



The Model and Implementation of Corporate Social Responsibility (CSR) on Sharia Banking

Suparnyo^(✉), Wahyu Edy Amrulloh, and Wahtudi

Muria Kudus University, Kudus, Indonesia
{suparnyo, wahyu.edy}@umk.ac.id

Abstract. A company has major obligations and responsibilities to owners and/or stakeholders, because they are those who give a mandate of economy to a company. Besides, a company must remain caring and responsive to legal, social, political, and environmental demand of the stakeholders. Therefore, a company has social responsibilities to its constituent and should be responsive to stakeholder demands based on the ethical codes concerning honesty and justice. Companies which operate in the banking sector as social entities also have a responsibility, frequently called as Corporate Social Responsibility (CSR). The objective of this study is to describe the model of Corporate Social Responsibility (CSR) and its implementation in Sharia Banks and its implementation. The study used normative juridical method of research, i.e., using secondary data which were collected from the reports published by the Sharia Banks in Indonesia. Based on the research result, it was found that the model of Corporate Social Responsibility (CSR) performed by the Sharia Banks autonomously by the Division of Secretary or Corporate Secretary. The Sharia Bank companies implemented Corporate Social Responsibility (CSR) in the environmental, social and economic sector. The implementation of CSR among the Sharia Banks is principally the same, either in the internal aspect of external ones.

Keywords: Model · Implementation of CSR · Sharia Banking

1 Introduction

The economic activity done by business performers individually or institutionally either as incorporated entity or non-legal entity (Sri Redjeki, 2000), are aimed at gaining profit. The paradigm on the aim of a company, which is to gain profit has now changed into a paradigm that a company does not only have the aim of gaining profit (profit motif) but also to realize its sustainability in business or economic activities (Suparnyo, 2013).

The existence of companies are dependent on the society in which companies can only live, grow and develop if they get the support of the society because basically the society is the entity from which companies mainly get their necessities as well as the users of the companies' products (goods and services). Therefore, the existence of a company must give beneficial values to the surrounding society (Sri Redjeki, 2000).

Based on the above description it can be said that basically companies with their business have reciprocal relationships with the society in which both parties are interdependent on each other.

A society needs companies for their products of goods or services needed by the society and companies need the society due to the fact that from the society companies get resources (Suparnyo, 2010). The society living around the company, suppliers, consumers, Small Micro and Medium Enterprises (SMMEs), local government, competitor companies, employees or labors, and financiers are stakeholders of a company.

Edward Freeman stated that besides stockholders (shareholders), there are also many other stakeholders, which deserves attention in managing a company or business (Suparnyo, 2010). The point of view of Edward Freeman is popularly known as the theory of stakeholders which was further developed into the theory of "Corporate Citizenship". The theory of Corporate Citizenship argued that a business does not only have a responsibility of doing good but it should also help solving social problems which is still rarely done.

The theory is in line with the theory suggested by Kenneth Goodpaster and John Matthews, who stated that a company is an analog of individual having willingness, conscience, aims and strategies (Joseph W. Weis, 1994). The term "individual" is not perceived in literal meaning but a group of people who support the moral values representing a company. Therefore, a company does not only have a legal and moral responsibility on its action, but it also has social responsibility, i.e., to be a good citizen.

Based on moral value bond, parties (people and including the company) must perform what should be done (obligation) and get what should be gained in a balance. It is as what human will achieve (including a company) in a balance (Abdulkadir Muhammad, 2002).

A perspective about the existence of CSR was put forward by John Elkington, as cited by Teguh S. Pambudi, in 1997 in his books, *Canibals with Forks the Triple Bottom Line of Twentieth Century Business* which developed the concept of triple bottom line, i.e., economic prosperity, environmental quality, and social justice (SwaSembada, 2005). Thereafter, a company should not only be aimed at pursuing profit, but it must also be involved in the fulfillment of the society (people) welfare, and take part in promoting the environmental conservation (planet).

Corporation (in terms of a company and its leadership) has a major responsibility towards the owner or shareholder to perform the economical mandate, i.e., to gain profit. Besides, a corporation must remain caring and responsive towards legal, social, political and environmental demand of the stakeholders either from internal or external side. Thereafter, a corporation is responsible socially and morally to its constituent as well as to be caring and responsive towards the demands based on the ethical standards of honesty and justice (Ketut Rindjin, 2004).

From the above description, it can be stated that the world of business or corporation including banking corporations need to empower the stakeholders in order to maintain its existence and sustainability. In general, companies must fulfill their social and environmental responsibilities as required by Law No. 40 of 2007 on Limited Liability Companies. In chapter 74 article (1) it is stated that a company which runs its business activities in the sector of and/or related to natural resources, must perform its social and

environmental responsibility. The social and environmental obligation contained with inside the Act of Limited Company is a idea of Corporate Social Responsibility (CSR).

According to the concept of CSR, banking corporations especially Shariah Banking are part of the social life which needs to perform social responsibility (CSR) in order that the banks will remain existent and sustainable. Perbankan-Syariahperlu mengembangkansuatu model, formula ataubentukimplementasiCSR yang tepat dan baik. The implementation model of CSR will be regarded good and appropriate if it considers the interests of companies and stakeholder, and to be integrated. It is in line with the aim of the Sharia Banking, i.e., Support the implementation of national developments to promote justice, solidarity and welfare distribution among citizens.

By referring to the background of the aforementioned problems, the study was aimed to find out what model and the implementation Corporate Social Responsibility (CSR) performed by the Sharia Banks?

2 Research Method

The research method used in the study was normative juridical approach by collecting secondary data. This method was used due to the difficulty of getting the primary data in the field. The data used were the annual report of the Sharia Banks taken from the sample, i.e., Bank Muamalat Indonesia, BRI Syariah and BCA Syariah. The sample selection was done randomly based on the existing Sharia Banks. The data analysis was qualitatively done derived from the primary, secondary and tertiary data.

3 Findings and Discussion

1. Model of the Implementation of Corporate Social Responsibility (CSR) in Sharia Banks

The existing paradigm of a company at present is that a company is established and operates not only to pursue profit, but also to be involved in the fulfilment of people's welfare, and take part actively in conserving the environment (planet). The paradigm which supports the necessity of CSR's implementation for companies is based on four arguments, i.e., the existence of moral responsibility, sustainability, license to operate, and reputation. Nowadays, the government, activists, and media have understood how to ask for responsibility to companies for their name (Laura P. Hartman, dkk, 2014).

The implementation of company's CSR can generally be conducted by the concerned companies themselves, by cooperating with third party and can also be performed by an agency outside the companies, which is usually established in form of a foundation whose main duty is to distribute the finance of CSR from the operating companies. The Sharia Banks as companies and business performers which are part of the Sharia banking also have the aim related to the society, i.e., to support the implementation of national development to promote justice, solidarity and the welfare distribution of people.

The aim is one of the major activities of the implementation of CSR. It is in line with the definition of CSR suggested by World Bank which states: Corporate Social

Responsibility is the commitment of business to contribute to sustainable economic development working with employees and their representatives, the local community and society a large to improve quality of life, in ways that are both good for business and good for development (Teguh S. Pambudi, 2006; Suparno, 2010).

The models of the implementation/performance of CSR which have right now developed is by using one of the following models, those are direct involvement, through foundation or social organization, developing partnership, or by joining a Consortium (<https://www.gramedia.com/literasi/csr/>).

The model of CSR implementation by a direct involvement with the company, doing activities related to CSR directly in the public of society. For example, the company provides assistance in form of cash and is distributed to the surrounding society who are in need, and which is directly given by the company to the surrounding society directly.

The next implementation model of CSR is done by establishing a foundation or social organization. Some of the examples of the foundations established by companies which are used as media to give donation to public/society continuously, are such as, (1) Yayasan of Coca Cola Company; (2) Djarum Foundation; (3) Sahabat Aqua; (4) Dharma Bhakti Astra.

The other model of CSR implementation is that the company makes collaboration with other or outside parties. The partners which are invited to have collaboration are those who are mostly concerned with social activities.

The social partners invited in the collaboration can be those who are under private management or those organized by the government, for example: making collaboration with the Indonesian Red Cross. The partnership can also be done through Dompeta Duafa, by which the company can provide services to manage the social funds, such as humanity fund, charity, zakat, and others.

The next implementation model of CSR is by joining a consortium. A consortium is a type of cooperation between two parties of company or more in order to perform a social project aiming at developing the welfare of society. For example, a project of constructing roads, constructing school buildings, constructing bridges, and other activities which are beneficial to the society around the company.

Indonesia as a country having the majority of Muslim in the world, has the potentials to be foremost in Sharia banking industry. The awareness of the society towards the halal and haram point of view as well as the strong support of the stakeholder has become an important factor in developing the ecosystem of halal industry, including the Sharia Banks.

The CSR implementation model in Bank Muamalat Indonesia (Bank Muamalat Indonesia, 2020) is conducted by the secretary of the company in cooperation with CMC. In implementing CSRPT Bank Muamalat Indonesia Tbk also collaborates with Laznas Baitulmaal Muamalat (BMM) in distributing donation to the Indonesian society suffering the impact of the pandemic of Covid-19 and the victims of natural disasters through the program of "Blessing Friday Program".

The implementation of CSR in BRI Syariah (BRI Syariah, 2020) is performed by Public Relation Section, i.e., Corporate Communication Department which is part of Corporate Secretary Division. The Structure of Organization organizes three (3) departments, those are:

- 1) Corporate Legal Department
- 2) Corporate Affairs Department
- 3) Corporate Communication Department

The implementation of CSR in BCA Syariah (BCA Syariah, 2020) is conducted by the Company Secretary determined by the Decree Letter of the Director concerning the Organization Structure of Business and Communication Unit (SBK). SBK is in charge of the Communication and Secretaryship Department of the Company whose duties includes Functionary Management, Functionary Administration Management, Marketing Communication, Corporation Relations, and CSR.

The obligation of appearing the Corporate Social Responsibility (CSR) is at the motive of retaining the coolest dating and giving blessings to the community.

Based on the data above, it can be stated that the CSR implementation model in Sharia Banks becomes the duty of the Company's Secretary. The duty of company's secretary concerning the implementation of social responsibility is implemented by establishing cooperation with other parties or the related stakeholders, for example regarding the victims suffering the impact of covid-19the company's secretary can cooperate with the Indonesian Red Cross. Besides, the company's secretary also collaborates with LaznasandBaitulmaal. The assistance for the victim of natural disaster is conducted through "Program JumatBerkah".

Therefore, the model of CSR implementation in the Indonesian Sharia Banks is not performed by separated department of the company.

2. Types of the Implementation of Corporate Social Responsibility in Sharia Banks

In the aspect of social community, BMI in 2020 (Bank Muamalat Indonesia, 2020) focuses on the performance of the social responsibility program of the company on the purpose of preventing and managing the impact of Covid-19 pandemic. BMI realized the program autonomously and collaboratively with some related parties, such as National Disaster Management Agency as well as Task Force of Covid-19 either in the central government or local government.

In the context of preventing the spread of Covid-19 pandemic, BMI realized the program of free vaccination organized for two period of vaccination. The vaccination was conducted for two period of vaccination, with the total of vaccine receiver as many as 3.500 persons.

Additionally, BMI keep realizing the regular CSR, such as scholarship award, social security and MuamalatSahabat and so on, with the support of social investment donation as much as Rp. 7.800.000.000,00 (seven billion and eight hundred million rupiah). BMI realizes its commitment towards the need of qualified finance and banking literacy and in order to support the finance inclusion program, by conducting online which can be accessed through reputable social media channels in which it got 10.000 viewers.

The implementation of the principles was also found in several activities of CSR which has been consistently conducted by the company through the approach of triple bottom lines, i.e., economy, social and environment. The CSR program for the environment is conducted through three main programs, those are Green Banking, Environment

Friendly Operation and Environmental Conservation Activity. The three programs are as the effort done by the company to conserve the surrounding environment.

BRI Syariah (BRI Syariah, 2020) conducts the program through environment friendly financing in which in giving credit, the bank requires certain environmental related documents to the debtor. In the policy of green banking owned by BRI Syariah, the company ask for the fulfillment of the document of Environmental Impact Analysis (AMDAL), the result of evaluation is PROPER (Golden, Green, Blue) from the Ministry of Environment and Forest (KLHK). The fulfillment of technical aspect of the environment management until the compatibility of interior design are supervised and implemented by permission. The prospective debtor will go through three methods of validation to make sure the credit given by the Bank will not give the impact of environment. Whereas the validation method is done through done by Walking client, Canvassing dan Referral. During 2020, the client of green banking owned by BRI Sharia consisting of various industry, such as tapioca factory, palm oil, CPO factory, chicken trading chicken farm, cow farm, PLTMH, Pipeline industry. From the client, the debt is distributed as much as Rp. 681.295 billion.

The next program carried out by BRI Syariah (BRI Syariah, 2020) related to the environmental CSR is to carry out environmentally friendly operational activities. In this case, BRI Syariah carries out various activities ranging from saving electricity, water, fuel to efficient use of paper. Electricity savings are made, among others, by turning off room and computer lights when not in use, using energy-efficient LED lights, use of energy-efficient electronic equipment and perform periodic maintenance of electronic devices order to save usage fuel (BBM), a carpooling system policy is applied. Meanwhile, to save water usage, which is entirely supplied from (PDAM), BRI Syariah head office issues stickers advising water use-saving and always ensures repair of water installations.

In order to contribute to the reduction of Greenhouse Gas (GHG) emissions, BRI Syariah (BRI Syariah, 2020) makes efforts to use paper efficiently in each of its operations. These efforts are carried out through optimizing the use of digital systems such as the e-nod in application for the Bank's internal correspondence. If you really need paper for office purposes such as drafting, BRI Syariah has recommended using used paper or printing back and forth. BRI Syariah (BRI Syariah, 2020) also conducted CSR related to the responsibility of labor, Employment Responsibility, Health and Working safety. BRI Syariah implements employment policies considering the equality, fairness and safety aspects of all employees. This policy aims to not only reduce the risk of accidents and illnesses, but also to encourage all employees to feel a sense of responsibility to contribute to creating a positive working environment.

BRI Syariah (BRI Syariah, 2020) also pays great attention to the welfare of employees, including in fulfilling their rights, both in terms of compensation and benefits as well as freedom of association. Worker protection related to K3 is laid down in Law No. 13 of 2003 on Labor, Law No. 23 of 1992 on Health and Law No. 1 of 1970 on Work Safety. The government also issued a law number. The government also issued Decree No. 50 of 2012 on the implementation of occupational health and safety management system. It stipulates the responsibilities of every enterprise unit while undertaking enterprise sports primarily based totally on occupational fitness and protection for its employees.

BRI Syariah (BRI Syariah, 2020) Fair Employ employees regardless of ethnicity, religion, race, class or social class. The recruitment process is conducted according to the principles of equal treatment, non-discrimination and transparency. Cooperative relationships between employees and the company that exist in the corporate environment are implemented through the concept of strategic partners in order to create a strong and harmonious relationship between the company and all employees. This is why we applaud the sustainability of the company's operations.

The BRI Syariah Gender Equality Sector (BRI Syariah, 2020) We practice the precept of non-discrimination in all matters, such as making sure that girls have identical possibilities to attain paintings inside the company (gender fairness and equality) so long as they meet set up requirements. The ideas of non-discrimination and equality also are manifested in structural, operational and practical profession achievement, proper as much as the best stages of organizational structures. Creating a nice running surroundings Employees are the company's maximum critical asset. For this reason, BRI Syariah We strive to create a safe and comfortable atmosphere and conditions for our employees. The company believes that providing a safe and comfortable work environment has a positive impact on employee enthusiasm, loyalty and dedication to work. Apart from improving labor productivity, this state improves employee performance, which in turn improves company performance.

The company provides each employee with compensation and benefits commensurate with their contribution to the company. These compensations Employee retention allowance consisting of basic salary and benefits tailored to each group and/or position. The lowest salary received by new workers is at least the same as the minimum wage in the area of each work unit that has been determined by the Government.

The employee turnover rate, or employee turnover ratio, can indicate the productivity of the Company's performance. In addition, the employee turnover rate can reflect the corporate culture and work system as an indicator of whether the company is developing a comfortable working environment. In 2020, the number of employees who left the Company was 574 people, this number decreased from what happened in 2019. Building Health and Safety Awareness Occupational Health and Safety (K3) is strategically important in maintaining the existence and sustainability of a company. The company respects the right of employees to work in a healthy and safe environment and consistently implements K3 programs in all areas of work. It is our duty to implement and maintain behavior that can achieve health and safety in the workplace.

BRI Syariah (BRI Syariah, 2020) We are always committed to ensuring the quality of service and service to our customers. In addition to affecting the smooth running of the company's business, this commitment is also very important, which determines the level of trust of customers so that they feel secure and loyal in using the products. Products and services provided by the Bank.

The programs realized by BRI Syariah in fulfilling this responsibility are through 5 main activities, namely Product and Service Information, Product Development, Service Quality Improvement, Customer Complaint Services, and Banking Education.

The duties of the Corporate Secretary of Bank Central Asia Syariah (BCAS) from the aspect of corporate social responsibility include (BCA Syariah, 2020):

- a. Develop and coordinate work programs for social activities as part of Corporate Social Responsibility.
- b. Communicating social activities to enhance the Bank's positive image through various media.
- c. Carry out various social activities in the fields of education, environment and economic empowerment through the head office and branch office network.
- d. Establish strategic cooperation with institutions to optimize the implementation of social activities such as Amil Zakat or foundation for the poor.
- e. Implement educational work programs to improve financial literacy to customers or the public.

BCAS (BCA Syariah, 2020): has various forms of responsibility to all its stakeholders, which include shareholders, customers, employees, partners/colleagues, the community and regulators, in all aspects of business operations, including economic, social and environmental. The commitment regarding the implementation of corporate social responsibility at BCAS is that quality financial performance (profit) is not the only measure of the success of a Bank. BCAS performance is also closely related to employee productivity, meeting the needs of customers and communities around BCAS operational areas (people) and environmental sustainability (planet).

The principle of the triple bottom line (profit, people, planet) is implemented consistently and continuously in order to achieve sustainable company growth. The implementation of CSR at BCAS is also carried out in order to support the principles of Sustainable Finance (SF) and to support the achievement of the Sustainable Development Goals (SDGs).

BCAS (BCA Syariah, 2020): committed to improving the welfare of the community and the environment through good business practices based on moral and ethical values (code of conduct) and contributing some resources as a form of corporate responsibility towards social/environment wherever the BCAS network is located. The purpose of implementing corporate social responsibility (CSR) implemented with the aim of building a harmonious and conducive relationship with all stakeholders to support the achievement of corporate goals in building corporate reputation. BCAS believes that the CSR programs implemented are expected to strengthen BCAS' positive reputation and support BCAS to gain a competitive advantage so as to ultimately provide added value for all stakeholders.

One of the CSR implementations at BCAS (BCA Syariah, 2020): carried out through the BCAS Peduli program. In realizing its commitment to continuously build a better quality of life for the community, the BCAS Peduli program focuses on 3 (three) pillars, namely:

- 1) Care for Achievement Focus on education, skill improvement and improvement of educational facilities
- 2) Social Care Focus on health services, the environment and efforts to improve social relations with the community.
- 3) Care for Prosperity Focus on efforts to improve the economy of small communities, especially UMK actors.

Based on the data presented above, it can be concluded that the implementation of CSR between Islamic banking is slightly different from one another. Bank Muamalat implements CSR by providing scholarships, Social Security, Muamalat, Sahabat and so on.

CSR di BRI Syariah (BRI Syariah, 2020) implemented towards the environment through three main programs, namely Green Banking, Environmentally Friendly Operations and Environmental Conservation Activities. These three main programs are carried out as an effort. Companies in preserving the surrounding environment.

BRI Syariah (BRI Syariah, 2020) implements employment policies by taking into account equity, equity and safety aspects of all employees. This policy is not only designed to reduce the risk of accidents and illnesses, but also encourages all employees to feel responsible for their part in creating a conducive working environment. BRI Syariah additionally will pay superb interest to the welfare of employees, together with in enjoyable their rights, each in phrases of reimbursement and advantages in addition to freedom of association.

BCAS understands that quality financial performance (profit) is not the only measure of the success of a Bank. BCAS performance is also closely related to employee productivity, meeting the needs of customers and communities around BCAS operational areas (people) and environmental sustainability (planet). The principle of the triple bottom line (profit, people, planet) is implemented consistently and continuously in order to achieve sustainable company growth. The implementation of CSR at BCAS is also carried out in order to support the principles of Sustainable Finance (SF) and to support the achievement of the Sustainable Development Goals (SDGs).

BCAS is committed to improving the welfare of the community and the environment through good business practices based on moral and ethical values (code of conduct) and contributing some resources as a form of corporate responsibility towards social/environment wherever the BCAS network is located.

Purpose of implementing corporate social responsibility (CSR) implemented with the aim of building a harmonious and conducive relationship with all stakeholders to support the achievement of corporate goals in building corporate reputation.

4 Conclusion

The Model of the Implementation Corporate Social Responsibility (CSR) in the Sharia Banks is conducted by one of the divisions of the organization structure of the bank, especially the division of company secretary or specific agency in performing CSR.

The implemented CSR is concerned with the external and internal responsibility. The internal responsibility is prioritized in the employee's behavior, but external responsibility is related to environment, social and education, scholarship and etc., while in economic sector, it is concerned with the empowerment of small micro enterprises.

References

Abdul Kadir Muhammad, 2002, Hukum Perusahaan Indonesia, Citra Aditya Bakti, Bandung.
BCA Syariah, 2020, Laporan Tahunan PT BCA Syariah Tahun 2020, Jakarta.

- Bank Muamalat Indonesia, 2020, Laporan Tahunan Turnaround Towards Profitability and Sustainability, Jakarta.
- BRI Syariah, 2020, Laporan Tahunan BRI Syariah Tahun 2020, Jakarta.
- Ikatan Bankir Indonesia, 2016, Memahami Bisnis Bank Syariah, Modul Sertifikasi Tingkat I General Banking Syaria'ah, PT Gramedia Pustaka Utama, Jakarta.
- Joseph W. Weis, 1994, Business ethics A Managerial, Stakeholder Approach, Wadsworth Publishing Co., California.
- Ketut Rindjin, 2004, Etika Bisnis dan Implementasinya, Gramedia Pustaka Umum, Jakarta.
- Laura P. Hartman, Joe DesJardins, dan Chris MacDonald, Business Ethics Decision Making for Personal Integrity and Social Responsibility, Third Edition, McGraw-Hill, a business unit of The McGraw-Hill Companies, Inc., 1221 Avenue of the Americas, New York, NY, 10020. Copyright © 2014 by The McGraw-Hill Companies, Inc. All rights reserved.
- Majalah, 19 Desember 2005–11 Januari 2006, SwaSembada, Jakarta.
- Teguh S. Pambudi, 2006, Perjalanan Si Konsep Seksi, Swa Sembada (Majalah) No. 26/XXI/2005
- Sri Redjeki Hartono, 2000, Kapita Selektta Hukum Ekonomi, Mandar Maju, Bandung.
- Suparno, 2010, Tanggung Jawab Sosial Perusahaan (Corporate Social Responsibility) dan Implementasinya, Masalah-masalah Hukum, fakultas Hukum Undip, Semarang, Vol 39, No 3, 2010).
- Suparno, AnggitWicaksono dan WiwitAriyani, 2013, Model Pemberdayaan Usaha Mikro Kecil dan Menengah (UMKM) Melalui Program Corporate Social Responsibility (CSR) Pada IndustriRokok Di Kudus, Jurnal Sosial dan Budaya, Volume 6 Nomor 2 Desember 2013. <https://www.gramedia.com/literasi/csr/>.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

