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# BOOK OF PROCEEDINGS

# 6<sup>th</sup> SEABC 2020

Sriwijaya Economics, Accounting, and Business Conference  
International Seminar and Conference

**“VUCA 2.0 :  
HOW TO SURVIVE THE UNSTEADY WORLD?”**

**November 18<sup>th</sup>-19<sup>th</sup>, 2020**  
**Faculty of Economics, Universitas Sriwijaya**  
**Palembang, Indonesia**



# 6th Sriwijaya Economics, Accounting, and Business Conference (SEABC) 2020

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## FOREWORD



### **Assalammualaikum Wr. Wb**

Welcome to the Sriwijaya, Economics, Accounting and Business Conference (SEABC). SEABC is scholarly activity consists of international seminar and conference that is expected to give contribution and identify national economic policy, especially in facing ASEAN economic community. In 2020, SEABC is running its sixth year and taking a theme of “VUCA 2.0 : How to Survive Unsteady World ?”.

The Faculty of Economics of Universitas Sriwijaya has organized this important seminar and conference. Many individuals have put that hard work to make this event becomes reality. The papers presented at this conference and included in this proceedings are expected to give contribution to research and technology development (IPTEK).

At last, we would like to thank for all the participants and the presenters that are willing to present their ideas and make this conference possible. We hope this proceedings can be a reference to build our nation and country.

### **Wassalammualaikum Wr. Wb**

**Prof. Dr. Mohamad Adam, S.E., M.E.**

Dean of Faculty of Economics  
Universitas Sriwijaya





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## FOREWORD



**Assalamualaikum Wr. Wb**

I am delighted to welcome you to the 6<sup>th</sup> Sriwijaya, Economics, Accounting and Business Conference (SEABC). SEABC is scholarly activity consists of international seminar and conference that is expected to give contribution and identify national economic policy, especially in facing ASEAN economic community. In 2020, SEABC is running its sixth year and taking a theme of “ VUCA 2.0 : How to Survive Unsteady World ?”.

The Economics Faculty of Universitas Sriwijaya have organized this important seminar and conference. This year is special. All of us can't predict this before, the pandemi of Covid – 19. That thing makes all seminar and confence activity do by online. The 6<sup>th</sup> SEABC conference papers were peer reviewed for technical and editorial content by a dedicated committee of referees. We accept nearly 90 papers for oral presentation from 10 countries. These papers were presented in 2 days, 4 sessions each day.

Finally, I would like to thank for all the presenters that are willing to present their ideas and make this conference possible. We hope this proceeding book can give contributes to research and technology development .

**Wassalamualaikum Wr. Wb**

**Agung Putra Raneo, S.E., M.Si**  
Chairman 6<sup>th</sup> SEABC  
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### THE EFFECT OF ISLAMIC SOCIAL REPORT ON BANKING PERFORMANCE BASED ON MAQASID INDEX IN INDONESIAN SHARIA COMMERCIAL BANKS

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#### Abstract

**Purpose** - Identify the influence of social responsibility with Islamic Social Report on Banking Performance using the Maqashid Syariah approach.

**Design/methodology/approach** - This research was conducted with a quantitative approach. The data used are secondary data. The data analysis technique used is panel data regression analysis. The techniques used to collect data are documentation and literature study.

**Findings** - Islamic Social Report has a significant positive effect on bank performance with the Maqashid Index on Islamic Commercial Banks in 2014-2018.

**Limitation** – This study uses a research period of 5 years and examines the objects of Islamic banking that only exist in Indonesia. The calculation of Maqashid sharia uses the maqashid index according to Abu Zahra's view.

**Contribution** - This research can see the compliance of sharia banking in Indonesia by looking at the results of the maqashid index so that the public and interested parties can find out which Islamic Commercial Banks have the highest to lowest index scores. In addition, this study can also see that Islamic Commercial Banks are the most transparent in disclosing their social responsibility reports. This study shows the relationship of Islamic Social Report to maqashid syariah.

**Keywords:** *Islamic Social Report, Shari'ah Maqashid*

#### 1. INTRODUCTION

The banking sector is a major player both in the scope of micro and macro economy. From a micro perspective, the bank is a public trust institution, entrusted to store public fund and lend credit for the public in various economic transactions. Through a macro perspective, the bank has the function of enforcing monetary policy issued by the central bank. (Warjiyo, 2006). The functions of banks must run well to help stabilize the financial sector. The main key to adequately run a banking sector is to have the public trust, whereby the banking sector is the consumer and its business area is the community.

Banking in Indonesia is not only based on conventional principles. There are also banking based on sharia principles. Banking based on sharia principles does not only fulfill its responsibilities to humans but also to God (Soediro & Meutia, 2018). Islamic banking also contributes to national development and has the same urgency and function as conventional banking. Islamic banking seeks to serve the public as a whole and become an alternative choice for Indonesians (Maski, 2010). Having the same urgency as conventional banking makes Islamic banks have to maintain public trust, so that the financial performance and sharia compliance of Islamic banking creates an image for Islamic banking. The existence of social responsibility is a way to maintain public trust.

Measuring the performance of Islamic banks uses sharia-based measurements. Sharia-based performance measures such as using the Maqashid Sharia Index. Maqashid syariah is actually also the





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goal of Islamic banks. Maqashid sharia has the meaning of purpose so that it has a concept of benefit which plays an important role in determining Islamic law with the goal of benefiting both in the world and in the hereafter (Mutakin, 2017).

Islamic banking social responsibility is represented by the Islamic Social Report. The desire to fulfill this responsibility spiritually is the background for the emergence of Islamic Social Report (Haniffa, 2002). Islamic Social Report is not only a reporting that aims for Muslim management to make a decision but also directs companies to fulfill their obligations to Allah and society (Haniffa, 2002). Islamic Social Report also provides a good image for the company in the community. Islamic Social Report was chosen as the independent variable because it represents sharia compliance that can support the performance of Islamic banking in Indonesia.

Research with Islamic Social Report as an independent variable influences the performance of Islamic banks with maqashid syariah Islamic Social Report affects the performance of maqashid sharia (Atiqah & Rahma, 2018), (Mardliyyah, Pramono, & Yasid, 2020), (Dusuki, 2007) Research from Santika (2019) show that Islamic Social Report has no effect on performance. Measuring bank performance is very important to see if the bank has a good level of health or not. Previous research used the measurement of the performance of Islamic banking which is equated with conventional banking. Performance of Islamic banking should be measured using tools or approaches that are in accordance with the concept of sharia. In addition, what affects the performance of Islamic banking must also be measured. In connection with the above background, the researcher will examine the effect of Islamic Social Report on the performance of Islamic banking with the Maqashid Index.

## 2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### LITERATURE REVIEW

Sofyani, Ulum, Syam, & Wahyuni (2012) The variables in their research are Islamic social reports covering finance and investment, products and services, employees, society, environment, corporate governance. The research method used qualitative methods and types of comparative research with secondary data. The results of his research indicate that the overall social performance of Islamic banking in Malaysia is higher than in Indonesia. The social performance of Islamic banking in Indonesia in 2010 experienced a significant increase, around 10% from the previous year. Meanwhile, social performance in Islamic banking in Malaysia is stable because it is neither increasing nor decreasing. However, of all the Islamic banks, both Indonesian and Malaysian, none achieved a very good level of performance.

Arshad, Othman, & Othman (2012) The variables in their research are the independent variables of Islamic Social Report and the dependent variable: company reputation and company performance (crep, roa, roe, and total assets). The research method is a quantitative method with content analysis. The results of this study provide evidence that the CSR activities presented in the company's annual report have a significant positive relationship with company reputation and company performance. These results suggest that CSR activities and disclosure from an Islamic perspective are both important business strategies in creating sustainable superior performance for organizations.

Atiqah & Rahma (2018) The variables in their research are the independent variables of Islamic Social Report & Islamic Corporate Governance. Meanwhile, the dependent variable: maqashid syariah. The method used is a quantitative method with secondary data. effect on maqashid sharia, *Islamic Social Report* while *Islamic Corporate Governance* has a significant does not have a significant effect.

Santika (2019) the variable in this study is the independent variable: *Islamic Social Report* the dependent variable is banking performance. The method used is the quantitative method. The result of this research is that ISR has no effect on banking performance at Islamic Commercial Banks. Mardiyah, Pramono and Yazid (2020) in this study the independent variable is *Islamic Social Report*,



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while the dependent variable is Maqashid sharia. The quantitative method used. The result of this research is that ISR has a significant positive effect on bank performance using the Maqashid Sharia Index.

Antonio, Sanrego, & Taufiq (2012) The variables in this study include *Tahdzib al-Fard (Educating individuals)*, *Iqamah Al-Adl (Establishing justice)*, and *Maslahah. (Well-being)*. The results of the analysis show that the Islamic banking industry in Indonesia, represented by BSM (0.539%) and BMI (0.505%), respectively, shows better performance than Islamic banking in Jordan by JIB (0.356%) and IIABJ (0.452%). Mudharabah and Musharakah / Total Investment show that the Islamic banking industry in Indonesia also shows a better performance than Jordan where BMI (6.326%), BSM (4.971%), IIABJ (0.213%), and JIB (0.184%). The last measurement on the *Maqashid Index is Welfare* with indicators of *Net Profit / Total Assets, Zakat / Net Assets, Investments in the Real Sector / Total Investment* presented Sharia banking performance in Indonesia is better than Jordan where BMI (11.008%), BSM (10.680%), IIABJ (9.63%), and JIB (7.612%).

Finarti & Putra (2015) the independent variable of Maqashid syariah, the dependent variable in this study is Corporate Social Responsibility. The results of this research indicate that the implementation of CSR at BRI Syariah is relevant to al maqashid asy sharia. This is evidenced by the five main components of Maqashid sharia, namely: 1) Protection of religion, 2) Protection of human life / soul, 3) Protection of thoughts, 4) Protection of welfare, 5) Protection of lineage. Meanwhile, based on the measurement of Maqashid sharia CSR at BRI Syariah, it can be seen that the program indicator according to Maqashid sharia is protection of the human soul in 2012 with a total of 30 activities that cost Rp. 941,305,000. The percentage of distribution of CSR funding is 46% and in 2013 there were 52 activities with total funding of 985,870,000, the percentage of distribution of funding was 50%.

Sari, Ismail, & Ekawaty (2019) The independent variable in this study is the *Maqashid index* Sharia, the dependent variable is the social value of the Jordan company. The results showed that all of these banks have a low Sharia Maqashid Index for all indicators, which means that the practice of implementing the social values of Islamic banks in Jordan is still not as expected, especially for indicators of justice and maslahah / social welfare. Islamic banks need to increase social contributions, especially on indicators of justice and maslahah / social welfare.

Mohammed et al. (2008) research variables are performance ratios, performance indicators and overall maqashid index. The research method is a behavioral operationalization approach. The results have shown variations in the performance of the selected Islamic banks. No single bank is able to achieve high performance. across all seven performance ratios, alternatives and performance indicators. Such variations indicate inconsistencies on the part of individual Islamic banks to focus on overall objectives.

Harahap, Hermain, Siregar, & Maharani (2017) the independent variables in this study are the Islamic Social Report, company age, dependent variable public ownership: financial performance with ROA. According to the results of the T-test analysis, it shows that all variables have a significant effect on profitability (ROA).

Siddi, Widiastuti, & Chomsatu (2019) The independent variables in this study are company size, profitability, the dependent variable is the Islamic Social Report on environmental performance using quantitative methods with secondary data. The results show that company size affects ISR disclosure. Meanwhile, profitability and environmental performance have no effect on ISR disclosure.

The focus of research on maqashid sharia is maqashid sharia is used as a performance measurement in Islamic organizations. Maqashid sharia itself is a goal to reach maslahah. Research that examines the effect of Islamic Social Report on Maqashid Syariah Research from (Atiqah & Rahma, 2018), (Mardiyah, Pramono and Yazid, 2020) that ISR affects financial performance with maqashid sharia.



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Research from (Arshad, Othman, & Othman, 2012), (Santika, 2019) states that ISR has no effect on banking financial performance. *The research gap* in this study is that this study uses *annual report* the latest from 2014 to 2018. Testing Islamic banking in Indonesia which has been a sample of 9 banks. Using measurement of the two variables based on sharia.

## MAQASID SHARIA

*Maqasid*, etymology wise, is defined as goal(s). Meanwhile, *alsyariah* is defined as the path in which it leads to a water source (Ramadhan, Abdurahim, & Sofyani, 2018) and in the perspective of sharia, this implies 'the way' (Al-Qaradhawi, 2007). Maqasid sharia, essentially, is defined as steps taken to achieve welfare. This is manifested either in the form of benefits that are achieved or the harms that are avoided (Sahroni & Karim, 2015). Accordingly, this concept plays an important role in the implementation of Islamic law where the outcome must generate welfare both in the world and in the hereafter (Mutakin, 2017). According to Abu Zahra, Maqasid Sharia is divided into three elements, namely tahdzib al-fard (education for individuals), iqamah al-adl (justice), and maslahah (benefits/welfare). Abu Zahra's view of the Maqasid Sharia has now been developed to be integrated into tools that measure and evaluate the performance of Islamic or sharia banking (Syafii, Sanrego, & Taufiq, 2012).

## SYARIAH ENTERPRISE THEORY (SET)

Sharia Enterprise Theory is a theory in which it places Allah as the source of the main mandate; the sole and absolute owner of the world herein (Triyuwono, 2006). The most important basis of Shariah Enterprise Theory is that Allah is the creator and sole owner of all the resources in this world and whom individuals work towards. The mandate that Allah has given, in regards to companies, is that accountability and transparency should be upheld. Vertically, business entity must be accountable to Allah, and horizontally, they must be accountable to the community (stakeholders) and nature/world as a whole (Mulawarman, 2011).

## ISLAMIC SOCIAL REPORT

Islamic Social Report is designed to help present a report accountable Allah and the stakeholders of an institution. Islamic Social Report can also increase the transparency of business activities; providing the relevant information needed by Muslims in their decision-making (Haniffa, 2002). Company reports, such as financial statements, are the implications that arise to demonstrate a company's responsibility over their activities during a period of time. Financial reports also provide information on decisions that must be taken by stakeholders (Ramadhan, 2018).

## HYPOTHESIS DEVELOPMENT

Social responsibility for Islamic financial institutions is called the Islamic Social Report. The basis of this Islamic Social Report is that Islamic banking is not only responsible for humans and the environment but also to Allah. Social responsibility can improve the financial performance of a sharia financial institution because it can improve the image of the banking system. The better the image of the banking system, the more trust the public has, whereas if it gets worse, the level of public trust will decrease. Decreasing trust will affect profitability and bank business continuity (Purwanto, 2011). This is in accordance with research from (Atiqah & Rahma, 2018), (Yazid & Pramono, 2020) and based on research from Dusuki (2007) that Corporate Social Responsibility is an important component in maqashid sharia. Based on this research and explanation, the following hypothesis can be formulated:

H1: Islamic Social Report Affects the Maqashid Index in Indonesian Sharia Commercial Banks.

## 3 RESEARCH METHODOLOGY

To test the hypotheses formulated in this study, a quantitative approach was used. The data used was secondary data sourced from the 2014-2018 Sharia Commercial Bank annual report in Indonesia as



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the research sample. The data analysis technique used was panel data regression analysis. The techniques used to collect data were documentation and literature study.

The present study used panel data regression analysis technique, in which the data is a combination of cross section data and time series data (Nachrowi & Usman, 2006). The panel data regression model used in this study is as follows:

$$IMS_{it} = \alpha + \beta_1 ISR_{it} + \varepsilon_{it}$$

Panel data regression models were estimated with several approaches, namely the Common Effect (Ordinary Least Square), Fixed Effects Model (Fixed Effect, Random Effect Model). Panel data analysis can be done using three tests, namely the F statistical test (chow test), the Hausman test, and the Lagrange multiplier test. The data to be examined, before being processed with linear regression, was first tested with the classical assumption test. The classical assumption test consisted of normality test, heteroscedasticity test, autocorrelation test, and multicollinearity test. Hypothesis testing was done using partial t test and f test, simultaneously.

### POPULATION AND SAMPLE

The population in this study is Islamic Commercial Banks in Indonesia, in which up to 2018, there were 14. The sample used in this study was determined by nonprobability sampling using the purposive sampling method. In particular, the sample was selected based on certain considerations and specific purposes (Sudaryono, 2017).

The banks considered in the sampling had criteria of: First, the Sharia Bank (SB) was supervised and registered under the Financial Services Authority (OJK). Second, the Sharia Commercial Bank was officially reckoned and had fulfilled the rules and regulations of banking. Third, the bank actively operated in the year 2014 to 2018. Fourth, the bank had annual reports published in the year 2014 to 2018, as per the research period. Fifth, the bank had a published social responsibility report.

**Table 1 Sample**

No	Sharia Commercial Bank
1.	Bank Muamalat Indonesia
2.	Bank BRI Syariah
3.	Bank BNI Syariah
4.	Bank Syariah Mandiri
5.	Bank Mega Syariah
6.	Bank Panin Dubai Syariah
7.	Bank Syariah Bukopin
8.	Bank BCA Syariah
9.	PT. Bank Tabungan Pensiunan Nasional Syariah

### OPERATIONAL VARIABLES

#### MAQASID SHARIA

According to Abu Zahra, Maqasid Sharia is divided into three elements, namely tahdzib al-fard (education for individuals), iqamah al-adl (justice), and maslahah (benefits/welfare).

**Table 2 Maqashid Sharia**

Concept	Element	Performance Ratio	Data Source	Average Magnitude (100%)*	Average Magnitude (100%)*
Education	E.1 Education grants	R.1 Education grants/total income	Annual Report	30	24
	E.2 Research	R.2 Research expenses/ Total annual expenses	Annual Report		27
	E.3 Training	R.3 Training expenses/ Total expenses	Annual Report		26



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	E.4 Publicity	R.4 Publicity expenses/Total expenses	Annual Report		23
			Total		100
Justice	E.5 Fair change	R5. Net profit/Total income	Annual Report	41	30
	E.6 Fair Price	R6. Mudharabah and Musharakah / Total Funding	Annual Report		32
	E.7 Interest free products	R7. Interest free income/ Total income	Annual Report		38
			Total		100
Public Interest	E.8 Profitability	R8. Pendapatan bersih/Total aktiva	Annual Report	29	30
	E.9 Personal income	R9. Zakat / Laba Bersih	Annual Report		33
	E.10 Investments in the real economy sector	R10. Investmens in the real economy sector/ Total Investment	Annual Report		37
			Total	100	100

Mohammed, Dzuljastri, dan Taib (2008: 9)

$$K_x (IM_x) = W_1(E_1^1 \times R_1^1 + E_1^2 \times R_1^2 + E_1^3 \times R_1^3 + E_1^4 \times R_1^4)$$

$$K_1 (IM_1) = 30\% (24\% \times R_1^1 + 27\% \times R_1^2 + 26\% \times R_1^3 + 23\% \times R_1^4)$$

$$K_2 (IM_2) = 41\% (30\% \times R_2^1 + 32\% \times R_2^2 + 38\% \times R_2^3)$$

$$K_3 (IM_3) = 29\% (30\% \times R_3^1 + 33\% \times R_3^2 + 37\% \times R_3^3)$$

### ISLAMIC SOCIAL REPORT

The Islamic Social Reporting has six indicators, namely investment and finance, products and services, labor, social responsibility, environmental responsibility and organizational governance (Haniffa, 2002).

**Table 3 Islamic Social Report Parameters**

No.	Indicator	Description
1.	Investment and Finance	Identification of transactions and income contributions from usury. Identification of gharar transactions and income from gharar. Identification of the amount of zakat and zakat recipients.
2.	Products and Services	Identification of the halal or haram status of a product and its contribution to income. Identification of products that naturally do not harm the environment.
3.	Labor	Disclosures of employee salaries, employee work activities (e.g., working hours), and employee education and training; all information relating to employees were disclosed.
4.	Social responsibility	Amount and recipients of alms, disclosure of the type and value of waqaf, as well as the number and recipients of qard hasan.
5.	Environmental responsibility	Disclosure of resource usage. Company activities must not damage the environment.





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6. Company policy The company organization must disclose any prohibited activities such as monopoly or others that violated the law.

These six main indicators were specified into 48 items. Islamic social reporting was assessed using the scoring method and each item was assigned a score. The value 0 was assigned for items with no disclosure in the annual report and the value 1 was assigned for items that were disclosed. The disclosure level was determined with the following formula (Z. Ramadhan, 2018):

$$\text{Disclosure level} = \frac{\text{Disclosure score assigned}}{\text{Total maximum score}}$$

#### 4 RESULTS AND DISCUSSION

The results of the calculation of the value of the Islamic Social Report and the Maqashid Index for Islamic Commercial Banks during 2014-2018 are

**Table 4 MSI ISR Results**

<b>Bank</b>	<b>Umum</b>	<b>IMS</b>	<b>ISR</b>
<b>Syariah</b>			
Bank Muamalat Indonesia		0,332	0,686
Bank Mandiri Syariah		0,30	0,766
BNI Syariah		0,273	0,75
BCA Syariah		0,326	0,544
Bank Mega Syariah		0,268	0,548
Bank Panin Dubai Syariah		0,346	0,602
Bank Bukopin Syariah		0,333	0,578
BTPN Syariah		0,334	0,508
BRI Syariah		0,320	0,664

Bank Muamalat Indonesia throughout 2014-2018 its Islamic Social Report is in a good category with the highest disclosure index of 0.72. Bank Mandiri Syariah has an Islamic Social Report index that tends to increase and for four years it has been categorized as good. In 2018 Bank Mandiri Syariah in the disclosure of the Islamic Social Report was categorized as very good with an index value of 0.81. BNI Syariah has a fluctuating index value from 2014 to 2015 in the good category, 2016 and 2018 in the very good category and in 2017 the category is good. The value of the BCA Syariah index has increased from the four years from 2014 to 2017 it was categorized quite then in 2018 it was categorized as very good. Bank Mega Syariah tends to increase from year to year with sufficient disclosure category. Panin Dubai Syariah Bank has an Islamic Social Report disclosure index value that tends to increase and is constant in the sufficient and good category. Bank Bukopin disclosures of Islamic Social Report from year to year have increased in categories from sufficient to good. The BTPN Syariah Islamic Social Report disclosure index experienced a decrease in 2017 and then the index rose again in 2018 categorized as sufficient. BRI Syariah has an adequate category index value in 2014-2015 and good in 2016-2018.



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The Maqashid Sharia Index which is taken from Abu Zahra's opinion is divided into three concepts, namely education, justice and the public interest. The purpose of the maqshid of Sharia is to achieve benefit. Every mashlahat is either in the form of benefits achieved or harm that is avoided (Sahroni & Karim, 2015). Sharia Commercial Banks should be built with the aim of providing as much benefit to the community as possible. It is in accordance with the basic principle of Sharia that everything that is done must be based on the Quran. Based on table 4.3, we know that the bank that has the highest value in the calculation of maqshid Sharia is Panin Dubai Syariah, then BTPN Syariah and the third is Bank Bukopin Syariah. Meanwhile, the lowest value of the 9 banks calculated is Bank Mega Syariah. The score for the Maqashid Syariah Index in Indonesia in 2014-2018 was below 0.50. This index value illustrates that overall Islamic banking in Indonesia has not made the substance of the vision of Islam represented by the objectives of the sharia to be achieved in the economic field as the main goal, namely strengthening the quality of human resources through education and welfare and upholding economic justice (Rama & Ali, 2018).

### DETERMINING A REGRESSION MODEL

#### MODEL FIT TEST: CHOW TEST

Determining the most suitable model in this study so that the model suitability test is carried out. In table 2 you can see the results of the Chow Test.

**Table 5 Chow Test**

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.166217	(8,34)	0.0015

Source: Data processed, 2020

The Chow test is a test to determine the fixed effect or common effect model that is most appropriate to use in estimating panel data. If the prob value  $<0.05$  then choose the fixed effect over the common effect. If the Prob value  $> 0.05$  then choose the common effect from the fixed effect. Based on table 4.7, the Chi Square cross-section probability value is 0.0015, so the probability value in the chow test is 0.0015  $<0.05$ , meaning that the most appropriate model to use based on the chow test is the fixed effect.

#### HAUSMAN TEST

Determining the most suitable model in this study after the chow test was carried out, followed by the Hausman test. In table 3, you can see the results of the Hausman Test.

**Table 6 Hausman Test**

Test Summary	Chi-Sq Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	9.087547	2	0.0106

Source: Data processed, 2020

The Hausman test is a statistical test to select a fixed effect or random effect model. Based on table 3, the Hausman Test probability value is 0.0160. Value 0.0160  $<0.05$  from the Hausman test, the best model to use is the fixed effect model.

This study uses panel data regression analysis techniques. There are three models used in panel data regression, namely the Common Effect Model, Fixed Effect Model, and the Random Effect Model. It is necessary to determine the best model to be brought into the research being carried out. One of the



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methods used to determine the best model is to compare the R2 value in each estimation result of the panel data model.

### R2 VALUE IN PANEL DATA ESTIMATION

Determining the appropriate model by comparing the R2 value in each model can be seen in table 7

**Table 7 Nilai R<sup>2</sup> Setiap Model**

Variabel Dependen	Nilai R <sup>2</sup>		
	Common	Fixed	Random
Indeks Maqashid Syariah	0.062079	0.569067	0.016504

Data: Data processed in 2020

Based on table 4, it shows the value when the dependent variable of the Maqashid Syariah Index, the highest R2 value is the fixed effect compared to the common effect and random effect. With a high value of R2 fixed effect, it means that the appropriate model used in this study is the fixed effect model.

### CLASSIC ASSUMPTION TEST

#### AUTOCORRELATION TEST

The results of the autocorrelation test in the data of this study can be seen in table 4:12 on the results of the D-W test.

**Tabel 8 D-W Test**

Durbin-Watson stat	1.752065
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Source: Processed Data, 2020

Based on the table above, the D-W test results are 1.752065. This study uses data for 5 years and has 9 banks of research objects so that the dw table shows dL 1.4298 and dU 1.6148. 4-dL has a value of 2.5702 and 4-dU 2.3852. The results obtained were  $dL < dU < D-W < 4-dU < 4-dL$  so that it could be concluded that there was no autocorrelation in this study.

### HETEROSCEDASTICITY TEST

The results of the Heteroscedacity Test can be seen in table 6

**Table 9 Heterokedacity Test Results**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.092282	0.046106	2.001500	0.0518
ISR	0.006211	0.054317	0.114347	0.9095

Source: Data processed, 2020

Based on the table above, the probability value of the ISR when tested for heteroscedasticity is 0.2464 and 0.9095. ISR variable value of  $0.9095 > 0.05$ , so it can be concluded that the data in this study were not affected by heteroscedasticity.

### HYPOTHESIS TEST

#### T-TEST RESULTS

The results of hypothesis testing separately using the t-test with IMS as the dependent variable can be seen in table 7



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**Tabel 10 t Test**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ISR	0.126499	0.044782	2.824763	0.0079

Source: Processed Data, 2020

Based on the table above, it means that the independent variable ISR variable probability value is  $0.0079 < 0.05$ , with a significant level of 95 percent ( $\alpha = 5$  percent), so  $H_0$  is rejected and  $H_a$  is accepted. The regression coefficient of the ISR is positive at 0.126499. This means that the ISR has a positive effect on maqshid index, the higher the ISR, it becomes a factor for increasing maqashid index

### RESULT OF THE COEFFICIENT OF DETERMINATION ( $R^2$ )

The results of the coefficient of determination in this study, the dependent variable, namely the Sharia Maqashid Index, can be seen in table 8

**Tabel 11  $R^2$  Result**

R-squared	0.569067
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Based on the results of the determination coefficient test in table 8, the coefficient of determination is 0.569067, which means that the IMS variable is determined by the variation of the ISR variables of 56.90 percent. It means that the other 43.1 percent is determined by other variables outside the regression model used in the study.

## DISCUSSION

### THE EFFECT OF ISLAMIC SOCIAL REPORT ON BANKING PERFORMANCE WITH THE MAQASHID INDEX

Bank Muamalat Indonesia throughout 2014-2018 its Islamic Social Report is in a good category with the highest disclosure index of 0.72. Bank Mandiri Syariah has an Islamic Social Report index that tends to increase and for four years it has been categorized as good. In 2018 Bank Mandiri Syariah in the disclosure of the Islamic Social Report was categorized as very good with an index value of 0.81. BNI Syariah has a fluctuating index value from 2014 to 2015 in the good category, 2016 and 2018 in the very good category and in 2017 the category is good. The value of the BCA Syariah index has increased from the four years from 2014 to 2017 it was categorized quite then in 2018 it was categorized as very good. Bank Mega Syariah tends to increase from year to year with sufficient disclosure category. Panin Dubai Syariah Bank has an Islamic Social Report disclosure index value that tends to increase and is constant in the sufficient and good category. Bank Bukopin disclosures of Islamic Social Report from year to year have increased in categories from sufficient to good. The BTPN Syariah Islamic Social Report disclosure index experienced a decrease in 2017 and then the index rose again in 2018 categorized as sufficient. BRI Syariah has an adequate category index value in 2014-2015 and good in 2016-2018.

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namely strengthening the quality of human resources through education and welfare and upholding economic justice (Rama & Ali, 2018).

### 5 CONCLUSION

The conclusion of this study is that the Islamic Social Report has a significant positive effect on bank performance with the Maqashid Index on Islamic Commercial Banks in 2014-2018. The results of the maqashid sharia using the Maqashid Index show that there are no Islamic commercial banks in Indonesia that reach an index value of 0.50. This means that sharia banking is expected to pay attention to compliance and Islamic principles. The Islamic Social Report shows that there is no BUS that reaches the maximum disclosure value. It is expected that Islamic banking will pay more attention to social responsibility in accordance with sharia principles. The decline in trust will affect the company's performance and business continuity. The main component to create a good and good corporate image is the social responsibility of the banking company (Purwanto, 2011). The better the corporate social responsibility, the better the company's image and will improve the company's performance

### LIMITATION AND STUDY FORWARD

#### LIMITATION

This study uses a research period of 5 years and examines the objects of Islamic banking that only exist in Indonesia. The calculation of Maqashid sharia uses the maqashid index according to Abu Zahra's view.

#### STUDY FORWARD

This research took 5 years and the banks studied were 9 banks. While the independent variable studied was only the Islamic Social Report on the Maqashid Index. It is hoped that further research can increase the number of banks and the number of variables that affect the maqashid of sharia to be more accurate and get a clear picture and to know other variables that have a significant effect on maqashid sharia.

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### APPENDIX

#### *Islamic Social Report List*

No	Items disclosure of Islamic Social Report
<b>A</b>	<b>Theme of Finance and Investment</b>
1	Activities containing usury
2	Activities containing gharar
3	<i>Zakat</i>
4	Policies in dealing with late payments
5	Added Value
<b>B</b>	<b>Theme of Products and Services</b>
6	Products or environmental operation activities
7	Halal status of products
8	security and product quality
9	customer complaints / service to consumer complaints
<b>C</b>	<b>Employee</b>
10	Hours of Work
11	Education and Training
12	Benefits received by employee
13	Remuneration / Salaries / Wages of Employees
14	Health and safety
15	Work environment
16	Jobs from other groups who have needs specifically (physical, ex-convict, ex-drug addict)
17	higher echelons in the company perform congregational prayers with lower and middle level managers.
18	Muslim employees are allowed to perform their obligatory prayers during certain times and fasts during Ramadan on their working days.



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19	An appropriate place of worship for employees.
20	Equality of Rights
21	Employee involvement in management discussions and decision making
22	Holidays
<b>D</b>	<b>Community Themes</b>
23	<i>Saddaqa</i> / Donations
24	<i>wakaf</i>
25	<i>Qard Hassan</i>
26	Zakat or donations from employees
27	Education: plans to establish schools, scholarships
28	Empowerment of school graduates / lectures
29	Development Youth
30	Improving the quality of life of the poor
31	Caring for children
32	Other social activities sponsoring health, sports, education events, etc.
<b>E</b>	<b>Environmental</b>
33	conservation
34	Activities to reduce the effects of global warming
35	Environmental education
36	Independent verification statements or environmental audits / certification from institutions
37	Environmental Management System / Policy
<b>F</b>	<b>Corporate Governance Themes</b>
38	Status of Compliance with Sharia
39	Board of Directors Profile
40	Share ownership structure
41	Declaration of prohibited activities: monopolistic practices / stockpiling of necessary goods / price manipulation / fraudulent business practices / gambling
42	anti-corruption policies
43	T The company's aim to achieve blessings

(Othoman & Thani, 2009)