Implementation of Corporate Social Responsibility (CSR) In Improving The Reputation of Islamic Banking: A Perspective of Shariah Enterprise Theory

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Abstract: This study underscores the importance of Corporate Social Responsibility (CSR) in the context of Islamic banking, which considers economic, moral, and ethical aspects in accordance with Islamic principles. Despite being the main focus of companies around the world, the concrete impact of CSR implementation in a sharia perspective on corporate reputation still needs to be better understood. This study uses the literature review method, by collecting and analyzing 13 journals from various sources of information related to the form of CSR in Islamic banks in the SET perspective. The results show that Islamic banks that implement CSR based on Shariah Enterprise Theory (SET) can improve their corporate reputation. By complying with the sharia principles in the SET concept, Islamic banks are able to build a positive image in the eyes of customers, investors, and the community, as well as create a favorable environment, and increase stakeholder trust. This study has an important contribution in illustrating the importance of CSR disclosure in the SET perspective to enhance the reputation of Islamic banks and promote sustainability in the Islamic banking industry.

Keyword: Corporate Social Responsibility (CSR), Shariah Enterprise Theory, Reputation Islamic Bank.

INTRODUCTION

In this era, companies are not only seen from the products or services provided, will but see from impact that done company to community welfare within its scope, namely social and environmental issues. Companies that are able to integrate their social responsibility with business operations will gain greater appreciation from stakeholders. In addiction, currently the competition between companies is getting fierce. Companies not only need to consider product or service competition between companies getting fierce. Companies not only need to consider product or service competition between each other, but also have to pay attention
to consumer needs. The company's initiatives in supporting social programs, education, job training, environmental preservation, as well as assisting the community in basic needs, not only reflect moral commitment, but also create a caring, ethical corporate image, allowing the company to be rated better and have a distinct advantage, both in terms of products and services to consumers. Thus, it can increase the value of the company.

One of the actions or concepts that can improve the value of a company is Corporate Social Responsibility (CSR), which reflects the company's commitment to carrying out its social responsibility towards society. Firm value is one of the factors that must be given attention by a company. Because, when the value of the company increases, it will also have a positive impact on the welfare of the owners of the company (Ramadhan et al., 2022). Through various CSR programs, companies are actively involved in activities that aim to maintain environmental sustainability, especially in the surrounding areas where the company operates, and also make a positive contribution to improving community welfare (Irawan & Muarifah, 2020). Islamic banks in social welfare use Islamic principles to ensure the improvement of welfare both materially and spiritually (Setiyowati & Azqiya, 2022). In the Islamic banking sector, the implementation of CSR is based on normative values that guide using Islamic religious principles, also known as sharia values. As a legal entity, the company has a firm obligation to carry out corporate social responsibility (Irawan & Muarifah, 2020).

Islamic banking must have the ability to integrate sharia values into all of its operational procedures and mechanisms. In this way, Islamic banking can always operate in accordance with Islamic principles, which in turn will help in achieving more positive development. The careful and correct application of Islamic principles in the operations of Islamic banks will play a significant role in influencing people's choice to become Islamic bank customers. Therefore, efforts to properly integrate Islamic principles in the activities of Islamic banks are very important (Noor Bakri & Masruroh, 2018) because by properly implementing Islamic values and Islamic principles, Islamic banks can build public trust, create strong relationships with customers, and make a positive contribution to the economy and society as a whole. In addition, Islamic banks are expected to have a dimension that focuses more on spiritual aspects. Islamic banks are expected to carry out their duties and obligations in accordance with the principles of Islamic sharia. The hope is that Islamic banks can set an example in the implementation of their Corporate Social Responsibility (CSR) programs. This is not only limited to fulfilling the obligations that have been set, but also involves implementing CSR programs based on Islamic sharia, which in turn will provide benefits and welfare for the surrounding community (Lubis et al., 2018).

Islamic banking needs to be based on shariah principles in carrying out its operations. These principles are used as a guide to assess the extent to which Corporate Social Responsibility (CSR) is implemented in accordance with the vision and mission of Islamic banking that prioritizes the values of benefit. Shariah enterprise theory is considered to be able to measure the level of CSR implementation in Islamic banking because it views that Allah swt is the owner of everything and humans have a moral responsibility to use the mandate given properly and in accordance with the objectives set by Allah (Novarela & Sari, 2015). Assessing the implementation of CSR in Islamic banks using shariah enterprise theory will form a broad responsibility (Meldona et al., 2020). The shariah enterprise theory index in corporate social responsibility disclosure, especially in the context of Islamic banking, includes several dimensions that reflect accountability. In accordance with the concept of Corporate Social Responsibility (CSR), the Law of the Republic of Indonesia Number 21 of 2008 concerning Islamic Banking emphasizes the social role of Islamic banks. Vertical accountability describes corporate social responsibility that focuses on the relationship between the company and Allah SWT. In the SET index, vertical accountability is reflected in the Sharia Supervisory Board's evaluation of fatwa disclosure as well as the company's compliance or non-compliance with operational aspects, along with an explanation of the
reasons behind it. Meanwhile, horizontal accountability includes corporate social responsibility towards three groups of stakeholders, namely those directly involved, namely employees, those indirectly involved, namely customers and communities, and also the natural environment (Eti Kusmiati & Ungkari, 2021).

Shariah Enterprise Theory (SET), as a framework that integrates Islamic sharia principles in corporate operations, opens up opportunities to significantly improve corporate reputation. In this context, SET emphasizes the importance of companies, especially Islamic banks, in carrying out business practices in accordance with the principles of justice, sustainability, and high social care in accordance with Islamic teachings. If Islamic banks use these principles consistently, researchers want to know whether implementing SET-based CSR can make the company gain greater trust and support from stakeholders, including customers, investors, and society as a whole. This, in turn, could potentially improve the company's reputation within the industry and society, positively impacting the company's image or reputation as well as its sustainable value.

METHOD

The writing of this article uses the literature review method as the main research approach. This approach focuses on the process of searching, analyzing, and synthesizing information relevant to the research topic, obtained from previous studies. In this context, the literature review method does not focus on collecting new or experimental data, but rather emphasizes exploration and interpretation of the results of pre-existing research. The data used in this study used secondary data obtained from articles on Google Scholar, SINTA, Garuda using the keywords corporate social responsibility, shariah enterprise theory and corporate reputation. Thus, from these keywords, 13 articles were obtained which were determined based on the criteria: (1) articles published in the last 5 years, namely 2018 to 2023. (2) the place of research in Islamic Bank.

RESULTS AND DISCUSSION

Results

Stakeholder Theory

According to Hill & Jones, (1992) in (Utami, 2020) states that Stakeholder Theory emphasizes the company's relationship with various stakeholders. This theory can provide an understanding of the reasons behind corporate reporting on environmental and social activities. Stakeholders refer to any individual or group that has a role or interest in the continuity of the company, and they influence company policy. Stakeholder theory generally refers to any group or individual who has the ability to influence or be affected by the operations and activities of the company (Freeman, 1984). Stakeholder theory states that a company is not an entity that only focuses on financial profit, but must also provide value to its stakeholders. Thus, the existence of a company can be recognized when there is support provided by stakeholders to the company.

Corporate Social Responsibility (CSR)

Corporate Social Responsibility is one of several corporate responsibilities to stakeholder (Anggraeni, 2019). CSR is a framework social accounting reflects the company's obligation to stakeholders to behave ethically, reduce negative impacts and increase positive impacts in the economic, environmental and social spheres related to the company's efforts to achieve long-term goals in a sustainable manner (Suryani, 2023). According to (Lindawati & Puspita, 2015), CSR disclosure is a way for company management to provide information to all interested parties, including potential investors, about the company's future potential. It also reflects the added value that the company has because of its awareness of the economic, social, and environmental impacts arising from the company's activities. Effective CSR
disclosure can build trust and motivate stakeholders to support the company in achieving sustainable goals.

**Shariah Enterprise Theory**

According to Triyuwono, (2006) the concept of shariah enterprise theory stakeholders includes God, humans and nature. Allah swt is the highest stakeholder then humans who are grouped into two, namely direct stakeholders are parties who contribute financially or non-financially to the company and indirect stakeholders are parties who are entitled to corporate social support even though they do not make a contribution to the company. And the last stakeholder is nature by contributing to the survival of the company. According to Mulawarman et al., (2011) in (Kusumadewi & Muhammad, 2022) states that Shariah Enterprise Theory (SET) explains that economic power does not only lie with one party but many parties, so it is not for personal gain. In principle, humans have a role as Khalifatullah fil Ardh whose duty is to create and spread prosperity to all humans and the environment. Therefore, to realize the value of justice to humans and the natural environment, the shariah enterprise theory will bring benefits to stockholders, stakeholders, the community who do not contribute financial or skills and the natural environment (Triyuwono, 2006).

Meutia, (2010:49) states that shariah enterprise theory is the most appropriate theory to express CSR or corporate social responsibility, especially in Islamic banks. Because SET places that Allah swt is the creator and the main trust giver. While the resources owned by stakeholders is a mandate from Allah swt in which attached a responsibility to use in a way and purpose set. Shariah enterprise theory offers several dimensions in disclosing corporate social responsibility, especially in the context of Islamic banking. These dimensions include vertical accountability and horizontal accountability. Vertical accountability, which is the responsibility to God, focuses on the spiritual dimension. While horizontal accountability is addressed to three groups of direct stakeholders, indirect stakeholders, and the natural environment. Direct stakeholders, according to corporate theory based on sharia principles, include customers and employees. Meanwhile, indirect stakeholders, according to the theory, refer to the community and society.

**Company Reputation**

Dowling, (1994) defines that corporate reputation is the result of an assessment that describes the company's image according to the community. This is supported by Arifin & Wardani, (2016) who say that reputation is a shared picture of the image owned by various groups involved in organizational activities or those who become organizational services. This image is formed over time and depends on company programs, company performance, and how these groups view their interactions with the company. Increased understanding of the role of business in society over time has encouraged managers to adopt CSR practices to meet the expectations of the various parties involved. Most companies believe that long-term and sustainable success is facilitated by having a positive corporate image. One method that can be implemented to improve a positive corporate image for the company's reputation, in this case Islamic banks, is by implementing Corporate Social Responsibility (CSR) (Fadillah et al., 2023). (Branco & Rodrigues, 2008) stated that companies that have high ICSR have the ability to initiate and improve relationships with consumers, suppliers and investors which leads to an increase in corporate reputation.

**Discussion**

Islamic banks as business entities based on sharia principles have an important and unique role in the banking world. The need to implement corporate social responsibility in the perspective of shariah enterprise theory in Islamic banking is a crucial aspect that needs to
be understood and explored in depth. It is not only related to financial aspects, but also carries social responsibility to run its business. In this study, CSR programs become a strategic foundation and not only aim to strengthen the company's image, but also to fulfill the normative values of sharia which include justice, sustainability, and community empowerment. Effective CSR programs in Islamic Banks can create significant positive impacts, both in supporting the company's business objectives, as well as in strengthening relationships with stakeholders such as investors and shareholders, customers and the wider community.

<table>
<thead>
<tr>
<th>No.</th>
<th>Researcher Name and Year Published</th>
<th>Title</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.</td>
<td>(Meldona et al., 2020)</td>
<td>Corporate Social Responsibility Disclosure Through Shariah Enterprise Theory</td>
<td>Advances in Economics, Business and Management Research</td>
</tr>
<tr>
<td>9.</td>
<td>(Saadah et al., 2023)</td>
<td>The Embodiment of Corporate Social Responsibility in Shariah Enterprise Theory</td>
<td>Journal of Islamic Economic Laws</td>
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<td>10.</td>
<td>(Afifah et al., 2021)</td>
<td>Pengaruh Corporate Social Responsibility (CSR) dan Reputasi Perusahaan terhadap Nilai Perusahaan</td>
<td>Ekuitas: Jurnal Ekonomi dan Keuangan</td>
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<tr>
<td>11.</td>
<td>(Fadilllah et al., 2023)</td>
<td>Literature Review: Peran Corporate Social Responsibility (CSR) dalam Meningkatkan Citra Positif Bank Syariah di Masyarakat</td>
<td>Premium Insurance Business Journal</td>
</tr>
</tbody>
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Source: Data processed by researchers, 2023
CSR in Accountability to Allah SWT

Accountability to Allah swt in the form of CSR implementation carried out by Islamic banks can be seen from research conducted by (Kusumadewi & Muhammud, 2022) which reveals that in fulfilling responsibility to God it can be seen from the existence of the opinion of the shariah supervisory board in its annual report which explains the bank’s compliance with disclosing the fatwa of the National Sharia Council in the operational process of the Islamic bank. This is in line with the disclosure of the results of research conducted by (Anggraeni, 2019; Meldona et al., 2020; Irawan & Muarifah, 2020; Ade Amelia, Asep Suryanto, 2022) which says the same things. As for the form of implementation as in research (Ruddin, 2018), namely installing banners outside the office with writing not serrying during prayer hours and all bank employees participating in monthly recitations conducted at employee’s homes in addiction the form of CSR implementation in SET found in research conducted by (Saadah et al., 2023) ensures the implementation of transactions that do not contain elements of usury and haram and also carry out charitable and religious activities as regulated in the Qur’an and Sunnah.

So it can be concluded from the results of previous research that the opinions and fatwas issued by the Sharia Supervisory Board in CSR in Islamic Banks from the perspective of Shariah Enterprise Theory are very instrumental in ensuring that CSR actions carried out by Islamic Banks are in line with the provisions of religion and Islamic law. In this view, CSR actions are not only a legal obligation of the company, but also a form of worship addressed to Allah SWT. Therefore, the opinions and fatwas of the Sharia Supervisory Board provide a strong moral and ethical footing for Islamic Banks in carrying out their CSR programs by ensuring that these actions are in accordance with sharia values and gain the pleasure of Allah swt.

CSR in Accountability to Direct Stakeholder: Customers

Customers are a very important asset for the company because most of the assets managed are entrusted by customers. The form of CSR carried out by Islamic Banks in research conducted by (Ruddin, 2018) by giving considerable attention to customers both in terms of customers satisfaction, providing the best service by launching several atm machines in several areas in order to retain customers. Research conducted by (Anggraeni, 2019) reveals the same thing, namely providing the best service to customers. Meanwhile, research conducted by (Meldona et al., 2020) revealed that Bank Muamalat Malang conducted transparency on zakat and qardul funds disclosed in the annual report of Bank Muamalat to its customers. CSR in accountability to customers can be seen from the ability and competence of members of the Sharia Supervisory Board, zakat and qardhul hasan reports, product sharia information, funding and financing information and policies to reduce non-sharia transactions in the future (Kusumadewi & Muhammud, 2022) but in their research there are still several banks that do not disclose policies to reduce non-sharia transactions in reports to customers. The research conducted by (Ade Amelia, Asep Suryanto, 2022) revealed in the results of his research that BPRS Al Madinah Tasikmalaya has a very high concern for the needs of customers in terms of applying for financial assistance which has an impact on trust and good relations with customers in order to minimize the occurrence of CSR funding proposals submitted.

So it can be concluded from some of the research results presented above that there is a strong commitment to CSR to customers in SET by paying great attention to customer satisfaction, providing the latest ideas related to customer service and making transparency related to zakat and qardhul hasan funds and striving to increase accountability to customers. Although there are some banks that still need to improve information disclosure related to the policy of reducing non-sharia transactions to customers. So it can be concluded that the role
of CSR in the SET perspective has a significant impact on customer trust with the relationship between Islamic Banks.

**CSR In Accountability to Direct Stakeholders: Employees**

CSR is not a task that is limited to upper management, but is also responsible for employees. Employees also have a very important role in order to realize the vision and mission of the company's goals so that companies must adopt policies and actions that focus on employee welfare and performance improvement. The form of CSR of Islamic Banks using the SET perspective reveals that by providing wage and remuneration policies, policies related to equality of opportunity, providing counseling services and health services provided by the company to employees and their families (Anggraeni, 2019). This is in line with research conducted by (Meldona et al., 2020; Kusumadewi & Muhammad, 2022) to improve employee performance and welfare, it is necessary to conduct training and assistance provided to employees and their families. In addition, it is also necessary to provide health services for employees.

The importance of paying attention to employees in CSR programs in Islamic Banks cannot be ignored. So to realize this, it is necessary for companies to provide fair wage policies to employees so that they feel valued and motivated. Provide equality in equal opportunities in career development, and provide counseling services to support the psychological well-being of employees who can help overcome if employees experience stress or personal problems. It is no less important to provide quality health services both in terms of medical and healthy lifestyle. Thus, the attention given to employees in the CSR program will not only improve their welfare, but also create an inclusive and supportive work environment, which will ultimately have a positive impact on the sustainability of Bank Syariah's business.

**CSR in Accountability to Indirect Stakeholders: Community**

CSR of Islamic Banks in accountability to the community can be seen from the results of research conducted by (Irawan & Muarifah, 2020) which reveals that CSR can be observed through annual reports with disclosure of empowerment for financing micro and small and medium enterprises. The existence of financing to MSMEs at least shows that Islamic Banks pay attention to them and encourage the development of MSMEs around the company. As for CSR in improving the quality of life of the community, it can be seen from the fields of religion, education with scholarships, zakat funds channeled by companies, and making sympathy programs for the community which are realized through health programs and social programs. This is in line with what is revealed by (Anggraeni, 2019) in her research which says that CSR in social community development can be grouped into programs aimed at supporting community economic development, education programs, and financing for humanitarian assistance.

Corporate Social Responsibility (CSR) programs run by Islamic banks have proven to have a significant impact on the welfare of the community and micro, small and medium enterprises (MSMEs). Islamic banks' CSR programs are not just a social responsibility, but also a concrete manifestation of the bank's commitment to provide benefits to the people who are part of its environment. Through various CSR initiatives, Islamic banks have succeeded in providing better access to education, healthcare, and training for the community, which in turn improves their quality of life. What's more, the active support of MSMEs by Islamic banks has given a positive boost to local economic growth, creating opportunities for the local economy, employment, and advancing the important small business sector. Thus, Islamic banks’ CSR not only generates social benefits, but also plays a role in economic development and empowerment of communities and MSMEs, creating a broader positive impact in society.
CSR in Accountability to the Environment

Sharia bank’s concern for the environment can be seen in CSR disclosures in research conducted by (Irawan & Muarifah, 2020), namely by channeling financing and working with the Ministry Environment which aims to support and participate in environmental conversation. By providing investment for small companies by utilizing Debt for Nature Swap in the environmental sector. Although paying attention to the environment is not a top priority for Islamic banks, it is important to note that Islamic banks still uphold corporate environmental issues. Although Islamic banks generally focus on the principles of Islamic finance and social aspects of their operations, they recognize that the environment also has an important role to play in creating long-term sustainability. Therefore, Islamic banks still pay attention to practices that support the environment, such as efficient energy use. This reflects Islamic banks' commitment to maintain a balance between sustainable business growth and ecological responsibility, thus creating a positive impact in both aspects.

CSR in the perspective of Shariah Enterprise Theory Improves Company Reputation

The results of research conducted by (Fadillah et al., 2023) state that CSR has a positive impact on improving the image of Islamic banking. This can be proven by Islamic Banks allocating and managing CSR funds appropriately which has a positive impact on people's perspectives. Islamic banks have succeeded in fulfilling economic, environmental and social obligations. Channeling CSR funds, companies can make a positive contribution in strengthening information transparency and relationships with the community. There is an effort to fulfill social and environmental responsibilities in the company's operations in understanding the importance of CSR and its strategic role in building the company's positive reputation.

However, in research conducted by (Nengsih et al., 2021) which says that the positive image of the company does not have a significant effect on client trust with the Bank. Meanwhile, research conducted by (Rangkuti, 2022) suggests that the implementation of Corporate Social Responsibility (CSR) can be an efficient means for companies to achieve a better and more sustainable image in the eyes of society. This can be achieved by integrating social responsibility values into all company operations. This gives the company the opportunity to build a positive and sustainable image in the eyes of society, while better fulfilling its social obligations.

We can conclude from some research results that implementing Corporate Social Responsibility (CSR) in a company can provide a positive image for Islamic Banks, especially when using Shariah Enterprise Theory because the Bank runs its business in accordance with sharia principles which include social and ethical aspects, and the scope of Shariah Enterprise Theory includes all corporate values that can help improve the company's reputation. When Islamic banks consistently practice CSR by focusing on fairness, sustainability, and care for society, it creates the perception that the company is an entity with integrity, responsibility, and in accordance with the sharia values underlying its business. Conversely, inadequate implementation of CSR or violations of sharia principles can seriously damage the reputation of Islamic banks. Therefore, in the context of Shariah Enterprise Theory, CSR is not only an ethical obligation, but also an important element in building and maintaining the positive reputation of Islamic banks, which in turn will support the long-term growth and success of the company.

CONCLUSION

Based on the research results obtained from several previous studies, it can be concluded that Corporate Social Responsibility (CSR) using Shariah Enterprise Theory plays an important role in improving the reputation of Islamic banking. In the context of CSR, SET
has a very broad and clear range by emphasizing the importance of companies, especially Islamic banking, carrying out CSR practices that reflect sharia values both from obedience to Allah SWT and company regulations and paying attention to the surrounding conditions both from customers, employees, communities to the Islamic banking environment. This can certainly create a positive impact on society because it has paid attention to social and environmental conditions so that it can build a good reputation in the eyes of stakeholders. Therefore, the implementation of SET in CSR is a highly recommended step, because it can help companies to improve their reputation, create better relationships with customers and communities, and achieve long-term sustainability in business. Suggestions for future researchers to examine further to see and measure how effective CSR is on the social and environmental conditions of Islamic banking and need to conduct a comparative study between Islamic banks and conventional banks in terms of CSR implementation that can provide insight into the differences in approaches, impacts and challenges faced by both.

REFERENSI


