

Social Responsibility Orientation of Banking in Indonesia (Case Study on Islamic Banking in North Sumatra)

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Abstract

This research investigates how Corporate Social Responsibility (CSR) orientations, attitudes, competencies, government regulations, societal pressures, environmental organizational pressures, and media pressures influence the social performance of Islamic and conventional banks in North Sumatra, in compliance with the Financial Services Authority Regulation No. 51 of 2017 on green banking and sustainable development. The study sampled 106 respondents from 5 Islamic banks, using Structural Equation Modelling (SEM) with Smart PLS 4.0. The findings reveal that CSR orientations grounded in philanthropic, legal, ethical/social, and economic responsibilities significantly impact the social performance. Attitudes not affected on Islamic banks, while competencies impact Islamic. Societal pressures influence Islamic banks, whereas government regulations not affected on Islamic banks. Environmental/social organizational pressures impact not affected on Islamic banks, and media pressures also.

Keywords: *CSR orientation; social performance; islamic banks; structural equation model.*

Introduction

The study of social responsibility orientation in banking, particularly within the context of Islamic banking in Indonesia, holds significant importance in contemporary research. As financial institutions play a pivotal role in economic development and societal well-being, their adherence to ethical practices and community engagement becomes crucial. Islamic banking, grounded in Sharia principles, offers a distinctive perspective on corporate social responsibility (CSR), integrating financial operations with ethical and social considerations (Siddiqui, 2023; Hasan, 2023).

Numerous studies have explored various aspects of CSR in banking and Islamic finance contexts. Siddiqui (2023) emphasizes the evolution of CSR frameworks within Islamic banking, highlighting the sector's commitment to ethical finance and community welfare. Hasan (2023) delves into the impact of CSR initiatives on stakeholder perceptions and financial performance in Islamic banks, providing insights into the strategic implications of social responsibility.

Furthermore, empirical studies by Khan (2023) and Bank Indonesia (2023) have documented the implementation of CSR practices across Indonesian banks, shedding light on the challenges and opportunities in integrating social values with financial operations. The Islamic Financial Services Board (IFSB, 2023) has also contributed guidelines on CSR in Islamic finance, underscoring the sector's growing importance in sustainable development agendas.

Despite the existing literature, there remains a gap in understanding the specific practices and effectiveness of CSR initiatives in Indonesian Islamic banks. Few studies have comprehensively examined how demographic factors and regional dynamics influence CSR strategies in different provinces across Indonesia (Khan, 2023; Roziq et al., 2024). Addressing this gap is crucial for advancing knowledge on effective CSR implementation tailored to Indonesia's diverse socio-economic landscape.

Indonesia's demographic diversity presents both challenges and opportunities for Islamic banking institutions aiming to enhance their CSR orientations. Urbanization, cultural norms, and regional disparities shape consumer expectations and societal needs, influencing the relevance and impact of CSR initiatives

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(Bank Indonesia, 2023). Understanding these factors can enable banks to tailor their strategies to effectively address local communities' socio-economic challenges and aspirations.

This study seeks to promote ethical practices and community-centered approaches within Islamic banking in Indonesia. By investigating CSR orientations, it aims to foster transparency, accountability, and sustainability in financial operations. Aligning with Islamic values of justice, fairness, and social responsibility, the research endeavors to contribute to the broader discourse on ethical finance and inclusive economic development in Indonesia (IFSB, 2023).

Literature Review

Corporate Social Responsibility (CSR) in banking refers to the ethical and philanthropic responsibilities that financial institutions undertake to contribute positively to society. CSR activities in banking encompass a range of initiatives aimed at improving community welfare, enhancing environmental sustainability, and fostering economic development (Carroll & Shabana, 2010). This concept has evolved significantly, reflecting the increasing expectation for banks to go beyond profit-making and contribute to societal good.

Islamic banking, governed by Sharia principles, inherently incorporates social responsibility into its operations. The prohibition of interest (*riba*), the requirement for profit-and-loss sharing, and the emphasis on ethical investments align Islamic banking with CSR ideals (Dusuki & Abdullah, 2007). The unique structure of Islamic financial products, such as *mudharabah* (profit-sharing) and *musharakah* (joint venture), further embeds social responsibility into the core operations of Islamic banks (Siddiqui, 2023).

Empirical research on CSR in Islamic banking has explored various dimensions, including stakeholder perceptions, financial performance, and the effectiveness of CSR initiatives. Hasan (2023) found that CSR activities in Islamic banks significantly enhance stakeholder trust and loyalty, which in turn positively affects financial performance. This aligns with the findings of Farook, Kabir Hassan, and Lanis (2011), who noted that Islamic banks' commitment to social and ethical responsibilities enhances their reputation and competitiveness.

Indonesia, with its large Muslim population, represents a significant market for Islamic banking. Studies have shown that Indonesian Islamic banks are actively engaged in CSR activities, often focusing on community development, education, and healthcare (Khan, 2023). Bank Indonesia (2023) reported that Indonesian Islamic banks allocate a portion of their profits to *zakat* (charitable giving) and other social welfare programs, reflecting their commitment to societal welfare.

However, challenges remain in the effective implementation of CSR initiatives. A study by Mollah and Zaman (2015) highlighted issues such as lack of transparency, inconsistent reporting standards, and limited stakeholder engagement. These challenges underscore the need for robust governance frameworks and better alignment of CSR activities with the strategic goals of the banks.

The demographic diversity of Indonesia presents both opportunities and challenges for CSR in Islamic banking. Regional disparities, urbanization, and cultural differences influence the design and implementation of CSR programs. Research by Bank Indonesia (2023) indicates that banks operating in urban areas tend to focus more on environmental sustainability and technological advancements, while those in rural areas prioritize community development and financial inclusion.

The stakeholder theory and legitimacy theory provide valuable frameworks for understanding CSR in Islamic banking. Stakeholder theory posits that businesses should consider the interests of all stakeholders, not just shareholders (Freeman, 1984). This aligns well with the principles of Islamic banking, which emphasize fairness and social justice. Legitimacy theory suggests that businesses seek to operate within the norms and expectations of society (Suchman, 1995). Islamic banks, through their CSR activities, aim to legitimize their operations and align with societal values.

Despite extensive research, gaps remain in understanding the full impact of CSR in Islamic banking, particularly in the Indonesian context. There is limited research on how demographic factors influence CSR strategies and outcomes. Additionally, the effectiveness of different CSR activities in achieving financial and social goals requires further exploration (Siddiqui, 2023; Khan, 2023).

The literature on CSR in Islamic banking highlights the sector's commitment to ethical and social responsibilities. However, challenges in implementation and the influence of demographic factors need further investigation. Addressing these gaps can enhance the effectiveness of CSR strategies, contributing to sustainable development and social welfare in Indonesia.

Research Method

Population and Sample

Population

The research population is the entirety or set of research objects with similar characteristics (Sekaran & Bougie, 2017). The population in this research comprises employees of all Sharia Banks operating in North Sumatra.

Sample

The research sample is a subset of the research population determined based on specific criteria (Cooper & Schindler, 2017). The sample collection was conducted using the purposive sampling method, which involves selecting samples according to the established criteria as follows:

- a) Working in banking in North Sumatra registered with Bank Indonesia (BI) for the year 2022.
- b) Working as:
 1. Corporate secretary, which can include head or branch/assistant branch secretary.
 2. Financial control and compliance, internal audit unit, or supervisor.
 3. Governance in banking and employees who have participated in CSR activities.

Table 1. Distribution of research questionnaires for Sharia Banks.

No	Bank Name	City					Total
		Medan	Rantau Prapat	Binjai	Siantar	Kisaran	
1	PT. Bank Muamalat Indonesia, Tbk	3	3	3	3	3	15
2	PT. Bank Mega Syariah	3	3	3	3	3	15
3	PT. Bank KB Bukopin Syariah	3	3	3	3	3	15
4	PT. BCA Syariah	3	3	3	3	3	15
5	PT. BTPN Syariah	3	3	3	3	3	15
6	PT. Bank Aceh Syariah	3	3	3	3	3	15
7	PT. Bank Syariah Indonesia, Tbk	3	3	3	3	3	15
	Total	21	21	21	21	21	105

This table shows the distribution of research questionnaires across various branches and sub-branches of Sharia banks in different cities in North Sumatra. Each bank has received 3 questionnaires per location, resulting in a total of 105 questionnaires distributed.

Research Instrument

The source of research data is primary data obtained through instruments such as questionnaires, and the data collection method uses questionnaires. Primary data is information collected directly from the source or research object, which is required by the researcher as follows:

Table 2. Operational definitions of variables and measurements.

Variable	Definitions	Indicator	Number Item	Scale
		▪ Economic	34	Likert

Variable	Definitions	Indicator	Number Item	Scale
(Y) Social Performance (GRI)	Social performance refers to the activities of a company in implementing a form of social responsibility apart from its operational activities (Zubaidah, 2003)	<ul style="list-style-type: none"> ▪ Environmental ▪ Social; Employment Practices ▪ Human Rights ▪ Community ▪ Product Responsibility ▪ Lukman Hendro (2012) 		
(Y) Social Performance (ISR)	Social performance refers to the activities of a company in carrying out a form of social responsibility across five themes: Financing and Investment, Products and Services, Employees, Community, and Environment (Hanifa, 2002 and Otman, 2009)	<ul style="list-style-type: none"> ▪ Financial and Investment ▪ Products ▪ Employment ▪ Community ▪ Environment <p>Hanifa, (2002) Otman (2009)</p>	43	Likert
(X ₁) CSR Orientation	CSR orientation is a complex form of corporate social responsibility aimed at developing the surrounding environment through voluntary social programs or activities undertaken by the company (Dahlsrud, 2008)	<ul style="list-style-type: none"> ▪ Economic responsibility ▪ Philantropis responsibility ▪ Legal responsibility ▪ Ethical responsibility <p>Carroll and Shabana (2010)</p>	32	Likert
(X ₂) Attitude	Attitude is one's response or reaction to a specific object that can be positive or negative and influences the surroundings to gather and use information in making relevant decisions for action in performing tasks	<ul style="list-style-type: none"> ▪ Job Satisfaction ▪ Organizational Commitment <p>Sim dan Lee (2018)</p>	7	Likert
(X ₃) Competence	Competence refers to the ability, skill, or authority of employees in completing job tasks appropriate to their positions	<ul style="list-style-type: none"> ▪ Achievement and Action ▪ helping and human service ▪ Leadership Competency ▪ Managerial ▪ Cognitive ▪ Personal effectiveness <p>Ismail et al. (2014)</p>	8	Likert
(X ₄) Government Regulation	Government regulation comprises rules governing a company's social responsibilities issued by both central and local governments	<ul style="list-style-type: none"> ▪ Response to government regulations regarding corporate social environmental issues ▪ Response to government regulations regarding social information disclosure ▪ Support for government programs ▪ Compliance with government regulations <p>Warjoyo (2009)</p>	5	likert
(X ₅) Public Pressure	Public pressure in a company refers to the company's attention to information conveyed by the public	<ul style="list-style-type: none"> ▪ Response to inputs from the public ▪ Support for social-community activities ▪ Corporate accountability to the public ▪ Frequency of social activities conducted by the company for the public <p>Kholis (2003)</p>	4	Likert

Variable	Definitions	Indicator	Number Item	Scale
(X ₆) Social and environmental organization pressure	Social and environmental organization pressure refers to the attention and criticism conveyed by societal institutions	<ul style="list-style-type: none"> ▪ Response to environmental organizations ▪ Support for environmental organization activities ▪ Company attitudes toward feedback from environmental organizations ▪ Frequency of company meetings with environmental organizations ▪ Basuki & Patrioty (2009) 	4	Likert
(X ₇) Mass media pressure	Mass media pressure in a company refers to the company's attention to the importance of mass media knowing the company's activities, which will shape public opinion	<ul style="list-style-type: none"> ▪ Response to pressure from mass media regarding company activities. ▪ Frequency of using mass media as a publication medium. Basuki & Patrioty (2009) 	4	Likert

Hypothesis Testing with Partial Least Square (PLS 4)

The aim of this study is to examine whether CSR Orientation (X₁), Attitude (X₂), Competence (X₃), Community Pressure (X₅), Government Regulation (X₄), Environmental Organizational Pressure (X₆), and Media Pressure (X₇) influence the social performance of Islamic banking in North Sumatra (Y₁). Hypotheses 1 through 8 are tested using the Partial Least Square (PLS 4) analysis method with a Structural Equation Model (SEM) approach, supported by the Smart PLS 4 software application. PLS is an analytical method that can be used when the sample size does not have to be large and can cover all scales.

The equation for the testing is as follows:

$$Y_1 = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + e$$

Explanation:

Y = Social performance of Islamic banks.

β_{1-7} = Regression coefficients of independent variables.

X₁ = CSR Orientation.

X₂ = Attitude.

X₃ = Competence.

X₄ = Government Regulation.

X₅ = Community Pressure.

X₆ = Environmental Organizational Pressure.

X₇ = Media Pressure.

α = Constant.

e = error term.

Result and Discussion

Data Quality Testing

This study employs data analysis using Structural Equation Modelling Partial Least Squares (SEM-PLS) with the SmartPLS software. Quantitative data analysis using statistical analysis with the SEM-PLS tool consists of two stages. The first stage involves testing validity and reliability. Once this stage is fulfilled, the second stage is conducted to analyze the data according to the proposed hypotheses. According to Ghozali (2015), the path analysis model of all latent variables in PLS consists of three sets of relationships:

1. The Outer Model specifies the relationship between latent variables and their indicators or manifest variables (Measurement model).
2. The Inner Model specifies the relationships between latent variables (Structure Model).
3. The Weight Relation assesses cases from latent variables and indicators or manifest variables scaled to zero means of unit variance (standardized values) so that location parameters/constants can be eliminated.

Outer Model Testing in Research (Outer Model) Assessing Outer Loading

The outer loading value of each corresponding latent variable indicator can be assessed in several ways, such as by examining the path diagram or by selecting the Final Result to outer loading. Through calculations using SmartPLS, a full model path diagram is obtained, showing the path diagram along with the complete latent variables and their indicators.

From Figure 1, it can be concluded that all indicators forming the variables Y1, X1, X2, X3, X4, X5, X6, and X7 have acceptable loading values, which is a minimum of >0.70. If an indicator does not meet the >0.70 threshold, its loading value is low and must be removed from the proposed path diagram as it indicates poor reliability. The structural equation model from the above figure can be written as follows:

$$Y=0.225X1-0.093X2+0.674X3+0.203X4-0.017X5-0.025X6+0.009X7$$

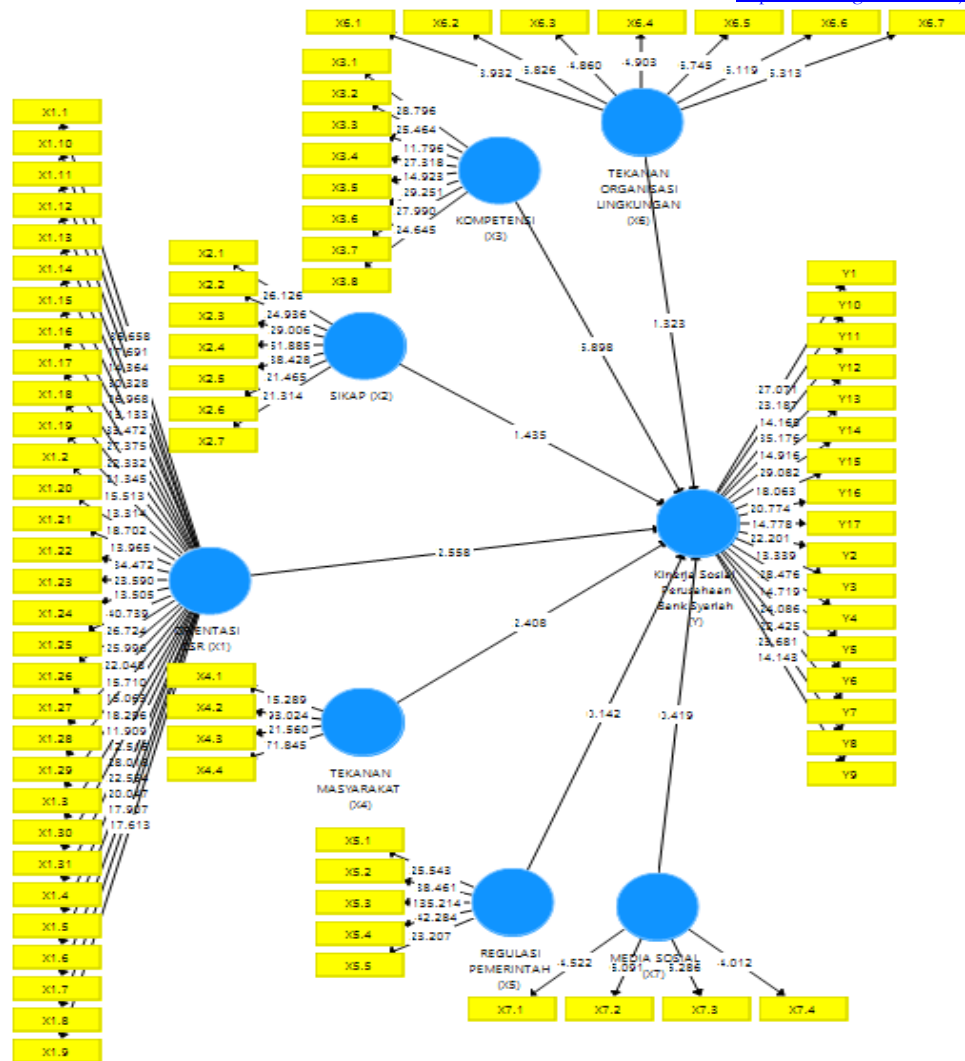


Figure 1. Path diagram of research results.

Below are the outer loading results for each indicator in Islamic banking companies.

Table 3. Outer loading.

	X1	X2	X3	X4	X5	X6	X7	Y
X1.1	0.883							
X1.2	0.726							
X1.3	0.772							
X1.4	0.710							
X1.5	0.846							
X1.6	0.809							
X1.7	0.807							
X1.8	0.742							
X1.9	0.767							
X1.10	0.761							
X1.11	0.763							
X1.12	0.870							
X1.13	0.857							
X1.14	0.744							
X1.15	0.880							
X1.16	0.854							
X1.17	0.834							
X1.18	0.789							

	X1	X2	X3	X4	X5	X6	X7	Y
X1.19	0.764							
X1.20	0.783							
X1.21	0.755							
X1.22	0.885							
X1.23	0.836							
X1.24	0.754							
X1.25	0.901							
X1.26	0.852							
X1.27	0.865							
X1.28	0.805							
X1.29	0.773							
X1.30	0.759							
X1.31	0.701							
X2.1		0.863						
X2.2		0.851						
X2.3		0.878						
X2.4		0.932						
X2.5		0.916						
X2.6		0.862						
X2.7		0.843						
X3.1			0.872					
X3.2			0.875					
X3.3			0.737					
X3.4			0.897					
X3.5			0.811					
X3.6			0.889					
X3.7			0.850					
X3.8			0.876					
X4.1				0.799				
X4.2				0.956				
X4.3				0.848				
X4.4				0.946				
X5.1					0.874			
X5.2					0.931			
X5.3					0.972			
X5.4					0.931			
X5.5					0.907			
X6.1						0.740		
X6.2						0.953		
X6.3						0.820		
X6.4						0.828		
X6.5						0.978		
X6.6						0.937		
X6.7						0.859		
X7.1							0.820	
X7.2							0.923	
X7.3							0.880	
X7.4							0.737	
Y1								0.845
Y2								0.838
Y3								0.748
Y4								0.876
Y5								0.791
Y6								0.854
Y7								0.802
Y8								0.838

	X1	X2	X3	X4	X5	X6	X7	Y
Y9								0.771
Y10								0.849
Y11								0.776
Y12								0.896
Y13								0.796
Y14								0.877
Y15								0.770
Y16								0.824
Y17								0.786

Outer Loading Results

The outer loading results for the variables Islamic Banking Company's Social Performance (Y1), CSR Orientation (X1), Attitude (X2), Competence (X3), Community Pressure (X4), Government Regulation (X5), Environmental Organization Pressure (X6), and Mass Media (X7) show that not all indicators have an outer loading value above >0.70. Indicators that do not meet the prerequisite must be removed to achieve convergent validity. After the removal of certain indicators, the remaining indicators meet the reliability and validity requirements and can be used for further analysis.

Discriminant Validity

Discriminant validity is the cross-loading factor used to determine whether variables have adequate discriminant validity. This is done by comparing the loading values of the target variable with the loading values on other variables. No indicator should have a higher loading on other latent variables than on the latent variable it is supposed to measure.

Table 4. Cross loading.

	X1	X2	X3	X4	X5	X6	X7	Y
X1.1	0.883	0.759	0.845	0.781	0.799	-0.097	-0.226	0.846
X1.2	0.726	0.705	0.641	0.655	0.695	0.118	-0.093	0.664
X1.3	0.772	0.714	0.664	0.626	0.655	-0.140	-0.229	0.670
X1.4	0.710	0.514	0.710	0.643	0.649	-0.112	-0.107	0.740
X1.5	0.846	0.704	0.898	0.781	0.844	-0.102	-0.209	0.876
X1.6	0.809	0.678	0.825	0.823	0.809	-0.148	-0.106	0.823
X1.7	0.807	0.693	0.890	0.780	0.822	-0.080	-0.141	0.863
X1.8	0.742	0.563	0.826	0.706	0.713	-0.087	-0.192	0.800
X1.9	0.767	0.575	0.850	0.733	0.801	-0.039	-0.193	0.831
X1.10	0.761	0.646	0.831	0.752	0.717	-0.104	-0.202	0.821
X1.11	0.763	0.644	0.555	0.535	0.535	-0.125	-0.138	0.603
X1.12	0.870	0.751	0.719	0.687	0.697	-0.111	-0.236	0.728
X1.13	0.857	0.764	0.693	0.693	0.663	-0.159	-0.161	0.679
X1.14	0.744	0.584	0.578	0.524	0.541	-0.144	-0.112	0.625
X1.15	0.880	0.798	0.718	0.686	0.720	-0.115	-0.227	0.734
X1.16	0.854	0.768	0.657	0.716	0.662	-0.151	-0.136	0.679
X1.17	0.834	0.753	0.718	0.699	0.716	-0.094	-0.134	0.711
X1.18	0.789	0.653	0.661	0.629	0.610	-0.103	-0.186	0.654
X1.19	0.764	0.621	0.623	0.601	0.645	-0.088	-0.278	0.673
X1.20	0.783	0.676	0.852	0.773	0.737	-0.115	-0.188	0.832
X1.21	0.755	0.603	0.564	0.541	0.541	-0.119	-0.158	0.623
X1.22	0.885	0.791	0.745	0.675	0.697	-0.109	-0.253	0.739
X1.23	0.836	0.721	0.675	0.695	0.665	-0.140	-0.179	0.672
X1.24	0.754	0.603	0.583	0.517	0.510	-0.134	-0.123	0.630
X1.25	0.901	0.815	0.716	0.716	0.730	-0.082	-0.260	0.736
X1.26	0.852	0.764	0.686	0.704	0.669	-0.147	-0.161	0.699
X1.27	0.865	0.764	0.694	0.745	0.716	-0.057	-0.175	0.719
X1.28	0.805	0.687	0.675	0.621	0.615	-0.092	-0.232	0.669
X1.29	0.773	0.640	0.633	0.602	0.683	-0.086	-0.318	0.685
X1.30	0.759	0.664	0.685	0.617	0.646	-0.090	-0.140	0.669

	X1	X2	X3	X4	X5	X6	X7	Y
X1.31	0.701	0.630	0.580	0.510	0.625	-0.055	-0.232	0.623
X2.1	0.769	0.863	0.678	0.769	0.697	-0.099	-0.178	0.685
X2.2	0.757	0.851	0.657	0.726	0.688	-0.117	-0.162	0.686
X2.3	0.776	0.878	0.667	0.663	0.663	-0.060	-0.225	0.664
X2.4	0.722	0.932	0.620	0.689	0.670	-0.081	-0.224	0.623
X2.5	0.761	0.916	0.639	0.709	0.663	-0.099	-0.226	0.639
X2.6	0.628	0.862	0.506	0.593	0.573	-0.006	-0.199	0.518
X2.7	0.800	0.843	0.701	0.668	0.729	0.024	-0.230	0.693
X3.1	0.763	0.620	0.872	0.765	0.737	-0.120	-0.190	0.854
X3.2	0.739	0.652	0.875	0.766	0.796	-0.078	-0.239	0.840
X3.3	0.685	0.479	0.737	0.628	0.666	-0.113	-0.109	0.744
X3.4	0.827	0.671	0.897	0.783	0.851	-0.104	-0.192	0.867
X3.5	0.783	0.679	0.811	0.799	0.806	-0.138	-0.098	0.783
X3.6	0.810	0.716	0.889	0.760	0.797	-0.092	-0.126	0.858
X3.7	0.737	0.579	0.850	0.673	0.699	-0.098	-0.193	0.807
X3.8	0.761	0.593	0.876	0.697	0.785	-0.051	-0.194	0.837
X4.1	0.644	0.636	0.693	0.799	0.783	-0.103	-0.037	0.707
X4.2	0.793	0.718	0.817	0.956	0.881	-0.079	-0.096	0.833
X4.3	0.665	0.668	0.636	0.848	0.674	-0.005	-0.055	0.666
X4.4	0.872	0.774	0.889	0.946	0.932	-0.045	-0.171	0.911
X5.1	0.756	0.659	0.756	0.780	0.874	-0.028	-0.176	0.767
X5.2	0.805	0.665	0.855	0.848	0.931	-0.024	-0.167	0.855
X5.3	0.846	0.756	0.903	0.934	0.972	-0.061	-0.148	0.895
X5.4	0.756	0.713	0.873	0.853	0.931	-0.075	-0.152	0.828
X5.5	0.800	0.748	0.767	0.862	0.907	-0.069	-0.191	0.804
X6.1	-0.076	-0.097	-0.048	0.001	0.042	0.740	0.132	-0.065
X6.2	-0.131	-0.083	-0.111	-0.091	-0.056	0.953	0.149	-0.146
X6.3	-0.089	-0.005	-0.109	-0.026	-0.018	0.820	0.306	-0.113
X6.4	-0.036	0.005	-0.047	0.063	0.026	0.828	0.295	-0.044
X6.5	-0.119	-0.056	-0.109	-0.039	-0.053	0.978	0.187	-0.122
X6.6	-0.113	-0.045	-0.099	-0.075	-0.085	0.937	0.158	-0.119
X6.7	-0.137	-0.124	-0.130	-0.118	-0.100	0.859	0.084	-0.147
X7.1	-0.201	-0.161	-0.203	-0.098	-0.187	0.221	0.820	-0.185
X7.2	-0.181	-0.191	-0.173	-0.095	-0.164	0.159	0.923	-0.153
X7.3	-0.222	-0.238	-0.146	-0.091	-0.122	0.166	0.880	-0.126
X7.4	-0.174	-0.224	-0.125	-0.072	-0.109	0.085	0.737	-0.118
Y1	0.753	0.604	0.858	0.755	0.701	-0.144	-0.139	0.845
Y2	0.739	0.640	0.855	0.768	0.771	-0.088	-0.218	0.838
Y3	0.700	0.497	0.718	0.626	0.635	-0.121	-0.104	0.748
Y4	0.846	0.704	0.898	0.781	0.844	-0.102	-0.209	0.876
Y5	0.795	0.675	0.793	0.816	0.800	-0.135	-0.107	0.791
Y6	0.789	0.660	0.889	0.781	0.830	-0.081	-0.126	0.854
Y7	0.718	0.520	0.833	0.693	0.707	-0.097	-0.175	0.802
Y8	0.756	0.557	0.857	0.716	0.786	-0.049	-0.189	0.838
Y9	0.662	0.450	0.654	0.659	0.635	-0.131	-0.039	0.771
Y10	0.720	0.688	0.814	0.758	0.779	-0.120	-0.197	0.849
Y11	0.682	0.515	0.672	0.636	0.626	-0.131	-0.058	0.776
Y12	0.765	0.675	0.836	0.774	0.817	-0.126	-0.229	0.896
Y13	0.768	0.685	0.741	0.808	0.768	-0.135	-0.109	0.796
Y14	0.761	0.654	0.832	0.789	0.820	-0.092	-0.101	0.877
Y15	0.742	0.611	0.735	0.659	0.656	-0.123	-0.189	0.770
Y16	0.751	0.629	0.754	0.652	0.692	-0.093	-0.202	0.824
Y17	0.677	0.504	0.685	0.629	0.619	-0.138	-0.049	0.786

The table above shows that not every indicator has the highest loading factor value on the latent variable it measures compared to other latent variables.

Validity and Reliability Testing

After conducting the outer loading test, discriminant validity testing is carried out based on the average variance extracted (AVE) value.

Table 5. Average variance extracted (AVE).

	Average Variance Extracted (AVE)
CSR Orientation (X1)	0.646
Attitude (X2)	0.772
Competence (X3)	0.727
Community Pressure (X4)	0.792
Government Regulation (X5)	0.853
Environmental Organization Pressure (X6)	0.769
Mass Media (X7)	0.711
Social Performance of Islamic Banks (Y)	0.674

The table above shows the AVE values for each variable. The AVE value indicates that all indicators are good comparators for the latent variable. The expected AVE value is >0.5 . Thus, the AVE value calculations in the table above, where all values are >0.5 , indicate that the discriminant validity is considered adequate. The recommended AVE value is above 0.5. With AVE values >0.5 , it can be stated that the validity requirements based on the AVE value are met. The next step is to test reliability based on the composite reliability (CR) value. The results of the average variance extracted (AVE) test meet the convergent validity requirements.

In addition to the construct validity test, a construct reliability test is also conducted, measured by two criteria: composite reliability and Cronbach's alpha from the indicator blocks that measure the construct. The table above shows reliability values above 0.7. The recommended composite reliability value is above 0.7. All composite reliability values are >0.7 , meaning the reliability requirements based on composite reliability are met. The next step is to test reliability based on the Cronbach's Alpha (CA) value. The recommended composite reliability value is above 0.7. All composite reliability values are >0.7 , indicating that the reliability requirements based on Cronbach's alpha are met.

Table 6. Cronbach alpha construct reliability and validity.

	Cronbach's Alpha
CSR Orientation (X1)	0.981
Attitude (X2)	0.951
Competence (X3)	0.946
Community Pressure (X4)	0.911
Government Regulation (X5)	0.957
Environmental Organization Pressure (X6)	0.950
Mass Media (X7)	0.864
Social Performance of Islamic Banks (Y)	0.970

The table above shows that the results of the Cronbach's alpha test meet the requirements, with values above 0.7 for Islamic banks.

Table 7. R-square value.

	R Square
Social Performance of Islamic Banks (Y)	0.953

Goodness of Fit Model

The goodness of fit model is measured using the R-square value of the dependent latent variable, with the same interpretation as in regression. Q-square predictive relevance for the structural model measures how well the observations are generated by the model and its parameters. A Q-square value > 0 indicates the model has predictive relevance, while a Q-square value ≤ 0 indicates the model lacks predictive relevance. An R-square value of 0.953 for the dependent variable Islamic Bank Social Performance (Y1) indicates that CSR Orientation (X1), Attitude (X2), Competence (X3), Community Pressure (X4), Government

Regulation (X5), Environmental Organization Pressure (X6), and Mass Media (X7) can explain 95.3% of the variability in the social performance of Islamic banks.

Hypotheses Testing Results

After all parameter tests indicate that the data is suitable, the next step is to determine whether the hypothesis can be accepted or rejected. To determine the hypothesis, in addition to looking at the path coefficients, the t-statistic value must also be considered. The t-statistic value is compared to the t-table value. If the t-statistic > t-table, the hypothesis can be accepted. With 106 respondents, the t-table value is 1.660.

Based on the data analysis results, the percentage influence of each variable on the Social Performance of Islamic Banks (Y) is as follows:

1. CSR Orientation (X1) has a positive and significant influence on the Social Performance of Islamic Banks (Y) at 22.5%. Therefore, the hypothesis is accepted.
2. Attitude (X2) has a negative and insignificant influence on the Social Performance of Islamic Banks (Y) at -9.3%. Therefore, the hypothesis is rejected.
3. Competence (X3) has a positive and significant influence on the Social Performance of Islamic Banks (Y) at 67.4%. Therefore, the hypothesis is accepted.
4. Community Pressure (X4) has a positive and significant influence on the Social Performance of Islamic Banks (Y) at 20.3%. Therefore, the hypothesis is accepted.
5. Government Regulation (X5) has a negative and insignificant influence on the Social Performance of Islamic Banks (Y) at -1.7%. Therefore, the hypothesis is rejected.
6. Environmental Organization Pressure (X6) has a negative and insignificant influence on the Social Performance of Islamic Banks (Y) at -2.5%. Therefore, the hypothesis is rejected.
7. Mass Media (X7) has a positive but insignificant influence on the Social Performance of Islamic Banks (Y) at 0.9%. Therefore, the hypothesis is rejected.

Table 8. Path coefficient test of Islamic banks.

Hypothesis	Path	Coefficient	T _{value}	T _{table}	P Value	Result
H1	CSR Orientation (X1) → Social Performance of Islamic Banks (Y)	0,225	2,558	1,660	0,005	Significant
H2	Attitude (X2) → Social Performance of Islamic Banks (Y)	-0,093	1,435	1,660	0,076	Not Significant
H3	Competence (X3) → Social Performance of Islamic Banks (Y)	0,674	5,898	1,660	0,000	Significant
H4	Community Pressure (X4) → Social Performance of Islamic Banks (Y)	0,203	2,408	1,660	0,008	Significant
H5	Government Regulation (X5) → Social Performance of Islamic Banks (Y)	-0,017	0,142	1,660	0,444	Not Significant
H6	Environmental Organization Pressure (X6) → Social Performance of Islamic Banks (Y)	-0,025	1,323	1,660	0,093	Not Significant
H7	Mass Media (X7) → Social Performance of Islamic Banks (Y)	0,009	0,419	1,660	0,337	Not Significant

Discussion

Hypothesis 1: CSR Orientation Positively Affects the Social Performance of Sharia Banks in North Sumatra

The results of the testing reveal that CSR orientation has a positive and significant impact on the social performance of Sharia banks, thereby confirming the hypothesis. This study aligns with Harto (2013), which tested the influence of corporate social responsibility (CSR) orientation on corporate social performance with environmental uncertainty as a moderating variable. Harto's findings concluded that a company's ethical/social orientation is positively related to the social performance of SMEs. Similarly, Arli & Tjiptono (2014) conducted a study on CSR orientation among consumers in Yogyakarta, finding that the focus on 1) legal and 2) philanthropic responsibilities received the most attention, followed by 3) economic and 4) ethical responsibilities. These findings are consistent with Maignan et al. (1999), who treated economic, legal, ethical, and philanthropic (charitable) responsibilities as correlated dimensions.

This study differs from findings in Malaysia by Othman (2009), who examined the stakeholder perspective in Malaysia. Their research showed a different ranking of stakeholder orientations in Malaysia as follows: 1) Economic, 2) Ethical, 3) Legal, and 4) Philanthropic, which slightly differs from Carroll's model. This study also contrasts with Burton, Farh & Hegarty (2000), who researched CSR orientation among business/economics students in the United States and Hong Kong. The differences in CSR priorities between Hong Kong and American students showed that Hong Kong students placed greater emphasis on economic responsibilities over non-economic responsibilities compared to American students. This difference is attributed to the higher power distance (greater acceptance of hierarchy) among Hong Kong students, lower individualism, and lower masculinity levels compared to American respondents, with the order being: 1) Economic, 2) Ethical/social, 3) Legal, and 4) Philanthropic.

The researcher concludes that differences in orientation ranking are due to factors such as 1) religiosity, 2) culture, 3) gender, 4) race, 5) education level, 6) work experience, and other factors contributing to differences in perceptions among managers and stakeholders, affecting CSR orientation and consequently social performance.

The findings support the Signaling Theory, where social performance measured through CSR can serve as a signal for banking companies to attract external parties. For instance, CSR activities in education programs, community empowerment programs, or environmental programs can signal that the bank is committed to sustainable development in its surrounding communities. These signals are expected to be positively received by external parties, influencing the company's performance and value.

The research is in line with Legitimacy and Stakeholder Theory. According to Meek et al. (1995), legitimacy is a corporate management system oriented towards aligning with society, government, individuals, and community groups. Similarly, Hadi (2011) stated that legitimacy can be formulated as a corporate management system with an orientation towards society, government, individuals, and community groups.

Hypothesis 2: Attitude Positively Affects the Social Performance of Sharia Banks in North Sumatra

The test results indicate that the attitude variable does not affect the social performance of Sharia banks. Theoretically, attitude can significantly impact a bank's success and reputation, as proven in conventional banking, where a positive attitude can enhance the bank's reputation among the public and consumers. When a bank is known for its commitment to social responsibility, it can increase consumer trust and loyalty and positively influence the perceptions of various related parties, including investors, business partners, and potential employees.

To optimize the influence of attitude on social performance, it is essential for banks to have a clear and integrated strategy for managing social responsibility. Although Sharia banks have a Blueprint, it has not been fully optimized. The Sharia Banking Blueprint includes the development of high-quality human resources in Sharia Banking, consisting of: 1. Banking knowledge, i.e., knowledge of banking and Sharia banking. 2. Immediate results (productivity), the best efforts that employees should deliver. 3. Sharia knowledge, distinguishing Sharia Banking from conventional banking. 4. Attitude and behavior, reflecting a Muslim personality through noble attitudes and practices aligned with Sharia, including dress, speech, morality, and integrity. 5. Managerial skills. All these are encapsulated in the 6 Pillars of the Sharia Banking Development Acceleration Program: a. Strengthening Sharia Banking Institutions b. Developing Sharia Banking Products c. Intensifying Public Education & Strategic Partner Alliances d. Enhancing Government

Role & Strengthening Sharia Banking Legal Framework e. Strengthening Sharia Banking HR f. Strengthening Sharia Banking Supervision.

Hypothesis 3: Competence Positively Affects the Performance of Sharia Banks in North Sumatra

The test results indicate that competence has a positive and significant impact on the social performance of Sharia banks. This finding aligns with the theory that employees with high competence in specific areas tend to be more confident and capable of handling tasks and challenges in social contexts. Overall, high competence can enhance social performance by boosting confidence, communication skills, cooperation, empathy, problem-solving, influence, and leadership.

This study supports Windsor (2001) theory that performance is implemented by human resources with competence, motivation, and interests. Empirical research by Abu (2012) also supports this, showing that competence and work motivation significantly influence employee performance. Therefore, it can be concluded that competence and work motivation positively affect employee performance.

Windsor (2001) states that competence is the ability to perform a job based on skills and knowledge and supported by the work attitude required by the job. This is supported by empirical research by Lako (2011), which shows that competence significantly affects employee performance. Therefore, it can be concluded that competence positively affects employee performance.

Regarding Maqasid Shariah, which is divided into three parts based on its impact and importance to human welfare—al-Dharuriyyat, al-Hajiyyat, and al-Tahsiniyyat Yusup, M., & Nasution, D. S. (2020) —and the five fundamental principles contained within the objectives of Shariah: (1) Hifz al-Din (protection of religion); (2) Hifz al-Nafs (protection of life); (3) Hifz al-‘Aql (protection of intellect); (4) Hifz al-Nasl (protection of lineage); and (5) Hifz al-Mal (protection of wealth), competence can be classified under 1) Hifz al-Din (protection of religion); (2) Hifz al-Nafs (protection of life); (3) Hifz al-‘Aql (protection of intellect); and (5) Hifz al-Mal (protection of wealth).

Hypothesis 4: Societal Pressure Positively Affects the Social Performance of Employees in Sharia Banks in North Sumatra

The test results show that societal pressure has a positive and significant impact on the social performance of Sharia banks. Theoretically, societal pressure plays a crucial role in the sustainability of a company. According to Mardiyah & Widyastuti (2008), society, both as individuals and groups, can influence the direction and policies of an organization. Henriques & Sadorsky (1999) in Mardiyah & Widyastuti (2008) also recommend that societal pressure affects the importance of CSR. The role of society becomes crucial as it is also a component of the company's stakeholders (Freeman, 1984). This research aligns with the findings of Basuki & Patrioty (2017).

From the findings in Sharia banks, it is clear that social responsibility programs in Indonesia have not yet been optimally integrated into society. The awareness of CSR practices in Indonesia appears to be underdeveloped. This is likely because many banks still view CSR as a "waste of money," according to a 2003 PIRAC (Public Interest Research and Advocacy Center) study of 266 companies in several major cities in Indonesia. Additionally, Visser (2006) states that the lack of societal role and awareness in pressuring companies, particularly banks, to implement and report CSR is due to the relatively low educational level of Indonesian society, the lack of understanding of the importance of sustainable development, and the lack of information about the social and environmental impacts of corporate activities on society. Visser (2006) argues that societal pressure will only be effective if there is transparency in objective CSR reporting to society.

The researcher suspects that the positive impact of societal pressure on Sharia banks occurs because these banks have greater responsibilities compared to conventional banks, related to their higher religious values and religiosity.

Hypothesis 5: Government Regulation Positively Affects the Social Performance of Employees in Sharia Banks in North Sumatra

The test results indicate that government regulation does not have an impact on the social performance of Sharia banks. However, government regulations do influence the importance of CSR. The role of the government is crucial because it is a component of a company's stakeholders (Freeman, 1984). Policies such

as the Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 on the implementation of sustainable finance for financial service institutions (LJK), issuers, and public companies are significant. The transition from PBI No. 14/15/PBI of 2012 on the Assessment of Commercial Bank Asset Quality to POJK No. 51/POJK.03/2017 indicates that banking institutions must now implement sustainable development principles not only in lending/financing but also in daily banking activities (Yildirim, 2018). Bank Indonesia Regulation (PBI) No. 14/15/PBI/2012 has included environmental management assessments by debtors in the requirements for credit and/or financing distribution.

The findings from Sharia banks align with Auperle (1985) research, which did not find a partial influence on corporate social disclosure. These findings contrast with the view that companies will disclose certain information if regulations require it.

Hypothesis 6: Environmental and Social Organizational Pressure Positively Affects the Social Performance of Employees in Sharia Banks in North Sumatra

The test results indicate that environmental and social organizational pressure does not impact the social performance of Sharia banks. The findings can be justified by the smaller sample size of Sharia banks (5 samples) compared to conventional banks (15 samples), suggesting that environmental organizational pressure is lower for Sharia banks. Additionally, WWF's experience in Indonesia highlights the difficulty in influencing and pressuring industries such as pulp and palm plantations to respect and avoid converting high conservation value forests (HCVF), indicating that companies often have higher bargaining power against existing voluntary initiatives (Ali, 2018).

Research by Hadinata (2018) and Utama (2007) also clarifies these findings, showing that state-owned enterprises (BUMN) are still reluctant to disclose social information. Hartanti used a checklist based on the Global Reporting Initiative (GRI) Guidelines, dividing disclosure into environmental information and environmental management system information.

The influence of social and environmental organizational pressure on conventional banks aligns with research by Auperle (1985), Henriques and Sadorsky (1999), and Mardiyah and Widyastuti (2008), which state that environmental organizational pressure affects the importance of corporate social responsibility. Social and environmental organizational pressure is significant because it is also a component of a company's stakeholders (Freeman, 1984).

Hypothesis 7: Media Pressure Positively Affects the Social Performance of Employees in Sharia Banks in North Sumatra

The test results show that media pressure does not have an impact on the social performance of Sharia banks. This finding is consistent with the research by Tumirin (2017), which found that media exposure does not influence CSR disclosure.

The theory of media pressure is based on the Media Agenda Setting Theory, first proposed by Benbouzid et al (2022), who discovered that news coverage by the American press could shape public opinion during the 1968 U.S. Presidential Election. Benczur et al (2017) explain that the media is not only seen as a reflection of public opinion but also as a shaper of it. As research on the Media Agenda Setting Theory has evolved, its application has extended beyond politics to communication and business fields (Smith, 2001). The role of media in shaping public opinion is suspected to influence corporate strategies in disclosing environmental information in annual reports (Engineer et al, 2013).

The researcher concludes that the difference in the impact of media pressure on social performance in Sharia banking is due to several factors. Based on interviews, post-COVID-19, the CSR programs of Sharia banks focused on regional offices and areas. Additionally, the number of Sharia banks is smaller (5 banks) compared to conventional banks (15 banks), possibly leading to more intense media pressure on conventional banks than on Sharia banks.

Hypothesis 8: CSR Orientation, Attitude, Competence, Government Regulation, Social Pressure, Environmental Organizational Pressure, and Media Pressure Influence the Social Performance of Sharia Banking in North Sumatra

The test results, as indicated by an R Square value of 0.953, show that the variables CSR Orientation, Attitude, Competence, Social Pressure, Government Regulation, Environmental Organizational Pressure, and Media Pressure collectively influence 95.3% of the Social Performance of Sharia Banks.

Conclusion and Recommendation

CSR orientations in Indonesia are primarily driven by responsibilities including philanthropy, legal, ethical/social, and economic aspects. This differs from CSR orientations in other Asian countries like Japan and America. The prioritization of philanthropy stems from religious norms based on the Quranic principle (Al-Quran Al-A'raf 56), supported by both quantitative and qualitative evidence. CSR orientations significantly influence the social performance of Islamic and conventional banks. Attitudes affect the social performance of conventional banks but not Islamic banks, while competencies affect Islamic banks but not conventional ones. Societal pressures impact the social performance of Islamic banks but not conventional banks, whereas government regulations influence conventional banks but not Islamic banks. Environmental/social organizational pressures affect conventional banks but not Islamic banks, and media pressures impact conventional banks but not Islamic banks. There exists a disparity in social performance between conventional and Islamic banks in North Sumatra. The CSR orientation structure serves as the foundation for policy and implementation of social performance in both Islamic and conventional banking in North Sumatra. This framework is supported by quantitative and qualitative testing, emphasizing philanthropy as a form of altruism, legal obligations, ethical/social considerations, and economic factors guiding social performance in banking.

The distinct CSR orientations observed in Indonesia, emphasizing philanthropic, legal, ethical/social, and economic responsibilities, should be further explored in comparative studies with other Asian countries such as Japan and America. Understanding these cultural and religious underpinnings can enhance global CSR practices. Given the differential impacts of CSR orientations on the social performance of Islamic and conventional banks, policymakers and practitioners should tailor strategies accordingly. For Islamic banks, enhancing competency-based approaches could further bolster their social performance, while conventional banks may benefit from reinforcing positive attitudes towards CSR initiatives. Local governments and regulatory bodies should consider the varying influences of societal pressures, environmental organizational pressures, and media pressures on different types of banks. Tailored regulatory frameworks can better support and incentivize CSR practices, ensuring equitable outcomes across the banking sector. Efforts to bridge the gap in social performance between conventional and Islamic banks in North Sumatra should focus on knowledge-sharing and capacity-building initiatives. Establishing collaborative platforms for best practices exchange could foster mutual learning and improve overall social impact in the region. Institutionalizing the CSR orientation framework as a cornerstone of policy and practice in both Islamic and conventional banking sectors in North Sumatra is crucial. This integration can be strengthened through ongoing quantitative and qualitative assessments, ensuring alignment with philanthropic, legal, ethical/social, and economic principles that guide CSR implementation. These recommendations aim to foster more robust CSR practices, thereby enhancing social responsibility and sustainable development within the banking industry in North Sumatra and potentially beyond.

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