : ISRDI has a positive effect on ROA in overall

ISRDI has 6 themes of index categories consist of 69 items. Each IRSDI index category has its functions and values for companies and their stakeholders, especially index categories that directly relate to stakeholder needs base on the type of company. In contrast to the types of companies in general, Islamic banking is a system that aims to contribute to the fulfillment of socio-economic goals and the creation of a just society (Siddiqui, 2001; Haron and Hisham, 2003). That way, Islamic banking is expected to run all aspects of its social responsibility to be able to support the sustainability of their company, in this case, is the financial performance of the company. To examine how ISRDI Islamic bank discloses in the nine largest Islamic financial assets countries, comparation is needed to examine the effect of ISRDI on ROA based on the theme of each index, so it will be known whether all aspects of ISRDI have a positive effect on the company's ROA. Then some hypothesis developed as follows:

H_2 : Investation and Finance category of ISRDI has a positive effect on ROA

H_3 : Product and Service category of ISRDI has a positive effect on ROA

H_4 : Employees category of ISRDI has a positive effect on ROA

H_5 : Social category of ISRDI has a positive effect on ROA

H_6 : Environment category of ISRDI has a positive effect on ROA

H_7 : Corporate Governance category of ISRDI has a positive effect on ROA

This research is a cross-country study; Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan, with the timeframe used in this research, is for three years; 2014, 2015, and 2016. In the range of such studies, ISRDI by Islamic banking may experience a change both increase and decrease their disclosure level each year. Therefore, to know how the influence of ISRDI on Islamic banking's ROA every year, then some of the following hypotheses are developed:

H_8 : ISRDI has a positive effect on ROA in 2014

H_9 : ISRDI has a positive effect on ROA in 2015

H_{10} : ISRDI has a positive effect on ROA in 2016

Although 9 study sample countries are the countries with the largest Islamic financial assets in the world, many factors such as the characteristics of the country, politics, etc. that can influence the level of Islamic bank's financial performance, so that one country with another country is not the same in ISRDI influence on their financial performance. To investigate more deeply, comparations will be made in testing the effect of ISRDI on ROA based on each country. Here are some of the hypotheses developed:

H_{11} : ISRDI has a positive effect on ROA in Indonesia

H_{12} : ISRDI has a positive effect on ROA in Malaysia

H_{13} : ISRDI has a positive effect on ROA in Saudi Arabia

H_{14} : ISRDI has a positive effect on ROA in UAE

H_{15} : ISRDI has a positive effect on ROA in Kuwait

H_{16} : ISRDI has a positive effect on ROA in Qatar

H_{17} : ISRDI has a positive effect on ROA in Turkey

H_{18} : ISRDI has a positive effect on ROA in Bahrain

H_{19} : ISRDI has a positive effect on ROA in Pakistan

Research Methodology

2.7. Research Design and Data Collection Method

This research is classified as explanatory research which aims to explain the relationship between the variables through testing a hypothesis that has been formulated in the study. This research is quantitative in nature so it used in the numerical or statements form that being scored in number, then are analyzed by using the statistic. In this research, the data are secondary data obtained from the annual reports and financial statements of the Islamic Bank in nine countries in 2014-2016. The secondary data were collected from the respective websites of Islamic banking samples through the documentary collection method. The data needed for this research were those related to the corporate social responsibility disclosure and Return on Asset (ROA). The data of this research were analyzed by SPSS 21.

2.8. Population, Sample and Sampling Technique

The population of this research is the Islamic banks in nine countries in 2014, 2015, and 2016. The sample was selected to observe the relation between CSR disclosure and financial performance in the Islamic banking sector. The sample was selected using a purposive sampling technique. It uses certain criteria according to the purpose of the study. The criteria that the sample should meet in this research:

1. An Islamic bank who operating its business in nine countries (Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan).
2. An Islamic bank that issued annual reports and financial reports for the period 2014, 2015, 2016.

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H_1 : ISRDI has a positive effect on ROA in overall¶
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H_6 : Environment category of ISRDI has a positive effect on ROA¶
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H_{12} : ISRDI has a positive effect on ROA in Malaysia¶
H_{13} : ISRDI has a positive effect on ROA in Saudi Arabia¶
H_{14} : ISRDI has a positive effect on ROA in UAE¶
H_{15} : ISRDI has a positive effect on ROA in Kuwait¶
H_{16} : ISRDI has a positive effect on ROA in Qatar¶
H_{17} : ISRDI has a positive effect on ROA in Turkey¶
H_{18} : ISRDI has a positive effect on ROA in Bahrain¶
H_{19} : ISRDI has a positive effect on ROA in Pakistan¶

3. An Islamic bank who issues a complete data needed for the research.

2.9. Operational Definition and Variable Measurement

2.9.1. Dependent Variable

The dependent variable used in this research is the financial performance measured by Return On Asset (ROA). Return On Asset is a ratio that explains how much net profit earned by the company is measured by the value of its assets (El Mousaid and Boutti, 2012).

$$ROA = \frac{Income\ Before\ Tax\ and\ Zakat}{Total\ Asset}\ x\ 100\%$$

2.9.2. Independent Variable

The independent variable in this research is the Islamic Social Reporting Disclosure Index (ISRDI). ISRDI is an index made by the AAOIFI consist of 6 categories and 69 items. It measured by using the unweighted index or dummy variable. An undisclosed item is symbolized by 1 and disclosed item symbolized by 0.

$$ISRDIbt = \frac{\sum_{i=1}^{n} xibt}{n}$$

Explanation :

ISRDIbt : *Islamic Social Reporting Index for Bank b and time t (year)*

Xibt : *equal to 1 if item 1 is disclosed for bank b and Tim 1 (year)*

n : a *total of items*

3.4. *Data Analysis Method*

In this research, the data were analyzed by the following method:

1. Descriptive analysis was done to discover the characteristics of the research variable to be tested.
2. Descriptive of Islamic Social Reporting Disclosure Index (ISRDI) result was done to observe the level of CSR disclosure for Islamic banking samples.
3. Simple regression analysis was used to see the test result of the impact of the Islamic Social Reporting Disclosure Index (ISRDI) on the Islamic banks' financial performance and to make a comparative analysis. The equation of the current research' regression is as follow:

ROA = α + β ISRDIcnt + ε

Explanation :

ROA : *Return On Asset* at a certain time

α : The constant of the regression

β : The coefficient of regression

ISRDIcnt : *Islamic Social Reporting Index* for category c, country n, time t (year)

ε : The score of error for each individual

4. Result and Discussion

4.1. Descriptive Statistic

The descriptive statistic aims to discover the character of the research variables. The sample of this research is the Islamic banks in nine countries; Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan in 2014, 2015, and 2016. From the data collection process, there are 32 Islamic banks fulfilled the criteria to be included as the sample of the research. However, there are 7 data included as outliers data so that they are excluded from the sample. Thus, the sample that will be used in this research is 25 Islamic banks in three periods of data. According to the criteria above then we obtained a sample of 75 years of Islamic banks.

Table 4.1

Descriptive Statistic

Data		N	Minimum	Maximum	Mean	Median	Std. Deviation
ROA *(pooled)*		75	0,15%	2,36%	1,13%	1,15%	0,55%
Year	ROA2014	25	0.15%	2.36%	1.11%	1.13%	0.59%
	ROA2015	25	0.19%	2.04%	1.13%	1.18%	0.54%
	ROA2016	25	0.19%	2.04%	1.13%	1.18%	0.54%
Country	ROASaudi	6	0.86%	2.04%	1.84%	2.03%	0.48%
	ROAMalaysia	12	2.04%	2.04%	2.04%	2.04%	0.00%
	ROAUAE	6	0.85%	1.64%	1.21%	1.38%	0.32%
	ROAKuwait	6	1.13%	1.79%	1.29%	1.46%	0.34%
	ROAQatar	6	1.61%	2.36%	1.52%	1.65%	0.29%
	ROAIndonesia	24	0.15%	1.58%	0.63%	0.55%	0.43%
	ROABahrain	6	1.06%	1.49%	1.25%	1.16%	0.19%
	ROAPakistan	3	1.15%	1.40%	1.32%	1.40%	0.14%

	ROATurkey	6	0.68%	1.65%	1.16%	1.24%	0.43%
ISRDI (*pooled*)		75	20,29%	82,61%	51,23%	49,28%	15,13%
Category	ISRDI1	75	0.00%	64.29%	38.95%	42.86%	20.21%
	ISRDI2	75	14.29%	100.00%	50.86%	42.86%	16.65%
	ISRDI3	75	0.00%	91.67%	40.33%	41.67%	23.65%
	ISRDI4	75	0%	92.86%	58.07%	64.29%	30.09%
	ISRDI5	75	0.00%	85.71%	12.76%	0.00%	17.19%
	ISRDI6	75	46.67%	100.00%	81.69%	86.67%	15.43%
Tahun	ISRDI2014	75	20.29%	82.61%	50.67%	49.28%	15.25%
	ISRDI2015	75	23.19%	78.26%	52.87%	52.17%	16.20%
	ISRDI2016	75	27.54%	73.91%	50.15%	46.38%	14.37%
Negara	ISRDISAUDI	6	39.13%	50.72%	46.38%	49.28%	5.10%
	ISRDIMALAYSIA	12	42.03%	68.12%	53.14%	54.35%	9.21%
	ISRDIUAE	6	27.54%	63.77%	42.27%	36.23%	16.96%
	ISRDIKUWAIT	6	20.29%	47.83%	33.34%	34.06%	11.15%
	ISRDIQATAR	6	40.58%	46.38%	43.48%	43.48%	2.25%
	ISRDIINDONESIA	24	49.28%	82.61%	66.79%	68.12%	8.70%
	ISRDIBAHRAIN	6	37.68%	55.07%	47.83%	49.28%	6.28%
	ISRDIPAKISTAN	3	39.13%	55.07%	48.31%	50.72%	8.24%
	ISRDITURKEY	6	27.54%	31.88%	29.47%	28.99%	2.18%

Note: ROA (Return On Assets) = income before tax and zakat/total assets, ISRDI (Islamic Social Reporting Disclosure Index) = dummy variable of Islamic social reporting disclosure.

Table 4.1 presents the results of the descriptive statistics of all data. Table 1 shows that the variable Return On Assets (ROA) has an average value (mean) of 10.89%, while the median value (median) of 1.15%. The lowest ROE value of 0.15% is owned by Bank Muamalat Indonesia in the country in Indonesia in 2014. While the highest ROA is 2.36% owned by Qatar Islamic Bank in Qatar in 2014. The standard deviation of ROA the overall data is 0.55%. The Islamic Social Responsibility Disclosure Index (ISRDI) variable shows the mean value of 51.23%, while the median value is 49.28%. The lowest ISRDI value of 20.29% is owned by the United Bank of the United States of Saudi Arabia by 2014. While the highest ISRD value is 82.61% owned by Bank Muamalat Indonesia in Indonesia in 2014. The standard deviation of ISRDI is 15.13%.

4.2. The level of Corporate Social Responsibility disclosure based on Islamic Social Reporting Disclosure Index

Corporate Social Responsibility disclosure based on the Islamic Social Reporting Disclosure Index (ISRDI) is classified into 6 theme categories. The level of ISRDI for each item in each year is presented in table 2.

Table 4.2

Level of *Islamic Social Reporting Disclosure Index* (In 2014-2016)

Islamic Social Reporting Disclosure *Item*	**Pooled**	**2014**	**2015**	**2016**
Total of Islamic Social Reporting Disclosure Index (ISRDI)	**51%**	**50.03%**	**52.52%**	**50.14%**
Investment and Finance	**39%**	**38%**	**41%**	**39%**
Identification of activities that contain of *riba*	36%	28%	36%	44%
% *riba* from profit	0%	0%	0%	0%
Identification of activities that contain of *gharar*	35%	24%	36%	44%
% *gharar* from profit	0%	0%	0%	0%
Zakat methods that used	68%	76%	72%	56%
Zakat Sources	68%	72%	72%	60%
Zakat Total	75%	76%	80%	68%
Zakat Recipients	51%	40%	52%	60%
Shariah Supervisory Board's opinion related to zakat collection and distribution	76%	76%	72%	80%
Identification of the policy to resolve insolvent clients.	99%	100%	100%	96%
The amount of additional fees (fines) charged as a consequence of late payment	39%	36%	48%	32%
Shariah Supervisory Board's opinion related to the permit regarding additional fees charged as a consequence of late payment by the insolvent client.	0%	0%	0%	0%
Current Value Balance Sheet	0%	0%	0%	0%
Value Added Statement	0%	0%	0%	0%
Product and Service	**51%**	**49%**	**55%**	**49%**
Halal and Shariah labels on the product	92%	92%	92%	92%
Product development	97%	92%	100%	100%
Service improvement	96%	88%	100%	100%
Total consumer complaints	13%	12%	24%	4%
Handling consumer complaints	43%	36%	44%	48%

Fines both money and non money related violations of regulations	5%	4%	12%	0%
Survey of customer decisions	9%	16%	12%	0%
Employee	**40%**	**45%**	**38%**	**38%**
The number of working hours and holidays	3%	0%	8%	0%
Remuneration	84%	88%	80%	84%
Salary ratio	39%	56%	32%	28%
Composition of employees based on specific performance	16%	40%	8%	0%
Education and training programs for employees	92%	88%	92%	96%
Establish development programs and employee career path	39%	48%	52%	16%
Employee retention strategy	19%	24%	12%	20%
Percentage of employees receiving	12%	20%	8%	8%
The same opportunity	41%	40%	44%	40%
Occupational Health and Safety	52%	44%	48%	64%
Work environment	53%	56%	44%	60%
Special Reqruitment	35%	32%	32%	40%
Social	**58%**	**53%**	**61%**	**60%**
Shaddaqah/Donation	65%	60%	64%	72%
Waqf	44%	32%	52%	48%
Qard Hasan	57%	48%	60%	64%
Zakat or donations from employees or clients	67%	60%	76%	64%
Establishment of school	3%	4%	0%	4%
Assistance at school in financial or non-financial	56%	64%	72%	32%
Scholarship	73%	64%	76%	80%
Health assistence	68%	60%	71%	72%
Economic empowerment	76%	80%	72%	76%
Concern for orphans	45%	32%	52%	52%
Construction or renovation mosque	37%	24%	44%	44%
Youth activities	67%	72%	60%	68%
Other social activities	83%	80%	80%	88%
Sponsor of health events, sports, education, etc.	72%	64%	72%	80%
Environment	**13%**	**11%**	**15%**	**13%**

Go green campaign	12%	12%	16%	8%
Environmental conversion	33%	28%	40%	32%
Protection of wild or enandgered fauna and flora	4%	0%	8%	4%
Polution	15%	8%	16%	20%
Repairment and construction of public facilities	23%	28%	16%	24%
Environmental audit	1%	0%	4%	0%
Environmental management policies	1%	0%	4%	0%
Corporate Governance	**82%**	**82%**	**84%**	**79%**
Organizational profil and strategy	95%	84%	100%	100%
Organizational structure	97%	92%	100%	100%
Implementation of the Board of Commissioners' duties and responsibilities	96%	100%	100%	88%
Implementation of Board of Director's duties and responsibilities	100%	100%	100%	100%
Completeness and execution of the Committee's duties	85%	80%	92%	84%
Implementation of Sharia Supervisory Board's duties and responsibilities	85%	88%	80%	88%
Implementation of sharia principles in the collection and distribution of funds and service	91%	88%	92%	92%
Handling of conflict of interest	47%	52%	36%	52%
Implementation of Bank's compliance function	93%	92%	92%	96%
Implementation of internal audit function	97%	100%	96%	96%
Implementation of external audit function	97%	100%	96%	96%
Maximum limit of fund disbursement	45%	56%	52%	28%
Transparency of financial and non financial condition	47%	44%	68%	28%
Anti-money laundering and other deviant policies	67%	76%	56%	68%
Company ethics	83%	76%	100%	72%

Source: Data that had been processed

Table 4.2 shows that corporate social responsibility disclosure of Islamic banks overall is quite good (more than 50%). Disclosure of the Corporate Governance category has the highest level of disclosure (82%), and the disclosure of the Environment category has the lowest disclosure rate (13%). This could be due to the lack of concern of Islamic banking to the environment. Besides, Environment category disclosure is still voluntary in some countries.

According to table 4.2, the disclosure of the Investment and Finance category is still very low (39%). Some items indicate the level of disclosure of 0% or there was no Islamic banking that discloses the activity, ie item Percentage of *riba* from profit, Percentage of *gharar* from profit, and opinion of Sharia Supervisory Board related to permitting regarding additional fee charged as a consequence of late payment by an insolvent client, current value balance sheet, and value-added statement. While activity identification items containing *riba* and identification of activities containing *gharar* are still had low disclosure rates, 36%, and 35%. This indicates there is still low attention to financial disclosures under sharia principles in the Islamic banking sector.

Disclosure of Product and Service category and Employee category shows a medium level of disclosure. Islamic banking is necessary to increase the disclosure of both categories, especially for items related to customer service management, customers, and working hours or holidays, composition info, and percentage of employees. Besides, most Islamic banks have disclosed their responsibilities to the community by conducting Social category activities (above 52%). However, for the endowment items, the establishment of schools, and the care of orphans is still a little level of disclosure.

Table 4.2 shows that more than 80% of Islamic banks have disclosed information about their Corporate Governance's category well. This is also supported by the existence of a Good Corporate Governance program from each Islamic bank. However, not all Islamic banks have disclosed the activities of Sharia Supervisory Board duties and responsibilities and the implementation of Sharia principles in the collection and distribution of funds and services.

4.3. The Relation Between Islamic Social Reporting Disclosure Index to Financial Performance

Table 4.3 presents the results of statistical tests to see the influence of the Islamic Social Reporting Disclosure Index (ISRDI) on financial performance (ROA).

Table 4.3

Regression Result Data Pooled

	2014	**2015**	**2016**	**Pooled**
N	25	25	25	**75**
Durbin-Watson	1.916	1.687	1.688	**1.847**
Adjusted R2	0.223	0.179	0.188	**0.228**
F *statistic*	7.899	6.249	6.545	**21.506**
Significance	0.010*	0.020**	0.018**	**0.000***

*highly significant at 1% level, **significant at 5% level, ***moderately significant at 10% level

Table 4.3 presents the results of regression analysis between ISRDI as an independent variable and ROA as a dependent variable in the pooled data. It is shown that there is a statistically significant variable (*p-value*<0.01) in 2014, 2015, 2016, and data pooled (2014-2016). So it can be concluded that ISRDI has a highly positive significance related to ROA (financial performance).

4.4. A Comparative Analysis Based on ISRDI Category Index

Table 4.4

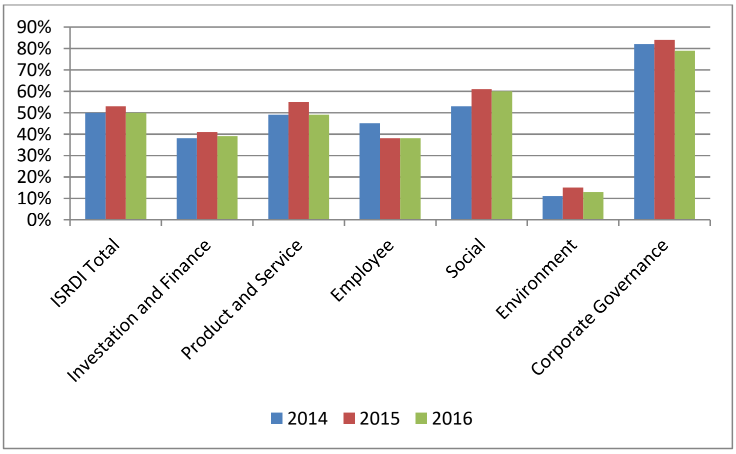
Level of *Islamic Social Reporting Disclosure Index* Based on Category (2014-2016)

ISRDI Category	**Mean**			
	Pooled	**2014**	**2015**	**2016**
Total ISRDI	**51%**	**50%**	**53%**	**50%**
Investation and Finance	**39%**	38%	41%	39%
Product and Service	**51%**	49%	55%	49%
Employee	**40%**	45%	38%	38%
Social	**58%**	53%	61%	60%
Environment	**13%**	11%	15%	13%
Corporate Governance	**82%**	82%	84%	79%

Source: the secondary data that had been processed

Chart 4.1

Level of *Islamic Social Reporting Disclosure Index* Based on Category (2014-2016)



ISRDI has 6 themes of index categories consist of 69 items. Furthermore, we made comparations in testing the influence of ISRDI on ROA based on the index categories. Table 4.4 and Chart 4.1 presents the ISRDI levels that have been classified according to the index category themes. It is shown that Corporate Governance's category has the highest average disclosure level of other disclosure themes (82%), while the lowest category disclosure is Environment (13%).

Table 4.5.

Regression Result of Comparative Analysis Based on ISRDI Category (Data Pooled)

ISRDI Category	N	Adjusted R^2	F *statistic*	Significance
1. Investation and Finance	75	0.122	11.278	**0.001***
2. Product and Service	75	0.052	5.039	**0.028****
3. Employee	75	0.063	5.938	**0.017****
4. Social	75	0.170	16.149	**0.000***
5. Environment	75	-0.010	0.242	**0.625*****
6. Corporate Governance	75	0.205	20.086	**0.000***

*highly significant at 1% level, **significant at 5% level, ***moderately significant at 10% level

Table 4.5 presents the results of regression analysis between ISRDI as an independent variable and ROA as a dependent variable based on ISRD Category in data pooled (2014-2016). It is shown that there is statistically significant variable (*p-value*< 0.05) in almost all of categories except for the "environment" category (*p-value*> 0.05). So it can be concluded that category disclosure of Investation and Finance, Product and Service, Employee, and Corporate Governance have positively significantly related to ROA (financial performance). While Environment category disclosure has not significantly related to ROA.

4.5. A Comparative Analysis Based on Year

Table 4.6

Regression Result of Comparative Analysis Based on Year (Data Pooled)

Year	N	Adjusted R^2	F *statistic*	Significance
2014	25	0.223	7.899	**0.010***
2015	25	0.179	6.249	**0.020****
2016	25	0.188	6.545	**0.018****

*highly significant at 1% level, **significant at 5% level, ***moderately significant at 10% level

Table 4.6 presents the results of regression analysis between ISRDI as an independent variable and ROA based on the year in 2014, 2015, and 2016. It is shown that there is a statistically significant variable (*p-value*< 0.05) in all of the years. So it can be concluded that ISRDI has positively significantly related to ROA (financial performance) in ranging from 2014 to 2016.

4.6. A Comparative Analysis Based on Country

Table 4.7

Regression Result of Comparative Analysis Based on Country (Data Pooled)

Country	N	Adjusted R^2	F *statistic*	Significance
Indonesia	24	-0.031	0.316	**0.580*** **
Malaysia	12	-0.027	0.709	**0.419*** **
Saudi Arabia	6	-0.143	0.373	**0.574*** **
UAE	6	0.684	11.821	**0.026** **
Kuwait	6	0.87 9	37.16	**0.004* **
Qatar	6	0.088	1.484	**0.290*** **
Turkey	6	0.727	14.31	**0.019** **
Bahrain	6	-0.157	0.321	**0.601*** **
Pakistan	3	-0.871	0.069	**0.837*** **

*highly significant at 1% level, **significant at 5% level, ***moderately significant at 10% level

Table 4.7 presents the results of regression analysis between ISRDI as an independent variable and ROA based on country (Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan). It is shown that there is a statistically significant variable (*p-value*< 0.05) in UAE, Kuwait, and Turkey, and not statistically significant variables (*p-value*> 0.05) in Indonesia, Malaysia, Saudi Arabia, Qatar, Bahrain, and Pakistan. So it can be concluded that ISRDI has positively significantly related to ROA (financial performance) in UAE, Kuwait, and Turkey but has not significantly related to Indonesia, Malaysia, Saudi Arabia, Qatar, Bahrain, and Pakistan.

5. Discussion

The hypothesis test result shows that the effect of the Islamic Social Reporting Disclosure Index (ISRDI) toward financial performance measured by Return on Assets (ROA) has positively significant relation. So ISRDI can be used to predicting ROA in the Islamic banking sector. Based on the research result, H1 is accepted. The results of this research support the research of Mallin et al. (2014) which has the result of a positive and significant relation between CSR disclosure and financial performance measured by ROA. Positive results between ISRDI and ROA mean that if ISRDI is good then ROA will increase. The results of this research reject the research from Mosaid and Boutti (2012) who found that there is no significant relation between CSR disclosure and ROA within Islamic banking. The different results of researches are due to the difference between samples and the range of research is quite long.

Almost all theme categories of ISRDI have a significant positive relation on Islamic banking ROA, except on the theme of environmental disclosure, so H_2, H_3, H_4, H_5, $H_7$are accepted but H_6 is rejected. The majority of Islamic banks still have less attention to the disclosure of their environment and also the disclosure of the percentage of activities of *riba* and *gharar*. This may be because there is no detailed regulation regarding these items. For three consecutive years (2014, 2015, 2016) ISRDI proved to have a positively significant related toROA, so H_8, H_9, H_{10} are accepted. Furthermore, ISRDI has positively significant related to ROA (financial performance) in UAE, Kuwait, and Turkey but has not significantly related in Indonesia, Malaysia, Saudi Arabia, Qatar, Bahrain, and Pakistan, so H_{14}, H_{15}, $H_{17}$are accepted and H_{11}, H_{12}, H_{13}, H_{16}, H_{18}, H_{19} are rejected. This means that multiple disclosures over time and across countries may be influenced by firm characteristics (Probohudono, 2012), and the characteristics of stakeholders of each country.

6. Summary, Implication, and Limitation

6.1. Summary

This research discusses the influence of corporate social responsibility disclosure based on the Islamic Social Reporting Disclosure Index (ISRDI) on financial performance in Islamic banking that measured by ROA (Return on Assets). The samples used in this research are 25 Islamic banks in nine countries (Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan) in the period 2014, 2015, 2016. The research finding is Islamic banks have disclosed CSR based on ISRDI well, 50% in 2014, 53% in 2015, and 50% by 2016. The top category disclosure for ISRDI is the "corporate governance" category of 82 %, while the category "environment" is the lowest disclosed of 13%. Furthermore, the lowest ISRDI level in data pooled is 20.29% owned by the United Bank of the United States of Saudi Arabia in 2014. While the highest ISRD level is 82.61% owned by Bank Muamalat Indonesia in Indonesia in 2014.

The results showed that a simple regression analysis provides evidence that the disclosure of corporate social responsibility positively related to financial performance. The results of comparative analysis for each year shows that there is a positive relation between ISRDI and financial performance each year. Almost all the major categories of ISRDI have a positive relationship with financial performance except for the environmental subcategory. For the UAE, Kuwait, and Turkey, ISRDI has positively significantly related to financial performance but has not significantly related to Indonesia, Malaysia, Saudi Arabia, Qatar, Bahrain, and Pakistan.

6.2. Implication

Corporate Social Responsibility (CSR) disclosure is essential for Islamic banking to increase stakeholder trust. The results of this research indicate that CSR disclosure has positively related to financial performance especially for Return On Assets (ROA). Besides, the results of this research also show that the lack of CSR disclosure in the category of the environment and some important items, such as special items that exist only in Islamic financial institutions (activity and percentage of *riba*, *gharar*, Sharia Supervisory Board’s opinion, religious social activities such as zakat, *shadaqah*, *qard hasan*, concern for orphans, mosque construction, etc.). This has implications for the future Islamic banking to pay more attention related to their CSR disclosure to improve financial performance so that the asset turnover becomes better. Besides, the results of this research could be a consideration for AAOIFI to develop a more appropriate standard of CSR reporting for Islamic banking.

6.3. Limitation

This research focuses on Islamic banks in nine countries that have the largest Islamic banking assets in the world; Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan. The number of samples of each country may be too small and uneven in number. The suggestions for further research can add research samples apart from the 9 countries.

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Comparative Analysis of QISMUT+3's Islamic Corporate Social Responsibility

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Comparative Analysis of QISMUT+3's Islamic Corporate Social Responsibility

Abstract:
Purpose - To analyze the impact of Corporate Social Responsibility (CSR) disclosure on the financial performance of Islamic banks across 9 countries as major markets that contribute to international Islamic bank assets (Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan or further will be called QISMUT+3 Countries).
Design/methodology/approach - Islamic Social Reporting Disclosure Index (ISRDI) is being used as a benchmark for Islamic bank CSR performance that contains a compilation of CSR standard items specified by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The secondary data is collected from the respective bank's annual reports and it used the regression analysis techniques for statistical testing.
Findings – This research found that corporate social responsibility disclosure measured by ISRDI has a positive effect on financial performance. Almost all ISRDI sub-major categories have a positive effect on financial performance except the "environment" sub-category. The highest major sub-category for ISRDI is the "corporate governance" category (82%) and the "environment" category (13%) is the lowest. For the UAE, Kuwait, dan Turkey, the ISRDI is positively affected by financial performance and the other countries on this research are not.
Originality/value - This research highlighted the economic benefits of social responsibility practices as a part of business ethics in 9 countries that uphold the value of religiosity. Thus, the development of the results of this research for subsequent research is very wide open.

Keywords: *Islamic bank, corporate social responsibility, islamic social reporting disclosure index, financial performance, Islamic Business Ethics, Islamic countries.*

1. Introduction

Over the past four decades, Islamic banking is growing rapidly across the globe with some concentration in few countries in terms of Islamic banks being established all over the world. Islamic banking has mushroomed into a growing global financial market segment and has been recognized as a viable and competitive form of financial intermediation, not only in Muslim countries but also outside the Muslim world (Dusuki, 2008). Islamic banking service is one of the two important parts of Islamic finance as it accounts for about 95% of Islamic financial assets worth $ 1.8 trillion by the end of 2013 (Hirst, 2015). Ernst and Young's (2016) study shows that about 93% of international Islamic banking assets in 2016 were donated by nine major markets; Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan. Furthermore, the members of the Gulf Cooperation Council (GCC) are still the most important players, especially Saudi Arabia that continues to dominate the market share of the Islamic banking market strongly.

Unlike a conventional bank, Islamic bank has different principles because it is based on Islamic principles and religious norms to bring prosperity and justice in society. From a theoretical perspective, an Islamic bank is based on the profit-sharing principle and not based on interest as a result of lending or deposit funds like in conventional banks (Mallin, Farag, and Ow-Yong, 2014). Dusuki (2008) explains that Islam has a strong commitment to fraternity and justice for human welfare. Islamic bank also has functions and roles as stated in the preamble of accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). One of its functions is the implementation of social activities. Based on the AAOIFI standard, an Islamic bank is obliged to issue and manage (collect, administer, and distribute) zakat, as well as other social funds. These principles are similar to those of Corporate Social Responsibility (CSR), which is the bank's obligation to manage their social, economic, and environmental activities at the local and global level.

CSR principles can follow the rules in Islam as they both aim to provide social independence of the general public (Abbasi, 2012). Even within the Islamic state, the government supports the implementation of CSR (Sharani, 2004). This is interesting, as an Islamic bank and the conventional bank has different stakeholder needs (Mallin et al., 2014). Unlike a conventional bank, the implementation of CSR in Islamic Financial Institutions (IFI's) is unique because it is implemented based on sharia laws (Menne, 2016). As a result, Islamic bank has virtue in CSR practice and disclosure from a conventional bank, and it should be different in general.

CSR practice in Islam emphasizes on Islamic business ethics. Furthermore, Rosly (2010) explains that CSR should be performed based on the Sharia law, such as zakat, infaq, alms, waqf, and not through activities that contain elements of *riba* (which is also in conventional bank known as interest rates), *gharar* (uncertainty), *maisir* (speculation), and several other types of financial transactions such as buying and selling liquor and pork. Moreover, in the Qur'an letter of *Al Baqarah* verse 177, which relates to the verse fragment, "*... and gives his beloved treasure ...*", explained by Ibn-Katsir (2015) that gives the wealth we are loved to the others is an obligation after zakat in the Muslim wealth. So it can be concluded that the faith of a Muslim will not be perfect if it is not in common with good deeds in the context of *muamalah* (social activities) in the form of care and service to relatives, orphans, the poor, and traveler or people who are traveling far (*Musafir*), the welfare of those in need.

However, some studies revealed that Islamic bank has failed to implement the *profit-loss principle* (Dar and Presley, 2000; Chong and Liu, 2009) which is the primary of Islamic bank principles. Their researches also emphasize the similarity between the practice of Islamic bank and conventional bank, even the benefit of Islamic bank only exist in the theory. Some research mentioned in the research of Farook, Hassan, and Lanis (2011) revealed that Islamic bank does not fully fulfill their social role based on sharia law (Metwally, 1992; Aggarwal and Yousef, 2000). This is contrary to the social role of the Islamic bank to provide social and economic benefits especially to carrying out CSR practice based on sharia law.

Islamic Financial Institutions (IFIs) may not disclose all of their CSR activities publicly even though the majority have performed their social activities. Alchaar (2007) stated that there should be a standard development on CSR disclosure that applicable to Islamic financial institutions, so they can communicate their CSR activities well. Therefore, CSR disclosure can bring their stakeholders, the public, and other parties to be more confident and increase their trust. To increase the rate of CSR disclosure, international regulatory authorities such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) developed a special reporting standard for Islamic banking. The standard is published in Standard No.7 on "Governance Standards for Islamic banks concerning Corporate Social Responsibility (CSR) conduct and disclosure in 2010". In this standard, CSR for Islamic Financial Institutions (IFIs) is defined as all activities organized by Islamic financial institutions to fulfill their religious, economic, legal, ethical, and policy responsibilities as financial intermediaries for individuals and institutions. Therefore, to meet these standards, the aspect of CSR reporting in Islamic banks, and the results of their business activities should be different from conventional banks (Mallin et al., 2014).

Given that CSR disclosure for Islamic banks is very important, further research is needed. Previously there has been a lot of researches on CSR disclosure, but only a few are investigating on companies that perform their business based on sharia law (Anuar, 2004; Haniffa and Hudaib, 2007; Aribi and Gao, 2010; Hassan and Harahap, 2010; Farook et al., 2011; Sairally, 2013; Mallin et al., 2014; Nobanee and Ellili, 2016). Although many previous studies have shown that CSR disclosure of sharia-based companies is higher than conventional firms, Hassan and Harahap (2010) in their research indicate that CSR disclosure is not the main concern of 7 Islamic bank research in 7 countries. It is also similar to the results of Haniffa and Hudaib (2007) which founds that Islamic banks have less effort to communicate their sharia value and assure harmony between what is in the annual report and the code of ethics of sharia. In short, the CSR literature on Islamic banks is still a qualitative-based study that measures the volume of narrative CSR disclosure according to the ideal benchmark taken from sharia-based CSR based on AAOIFI standards. There is little research that examines what is the impact of CSR disclosure in an Islamic bank.

In contrast to previous researches, this research focuses on Islamic bank in nine countries (Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan) which have the largest Islamic banking financial assets in the world based on Ernst and Young (2016) research. Based on previous research, Mallin *et al.* (2014) in his research with a sample of 90 Islamic banks from 13 countries, showed that CSR disclosure has a positive effect on the company's financial performance measured by ROA. With a sample of 9 countries that have the largest Islamic financial assets, this research examined the effect of CSR disclosure on the financial performance of Islamic banks as measured by Return On Assets (ROA). Also, this research analyzed comparatively the effect of CSR disclosure on financial performance in Islamic banking based on the index category, based on CSR disclosure year, and based on country, to find further levels of CSR disclosure in the nine countries over three years study. This research used the Islamic Social Reporting Disclosure Index (ISRDI) as a benchmark for Islamic bank's performance that contains a compilation of CSR standard items specified by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions).

2. Theoretical Framework and Hypothesis Development

2.1. Stakeholder Theory

Freeman (1984) defines stakeholders in two points of view, first is which are groups or individuals affected by organizational goals, and both are groups or individuals that can influence organizational goals. This stakeholder theory by Freeman (1984) is classified into various groups in the social environment that can be influenced by an organization, and these groups have a legitimate claim to the organization because of the concept of agency theory and property theory. Then Donaldson (1995) refined the definition of stakeholders, stating that to be identified as stakeholders, groups, or individuals must have a legitimate interest in an organization. Stakeholders also provide the resources that companies need to perform their businesses such as capital, customers, employees, materials, and legitimacy (Deegan, 2002). Thus, such a relation creates a shared obligation whereby stakeholders provide "licenses to operate" to the organization in return for the social provision received (Suchman, 1995).

The discussion of CSR practice from a stakeholder management perspective has been widely considered by the public and CSR researchers in recent years (Lim and Greenwood, 2017). CSR emphasizes the important role of corporate communications in establishing and maintaining an open dialogue with multiple stakeholders to encourage ethical and socially responsible actions for various issues (Golob and Bartlett, 2007). The relation between the company and its stakeholders through CSR relies on its communication strategy considering the impact of CSR on the well-being of its stakeholders (Kirat, 2015). Reporting is an important communication tool that can ensure greater corporate transparency and better engagement with multiple stakeholders (Golob and Bartlett, 2007). Arshad, Othman, and Othman (2012) also stated that CSR disclosure is a management tool for influencing the perceptions of various stakeholders.

CSR is influenced by how businesses adjust their values and behaviors to the stakeholder's needs, not only customers and investors, but also employees, suppliers, communities, regulators, special interest groups, and the community (Islam, Ahmed, and Hasan, 2012). Stakeholder needs as reasons for assessing different public interactions and engaging in reporting practices (Whetten, Rands, and Godfrey, 2002). CSR reporting is a way for organizations to provide stakeholder information on social and environmental issues (Golob and Bartlett, 2007). Furthermore, disclosure of information about risks will increase the broader stakeholder understanding: the company (using internal data) can directly communicate the level or various risks it faces (Probohudono, 2012).

2.2. Islamic Banking

Dusuki (2008) mentions many prominent Islamic economists, such as Chapra (1985), Chapra (2000), Ahmad (2000), Siddiqui (2001), and Naqvi (2016), who assert that Islamic banking is a part of the whole Islamic economic system that seeks to realize justice and balanced society as envisioned and written in the purpose of sharia (also known as *maqahsid as-shariah*). Thus, many restrictions (such as interest, gambling or speculation, excessive risks, etc.) are applied to protect the interests and benefits of all members in market transactions and to promote social harmony (Ahmad, 2000; Chapra, 1985; Chapra, 2000; Naqvi, 2016; Siddiqui, 2001). Islamic banking is also characterized by ethical norms and social commitment (Ahmad, 2000; Mirakhor, 2000; Warde, 2000).

Islamic banking is more than just refraining from burdening the interest and adjusting to the technicalities of the law and the terms of offering Islamic financial products (Dusuki, 2008). But Islamic banking is a system that aims to contribute to the fulfillment of socio-economic goals and the creation of a just society (Siddiqui, 2001; Haron and Hisham, 2003). In the process of operating business, Islamic banking seeks to balance the income and expenditure to achieve better progress across society (Haron, 1995, Al-Omar and Abdel-Haq, 1996).

2.3. Corporate Social Responsibility

Although there is no single definition that generally accepted, CSR generally refers to business decisions that make connections to ethical values, compliance with legal requirements, respect for human beings, involvement in social, community and environmental activities (Hassan and Harahap, 2010). Theoretically, the relation and impacts of business into society will become stronger if people have a close relation or are involved with the core business of an organization. Currently, CSR has become a very important thing for a business and can be the main reason for a company's competition and ability to survive and has produced the best success in business after being adopted by the company (Mustafa et al., 2012). Islam et al. (2012) also argue that CSR can improve long-term profitability and corporate sustainability such as enhancing the organization's reputation. Moreover, CSR is an important part of business strategy from many companies around the world, because the performance of business organizations is influenced by their strategy in the market, as well as the non-market environment (Baron, 2007). Furthermore, CSR also makes the standard of living remain high by maintaining the profitability of the organization to the public (Hopkins, 2004). Every day more companies are implementing initiatives to improve public health, safety, environment, or community welfare, with examples of well-known companies such as Primark, Ikea, or Coca Cola Company (García-Jiménez et al., 2017).

Haniffa and Hudaib (2007) concluded that to remain competitive, Islamic banks need to communicate more effectively to improve their public image and reputation. Islamic perspective on CSR disclosure is an understanding of responsibility, social justice, and ownership concepts that are important for social relations (Hassan and Harahap, 2010). Hassan and Harahap (2010) stated that Islamic banks should disclose information to ensure the stakeholders know that Islamic banks have committed: 1) to invest in activities under sharia principles; 2) to fulfill contractual relations with various stakeholders, including customer relation through contractual declarations, etc. This is because Islamic banks operate their activities under sharia law, of course, they have different stakeholders from the conventional banks. Stakeholders and depositors of Islamic bank funds would ideally want to assess their trust that has been given with their funds from how Islamic banks operate their business based on sharia law.

2.4. Islamic Social Reporting Disclosure Index

Given that there are more than forty definitions of CSR (Dahlsrud, 2008) proves a lack of consistency in conceptualization and measurement of CSR (García-Jiménez et al., 2017). Establishing a global framework for CSR reporting is an aim that desired generally, and there have been several attempts that have been made (Owen, 2003). So far, the measurement of CSR disclosure in Islamic banking still refers to the Global Reporting Initiative Index (GRI Index). This is interesting, as Islamic banking has different stakeholder needs (Mallin et al., 2014). Unlike conventional banks, the implementation of CSR in Islamic financial institutions is unique because it is implemented based on sharia law (Menne, 2016). Therefore, a sharia-based CSR disclosure guideline is required.

Islamic Social Reporting Disclosure Index (ISRDI) is a benchmark for the implementation of Islamic banking performance which contains a compilation of CSR standard items set by AAOIFI. Furthermore, it is developed by researchers to add the CSR items which should be disclosed by an Islamic entity (Sofyani and Setiawan, 2015). ISRDI becomes relevant for the measurement of CSR disclosure of Islamic banking because it uses standards that also pay attention to every Islamic responsibility. The standard is published in Standard No.7 on "*Governance Standards for Islamic banks concerning Corporate Social Responsibility (CSR) conduct and disclosure in 2010*". Within these standards, CSR for Islamic financial institutions in all activities organized by Islamic Financial Institutions not only to fulfill their economic, legal, ethical, and policy responsibilities but also to religious responsibilities.

2.5. Financial Performance

Financial performance can be used as a measuring tool for the company's achievement to make a profit. Financial performance is an illustration of a company's financial condition that analyzed by a financial analysis tool, so it can be known the work achieved at a certain time. The financial performance also defined as financial feasibility, to measure the extent of how the company achieves its economic goals (Fischer and Sawczyn, 2013). Moreover, profitability (measured by financial performance) is the most important aspect affecting the company growth and survival (Lyon, 2007).

The most widely used variables to measure financial performance include profit (operational and net), cash flow, EPS, ROA, ROE, sales growth, Return On Sales (ROS), contribution margin, Tobin's Q, market share, corporate risk and Return On Capital Employed (ROCE) (Boaventura, Silva, and Bandeira-de-Mello, 2012). Regarding company social performance, two primary measuring tools in investigating the relationship between social performance and financial performance is market base variable and accounting base variable, however, the most widely used are Return On Equity (ROE) and Return On Assets (ROA) (Boaventura et al., 2012).

Some theoretical and empirical studies have studied the impact of Corporate Social Responsibility (CSR) as measured by social performance and its relation to financial performance (Mallin et al., 2014). Simpson and Kohers (2002) in his research found a consistent result with the theoretical constructs of corporate social performance that predicting a positive relationship between corporate social performance and corporate financial performance. However, some studies indicate a negative relation between CSR and financial performance, because CSR will be paid only after certain investment threshold amount and the achievement of CSP has been done, before this point is reached, CSR spending will decrease CFP (Nollet et al., 2016).

2.6. Hypothesis Development

2.6.1. The Influence of CSR Disclosures on Financial Performance

The companies that have good management and attention to social responsibility activities are expected to have a positive impact from their stakeholders so it can improve their financial performance. Chen and Wang (2011) in his research stated that CSR activities can improve their financial performance in the current year, have a significant impact on financial performance next year, and vice versa, variations of CSR and financial performance can influence each other significantly. Comparing the performance implications of CSR practices that targeting different stakeholders, empirical results indicate that different types of CSR have various influences on the financial performance of firms from different industrial sectors (Feng, Wang, and Kreuze, 2017).

Many studies have shown that CSR activities have a positive effect on company performance (Mustafa et al., 2012). One of them is Islam et al. (2012) found that a bank with high CSR performance has a higher average return on assets than a bank with low CSR performance. A comprehensive study has examined the relation between CSR and financial performance (Margolis and Walsh, 2001). Margolis and Walsh (2001) stated that when used as an independent variable, corporate social performance has a positive relationship with financial performance in 53% of the researches, 5% found a negative relation, 19% found both of positive and negative relation, while 24% found there is no relation between of them. Whereas when CSR is used as a dependent variable, 68% of the researches found there is a positive relation between CSR and the company's financial performance. The majority of these studies conclude that companies that disclose CSR will improve their financial performance. Mallin et al. (2014) in his research with a sample of 90 Islamic banks from 13 countries, indicating that there is a positive relation between CSR disclosure with the company's financial performance calculated by measuring instrument one of which is ROA. With good CSR disclosure, it will increase customers' trust to save and invest in an Islamic bank, so it can improve the company's financial performance through asset turnover.

From the hypotheses development that has been described previously then we obtained the formulation of hypotheses to be used in this research are:

H_1 : ISRDI has a positive effect on ROA in overall

ISRDI has 6 themes of index categories consist of 69 items. Each IRSDI index category has its functions and values for companies and their stakeholders, especially index categories that directly relate to stakeholder needs base on the type of company. In contrast to the types of companies in general, Islamic banking is a system that aims to contribute to the fulfillment of socio-economic goals and the creation of a just society (Siddiqui, 2001; Haron and Hisham, 2003). That way, Islamic banking is expected to run all aspects of its social responsibility to be able to support the sustainability of their company, in this case, is the financial performance of the company. To examine how ISRDI Islamic bank discloses in the nine largest Islamic financial assets countries, comparation is needed to examine the effect of ISRDI on ROA based on the theme of each index, so it will be known whether all aspects of ISRDI have a positive effect on the company's ROA. Then some hypothesis developed as follows:

H_2 : Investation and Finance category of ISRDI has a positive effect on ROA

H_3 : Product and Service category of ISRDI has a positive effect on ROA

H_4 : Employees category of ISRDI has a positive effect on ROA

H_5 : Social category of ISRDI has a positive effect on ROA

H_6 : Environment category of ISRDI has a positive effect on ROA

H_7 : Corporate Governance category of ISRDI has a positive effect on ROA

This research is a cross-country study; Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan, with the timeframe used in this research, is for three years; 2014, 2015, and 2016. In the range of such studies, ISRDI by Islamic banking may experience a change both increase and decrease their disclosure level each year. Therefore, to know how the influence of ISRDI on Islamic banking's ROA every year, then some of the following hypotheses are developed:

H_8 : ISRDI has a positive effect on ROA in 2014

H_9 : ISRDI has a positive effect on ROA in 2015

H_{10} : ISRDI has a positive effect on ROA in 2016

Although 9 study sample countries are the countries with the largest Islamic financial assets in the world, many factors such as the characteristics of the country, politics, etc. that can influence the level of Islamic bank's financial performance, so that one country with another country is not the same in ISRDI influence on their financial performance. To investigate more deeply, comparations will be made in testing the effect of ISRDI on ROA based on each country. Here are some of the hypotheses developed:

H_{11} : ISRDI has a positive effect on ROA in Indonesia

H_{12} : ISRDI has a positive effect on ROA in Malaysia

H_{13} : ISRDI has a positive effect on ROA in Saudi Arabia

H_{14} : ISRDI has a positive effect on ROA in UAE

H_{15} : ISRDI has a positive effect on ROA in Kuwait

H_{16} : ISRDI has a positive effect on ROA in Qatar

H_{17} : ISRDI has a positive effect on ROA in Turkey

H_{18} : ISRDI has a positive effect on ROA in Bahrain

H_{19} : ISRDI has a positive effect on ROA in Pakistan

3. Research Methodology

3.1. Research Design and Data Collection Method

This research is classified as explanatory research which aims to explain the relationship between the variables through testing a hypothesis that has been formulated in the study. This research is quantitative in nature so it used in the numerical or statements form that being scored in number, then are analyzed by using the statistic. In this research, the data are secondary data obtained from the annual reports and financial statements of the Islamic Bank in nine countries in 2014-2016. The secondary data were collected from the respective websites of Islamic banking samples through the documentary collection method. The data needed for this research were those related to the corporate social responsibility disclosure and Return on Asset (ROA). The data of this research were analyzed by SPSS 21.

3.2. Population, Sample and Sampling Technique

The population of this research is the Islamic banks in nine countries in 2014, 2015, and 2016. The sample was selected to observe the relation between CSR disclosure and financial performance in the Islamic banking sector. The sample was selected using a purposive sampling technique. It uses certain criteria according to the purpose of the study. The criteria that the sample should meet in this research:

1. An Islamic bank who operating its business in nine countries (Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan).
2. An Islamic bank that issued annual reports and financial reports for the period 2014, 2015, 2016.
3. An Islamic bank who issues a complete data needed for the research.

3.3. Operational Definition and Variable Measurement

3.3.1. Dependent Variable

The dependent variable used in this research is the financial performance measured by Return On Asset (ROA). Return On Asset is a ratio that explains how much net profit earned by the company is measured by the value of its assets (El Mousaid and Boutti, 2012).

$$ROA = \frac{Income\ Before\ Tax\ and\ Zakat}{Total\ Asset} x\ 100\%$$

3.3.2. Independent Variable

The independent variable in this research is the Islamic Social Reporting Disclosure Index (ISRDI). ISRDI is an index made by the AAOIFI consist of 6 categories and 69 items. It measured by using the unweighted index or dummy variable. An undisclosed item is symbolized by 1 and disclosed item symbolized by 0.

$$ISRDIbt = \frac{\sum_{i=1}^{n} xibt}{n}$$

Explanation :

ISRDIbt : *Islamic Social Reporting Index for Bank b and time t (year)*

Xibt : *equal to 1 if item 1 is disclosed for bank b and Tim 1 (year)*

n : a *total of items*

3.4. *Data Analysis Method*

In this research, the data were analyzed by the following method:

1. Descriptive analysis was done to discover the characteristics of the research variable to be tested.
2. Descriptive of Islamic Social Reporting Disclosure Index (ISRDI) result was done to observe the level of CSR disclosure for Islamic banking samples.
3. Simple regression analysis was used to see the test result of the impact of the Islamic Social Reporting Disclosure Index (ISRDI) on the Islamic banks' financial performance and to make a comparative analysis. The equation of the current research' regression is as follow:

$$ROA = \alpha + \beta\ ISRDIcnt + \varepsilon$$

Explanation :

ROA : *Return On Asset* at a certain time

α : The constant of the regression

β : The coefficient of regression

ISRDIcnt : *Islamic Social Reporting Index* for category c, country n, time t (year)

ε : The score of error for each individual

4. Result and Discussion

4.1. Descriptive Statistic

The descriptive statistic aims to discover the character of the research variables. The sample of this research is the Islamic banks in nine countries; Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan in 2014, 2015, and 2016. From the data collection process, there are 32 Islamic banks fulfilled the criteria to be included as the sample of the research. However, there are 7 data included as outliers data so that they are excluded from the sample. Thus, the sample that will be used in this research is 25 Islamic banks in three periods of data. According to the criteria above then we obtained a sample of 75 years of Islamic banks.

Table 4.1

Descriptive Statistic

Data		N	Minimum	Maximum	Mean	Median	Std. Deviation
ROA *(pooled)*		75	0,15%	2,36%	1,13%	1,15%	0,55%
Year	ROA2014	25	0.15%	2.36%	1.11%	1.13%	0.59%

	ROA2015	25	0.19%	2.04%	1.13%	1.18%	0.54%
	ROA2016	25	0.19%	2.04%	1.13%	1.18%	0.54%
Country	ROASaudi	6	0.86%	2.04%	1.84%	2.03%	0.48%
	ROAMalaysia	12	2.04%	2.04%	2.04%	2.04%	0.00%
	ROAUAE	6	0.85%	1.64%	1.21%	1.38%	0.32%
	ROAKuwait	6	1.13%	1.79%	1.29%	1.46%	0.34%
	ROAQatar	6	1.61%	2.36%	1.52%	1.65%	0.29%
	ROAIndonesia	24	0.15%	1.58%	0.63%	0.55%	0.43%
	ROABahrain	6	1.06%	1.49%	1.25%	1.16%	0.19%
	ROAPakistan	3	1.15%	1.40%	1.32%	1.40%	0.14%
	ROATurkey	6	0.68%	1.65%	1.16%	1.24%	0.43%
ISRDI (*pooled*)		75	20,29%	82,61%	51,23%	49,28%	15,13%
Category	ISRDI1	75	0.00%	64.29%	38.95%	42.86%	20.21%
	ISRDI2	75	14.29%	100.00%	50.86%	42.86%	16.65%
	ISRDI3	75	0.00%	91.67%	40.33%	41.67%	23.65%
	ISRDI4	75	0%	92.86%	58.07%	64.29%	30.09%
	ISRDI5	75	0.00%	85.71%	12.76%	0.00%	17.19%
	ISRDI6	75	46.67%	100.00%	81.69%	86.67%	15.43%
Tahun	ISRDI2014	75	20.29%	82.61%	50.67%	49.28%	15.25%
	ISRDI2015	75	23.19%	78.26%	52.87%	52.17%	16.20%
	ISRDI2016	75	27.54%	73.91%	50.15%	46.38%	14.37%
Negara	ISRDISAUDI	6	39.13%	50.72%	46.38%	49.28%	5.10%
	ISRDIMALAYSIA	12	42.03%	68.12%	53.14%	54.35%	9.21%
	ISRDIUAE	6	27.54%	63.77%	42.27%	36.23%	16.96%
	ISRDIKUWAIT	6	20.29%	47.83%	33.34%	34.06%	11.15%
	ISRDIQATAR	6	40.58%	46.38%	43.48%	43.48%	2.25%
	ISRDIINDONESIA	24	49.28%	82.61%	66.79%	68.12%	8.70%
	ISRDIBAHRAIN	6	37.68%	55.07%	47.83%	49.28%	6.28%
	ISRDIPAKISTAN	3	39.13%	55.07%	48.31%	50.72%	8.24%
	ISRDITURKEY	6	27.54%	31.88%	29.47%	28.99%	2.18%

Note: ROA (Return On Assets) = income before tax and zakat/total assets, ISRDI (Islamic Social Reporting Disclosure Index) = dummy variable of Islamic social reporting disclosure.

Table 4.1 presents the results of the descriptive statistics of all data. Table 1 shows that the variable Return On Assets (ROA) has an average value (mean) of 10.89%, while the median value (median) of 1.15%. The lowest ROE value of 0.15% is owned by Bank Muamalat Indonesia in the country in Indonesia in 2014. While the highest ROA is 2.36% owned by Qatar Islamic Bank in Qatar in 2014. The standard deviation of ROA the overall data is 0.55%. The Islamic Social Responsibility Disclosure Index (ISRDI) variable shows the mean value of 51.23%, while the median value is 49.28%. The lowest ISRDI value of 20.29% is owned by the United Bank of the United States of Saudi Arabia by 2014. While the highest ISRD value is 82.61% owned by Bank Muamalat Indonesia in Indonesia in 2014. The standard deviation of ISRDI is 15.13%.

4.2. The level of Corporate Social Responsibility disclosure based on Islamic Social Reporting Disclosure Index

Corporate Social Responsibility disclosure based on the Islamic Social Reporting Disclosure Index (ISRDI) is classified into 6 theme categories. The level of ISRDI for each item in each year is presented in table 2.

Table 4.2

Level of *Islamic Social Reporting Disclosure Index* (In 2014-2016)

Islamic Social Reporting Disclosure *Item*	**Pooled**	**2014**	**2015**	**2016**
Total of Islamic Social Reporting Disclosure Index (ISRDI)	**51%**	**50.03%**	**52.52%**	**50.14%**
Investment and Finance	**39%**	**38%**	**41%**	**39%**
Identification of activities that contain of *riba*	36%	28%	36%	44%
% *riba* from profit	0%	0%	0%	0%
Identification of activities that contain of *gharar*	35%	24%	36%	44%
% *gharar* from profit	0%	0%	0%	0%
Zakat methods that used	68%	76%	72%	56%
Zakat Sources	68%	72%	72%	60%
Zakat Total	75%	76%	80%	68%
Zakat Recipients	51%	40%	52%	60%
Shariah Supervisory Board's opinion related to zakat collection and distribution	76%	76%	72%	80%
Identification of the policy to resolve insolvent clients.	99%	100%	100%	96%
The amount of additional fees (fines) charged as a consequence of late payment	39%	36%	48%	32%

Shariah Supervisory Board's opinion related to the permit regarding additional fees charged as a consequence of late payment by the insolvent client.	0%	0%	0%	0%
Current Value Balance Sheet	0%	0%	0%	0%
Value Added Statement	0%	0%	0%	0%
Product and Service	**51%**	**49%**	**55%**	**49%**
Halal and Shariah labels on the product	92%	92%	92%	92%
Product development	97%	92%	100%	100%
Service improvement	96%	88%	100%	100%
Total consumer complaints	13%	12%	24%	4%
Handling consumer complaints	43%	36%	44%	48%
Fines both money and non money related violations of regulations	5%	4%	12%	0%
Survey of customer decisions	9%	16%	12%	0%
Employee	**40%**	**45%**	**38%**	**38%**
The number of working hours and holidays	3%	0%	8%	0%
Remuneration	84%	88%	80%	84%
Salary ratio	39%	56%	32%	28%
Composition of employees based on specific performance	16%	40%	8%	0%
Education and training programs for employees	92%	88%	92%	96%
Establish development programs and employee career path	39%	48%	52%	16%
Employee retention strategy	19%	24%	12%	20%
Percentage of employees receiving	12%	20%	8%	8%
The same opportunity	41%	40%	44%	40%
Occupational Health and Safety	52%	44%	48%	64%
Work environment	53%	56%	44%	60%
Special Reqruitment	35%	32%	32%	40%
Social	**58%**	**53%**	**61%**	**60%**
Shaddaqah/Donation	65%	60%	64%	72%
Waqf	44%	32%	52%	48%
Qard Hasan	57%	48%	60%	64%
Zakat or donations from employees or clients	67%	60%	76%	64%

Establishment of school	3%	4%	0%	4%
Assistance at school in financial or non-financial	56%	64%	72%	32%
Scholarship	73%	64%	76%	80%
Health assistence	68%	60%	71%	72%
Economic empowerment	76%	80%	72%	76%
Concern for orphans	45%	32%	52%	52%
Construction or renovation mosque	37%	24%	44%	44%
Youth activities	67%	72%	60%	68%
Other social activities	83%	80%	80%	88%
Sponsor of health events, sports, education, etc.	72%	64%	72%	80%
Environment	**13%**	**11%**	**15%**	**13%**
Go green campaign	12%	12%	16%	8%
Environmental conversion	33%	28%	40%	32%
Protection of wild or enandgered fauna and flora	4%	0%	8%	4%
Polution	15%	8%	16%	20%
Repairment and construction of public facilities	23%	28%	16%	24%
Environmental audit	1%	0%	4%	0%
Environmental management policies	1%	0%	4%	0%
Corporate Governance	**82%**	**82%**	**84%**	**79%**
Organizational profil and strategy	95%	84%	100%	100%
Organizational structure	97%	92%	100%	100%
Implementation of the Board of Commissioners' duties and responsibilities	96%	100%	100%	88%
Implementation of Board of Director's duties and responsibilities	100%	100%	100%	100%
Completeness and execution of the Committee's duties	85%	80%	92%	84%
Implementation of Sharia Supervisory Board's duties and responsibilities	85%	88%	80%	88%
Implementation of sharia principles in the collection and distribution of funds and service	91%	88%	92%	92%
Handling of conflict of interest	47%	52%	36%	52%
Implementation of Bank's compliance function	93%	92%	92%	96%
Implementation of internal audit function	97%	100%	96%	96%
Implementation of external audit function	97%	100%	96%	96%

Maximum limit of fund disbursement	45%	56%	52%	28%
Transparency of financial and non financial condition	47%	44%	68%	28%
Anti-money laundering and other deviant policies	67%	76%	56%	68%
Company ethics	83%	76%	100%	72%

Source: Data that had been processed

Table 4.2 shows that corporate social responsibility disclosure of Islamic banks overall is quite good (more than 50%). Disclosure of the Corporate Governance category has the highest level of disclosure (82%), and the disclosure of the Environment category has the lowest disclosure rate (13%). This could be due to the lack of concern of Islamic banking to the environment. Besides, Environment category disclosure is still voluntary in some countries.

According to table 4.2, the disclosure of the Investment and Finance category is still very low (39%). Some items indicate the level of disclosure of 0% or there was no Islamic banking that discloses the activity, ie item Percentage of *riba* from profit, Percentage of *gharar* from profit, and opinion of Sharia Supervisory Board related to permitting regarding additional fee charged as a consequence of late payment by an insolvent client, current value balance sheet, and value-added statement. While activity identification items containing *riba* and identification of activities containing *gharar* are still had low disclosure rates, 36%, and 35%. This indicates there is still low attention to financial disclosures under sharia principles in the Islamic banking sector.

Disclosure of Product and Service category and Employee category shows a medium level of disclosure. Islamic banking is necessary to increase the disclosure of both categories, especially for items related to customer service management, customers, and working hours or holidays, composition info, and percentage of employees. Besides, most Islamic banks have disclosed their responsibilities to the community by conducting Social category activities (above 52%). However, for the endowment items, the establishment of schools, and the care of orphans is still a little level of disclosure.

Table 4.2 shows that more than 80% of Islamic banks have disclosed information about their Corporate Governance's category well. This is also supported by the existence of a Good Corporate Governance program from each Islamic bank. However, not all Islamic banks have disclosed the activities of Sharia Supervisory Board duties and responsibilities and the implementation of Sharia principles in the collection and distribution of funds and services.

4.3. The Relation Between Islamic Social Reporting Disclosure Index to Financial Performance

Table 4.3 presents the results of statistical tests to see the influence of the Islamic Social Reporting Disclosure Index (ISRDI) on financial performance (ROA).

Table 4.3

Regression Result Data Pooled

	2014	2015	2016	Pooled
N	25	25	25	**75**
Durbin-Watson	1.916	1.687	1.688	**1.847**
Adjusted R2	0.223	0.179	0.188	**0.228**
F *statistic*	7.899	6.249	6.545	**21.506**
Significance	0.010*	0.020**	0.018**	**0.000***

*highly significant at 1% level, **significant at 5% level, ***moderately significant at 10% level

Table 4.3 presents the results of regression analysis between ISRDI as an independent variable and ROA as a dependent variable in the pooled data. It is shown that there is a statistically significant variable (*p-value*<0.01) in 2014, 2015, 2016, and data pooled (2014-2016). So it can be concluded that ISRDI has a highly positive significance related to ROA (financial performance).

4.4. A Comparative Analysis Based on ISRDI Category Index

Table 4.4

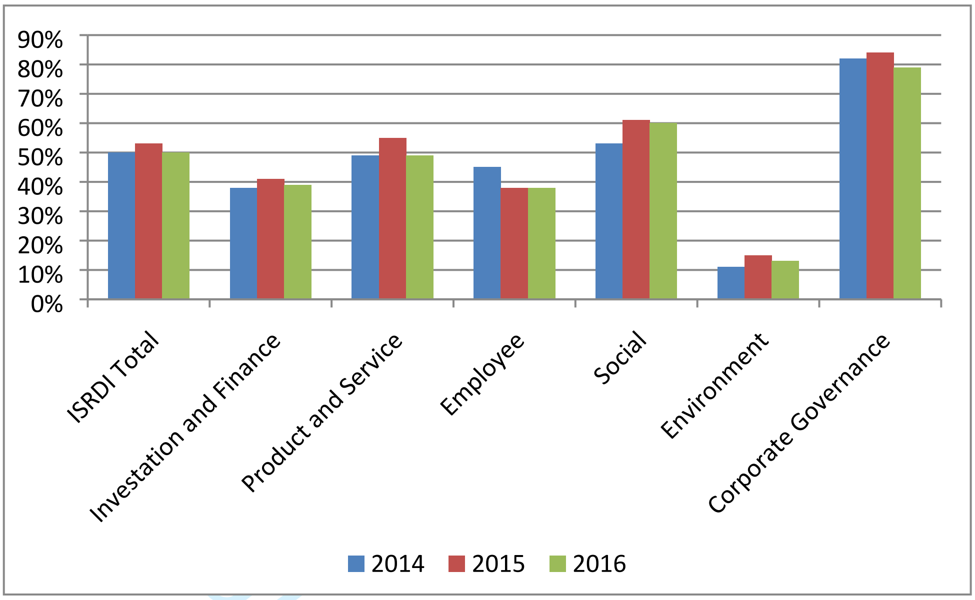
Level of *Islamic Social Reporting Disclosure Index* Based on Category (2014-2016)

ISRDI Category	Mean			
	Pooled	2014	2015	2016
Total ISRDI	**51%**	**50%**	**53%**	**50%**
Investation and Finance	**39%**	38%	41%	39%
Product and Service	**51%**	49%	55%	49%
Employee	**40%**	45%	38%	38%
Social	**58%**	53%	61%	60%
Environment	**13%**	11%	15%	13%
Corporate Governance	**82%**	82%	84%	79%

Source: the secondary data that had been processed

Chart 4.1

Level of *Islamic Social Reporting Disclosure Index* Based on Category (2014-2016)



ISRDI has 6 themes of index categories consist of 69 items. Furthermore, we made comparations in testing the influence of ISRDI on ROA based on the index categories. Table 4.4 and Chart 4.1 presents the ISRDI levels that have been classified according to the index category themes. It is shown that Corporate Governance's category has the highest average disclosure level of other disclosure themes (82%), while the lowest category disclosure is Environment (13%).

Table 4.5.

Regression Result of Comparative Analysis Based on ISRDI Category (Data Pooled)

ISRDI Category	N	Adjusted R^2	F *statistic*	Significance
1. Investation and Finance	75	0.122	11.278	**0.001***
2. Product and Service	75	0.052	5.039	**0.028****
3. Employee	75	0.063	5.938	**0.017****
4. Social	75	0.170	16.149	**0.000***
5. Environment	75	-0.010	0.242	**0.625*****
6. Corporate Governance	75	0.205	20.086	**0.000***

*highly significant at 1% level, **significant at 5% level, ***moderately significant at 10% level

Table 4.5 presents the results of regression analysis between ISRDI as an independent variable and ROA as a dependent variable based on ISRD Category in data pooled (2014-2016). It is shown that there is statistically significant variable (*p-value*< 0.05) in almost all of categories except for the "environment" category (*p-value*> 0.05). So it can be concluded that category disclosure of Investation and Finance, Product and Service, Employee, and Corporate Governance have positively significantly related to ROA (financial performance). While Environment category disclosure has not significantly related to ROA.

4.5. A Comparative Analysis Based on Year

Table 4.6

Regression Result of Comparative Analysis Based on Year (Data Pooled)

Year	N	Adjusted R^2	F *statistic*	Significance
2014	25	0.223	7.899	**0.010***
2015	25	0.179	6.249	**0.020****
2016	25	0.188	6.545	**0.018****

*highly significant at 1% level, **significant at 5% level, ***moderately significant at 10% level

Table 4.6 presents the results of regression analysis between ISRDI as an independent variable and ROA based on the year in 2014, 2015, and 2016. It is shown that there is a statistically significant variable (*p-value*< 0.05) in all of the years. So it can be concluded that ISRDI has positively significantly related to ROA (financial performance) in ranging from 2014 to 2016.

4.6. A Comparative Analysis Based on Country

Table 4.7

Regression Result of Comparative Analysis Based on Country (Data Pooled)

Country	N	Adjusted R^2	F *statistic*	Significance
Indonesia	24	-0.031	0.316	**0.580*****
Malaysia	12	-0.027	0.709	**0.419*****
Saudi Arabia	6	-0.143	0.373	**0.574*****
UAE	6	0.684	11.821	**0.026****
Kuwait	6	0.87 9	37.16	**0.004***
Qatar	6	0.088	1.484	**0.290*****
Turkey	6	0.727	14.31	**0.019****
Bahrain	6	-0.157	0.321	**0.601*****
Pakistan	3	-0.871	0.069	**0.837*****

*highly significant at 1% level, **significant at 5% level, ***moderately significant at 10% level

Table 4.7 presents the results of regression analysis between ISRDI as an independent variable and ROA based on country (Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan). It is shown that there is a statistically significant variable (*p-value*< 0.05) in UAE, Kuwait, and Turkey, and not statistically significant variables (*p-value*> 0.05) in Indonesia, Malaysia, Saudi Arabia, Qatar, Bahrain, and Pakistan. So it can be concluded that ISRDI has positively significantly related to ROA (financial performance) in UAE, Kuwait, and Turkey but has not significantly related to Indonesia, Malaysia, Saudi Arabia, Qatar, Bahrain, and Pakistan.

5. Discussion

The hypothesis test result shows that the effect of the Islamic Social Reporting Disclosure Index (ISRDI) toward financial performance measured by Return on Assets (ROA) has positively significant relation. So ISRDI can be used to predicting ROA in the Islamic banking sector. Based on the research result, H1 is accepted. The results of this research support the research of Mallin et al. (2014) which has the result of a positive and significant relation between CSR disclosure and financial performance measured by ROA. Positive results between ISRDI and ROA mean that if ISRDI is good then ROA will increase. The results of this research reject the research from Mosaid and Boutti (2012) who found that there is no significant relation between CSR disclosure and ROA within Islamic banking. The different results of researches are due to the difference between samples and the range of research is quite long.

Almost all theme categories of ISRDI have a significant positive relation on Islamic banking ROA, except on the theme of environmental disclosure, so H_2, H_3, H_4, H_5, $H_7$are accepted but H_6 is rejected. The majority of Islamic banks still have less attention to the disclosure of their environment and also the disclosure of the percentage of activities of *riba* and *gharar*. This may be because there is no detailed regulation regarding these items. For three consecutive years (2014, 2015, 2016) ISRDI proved to have a positively significant related toROA, so H_8, H_9, H_{10} are accepted. Furthermore, ISRDI has positively significant related to ROA (financial performance) in UAE, Kuwait, and Turkey but has not significantly related in Indonesia, Malaysia, Saudi Arabia, Qatar, Bahrain, and Pakistan, so H_{14}, H_{15}, $H_{17}$are accepted and H_{11}, H_{12}, H_{13}, H_{16}, H_{18}, H_{19} are rejected. This means that multiple disclosures over time and across countries may be influenced by firm characteristics (Probohudono, 2012), and the characteristics of stakeholders of each country.

6. Summary, Implication, and Limitation

6.1. Summary

This research discusses the influence of corporate social responsibility disclosure based on the Islamic Social Reporting Disclosure Index (ISRDI) on financial performance in Islamic banking that measured by ROA (Return on Assets). The samples used in this research are 25 Islamic banks in nine countries (Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan) in the period 2014, 2015, 2016. The research finding is Islamic banks have disclosed CSR based on ISRDI well, 50% in 2014, 53% in 2015, and 50% by 2016. The top category disclosure for ISRDI is the "corporate governance" category of 82 %, while the category "environment" is the lowest disclosed of 13%. Furthermore, the lowest ISRDI level in data pooled is 20.29% owned by the United Bank of the United States of Saudi Arabia in 2014. While the highest ISRD level is 82.61% owned by Bank Muamalat Indonesia in Indonesia in 2014.

The results showed that a simple regression analysis provides evidence that the disclosure of corporate social responsibility positively related to financial performance. The results of comparative analysis for each year shows that there is a positive relation between ISRDI and financial performance each year. Almost all the major categories of ISRDI have a positive relationship with financial performance except for the environmental subcategory. For the UAE, Kuwait, and Turkey, ISRDI has positively significantly related to financial performance but has not significantly related to Indonesia, Malaysia, Saudi Arabia, Qatar, Bahrain, and Pakistan.

6.2. Implication

Corporate Social Responsibility (CSR) disclosure is essential for Islamic banking to increase stakeholder trust. The results of this research indicate that CSR disclosure has positively related to financial performance especially for Return On Assets (ROA). Besides, the results of this research also show that the lack of CSR disclosure in the category of the environment and some important items, such as special items that exist only in Islamic financial institutions (activity and percentage of *riba*, *gharar*, Sharia Supervisory Board's opinion, religious social activities such as zakat, *shadaqah*, *qard hasan*, concern for orphans, mosque construction, etc.). This has implications for the future Islamic banking to pay more attention related to their CSR disclosure to improve financial performance so that the asset turnover becomes better. Besides, the results of this research could be a consideration for AAOIFI to develop a more appropriate standard of CSR reporting for Islamic banking.

6.3. Limitation

This research focuses on Islamic banks in nine countries that have the largest Islamic banking assets in the world; Indonesia, Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan. The number of samples of each country may be too small and uneven in number. The suggestions for further research can add research samples apart from the 9 countries.

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