FINANCIAL PERFORMANCE AND INDEPENDENT BOARD OF DIRECTORS AS DETERMINANT IN THE CONTINUITY OF CSR DISCLOSURE IN SYARIAH AND CONVENTIONAL BANKS IN INDONESIA

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ABSTRACT

The objective of this research are to analyze financial performance and independence of directors are relevant for Corporate Social Responsibility (CSR) disclosure of Islamic banks and conventional banks in Indonesia and to find significant differences exists between determinants of CSR (financial performance and independence of directors) between Islamic and conventional banks in Indonesia. The population of this research covers Islamic and conventional banks in Indonesia. Sample will taken using purposive sampling and the criteria as banking institutions which publish their annual financial report during a period of January 2007 to December 2011. Based on the criteria above, the number of banks in the sample is seven Islamic banks and ten conventional banks. Multinomial logistic regression is used to test empirically whether the CSR is highly influenced by the factors identified earlier. The results of this study resulted in two models of logistic regression, namely the category of Islamic banks not disclosing CSR and the category of Islamic Bank disclosing CSR with conventional bank category which reports CSR as reference group. For the category of Islamic Banks not disclosing CSR, company size has significant impact on the probability that Islamic bank would not disclose CSR but the probability is lower compared to its impact with conventional banks disclosing CSR and independent board of directors is found to have significant probability on Islamic banks not disclosing CSR and this would be higher than the impact of conventional banks disclosing CSR.

For the category of Islamic Banks disclosing CSR, company size has a significant impact on the probability of Islamic bank disclosing CSR but it is lower in its impact than conventional banks disclosing CSR and independent board of directors has significant impact on the probability that Islamic bank would disclose CSR and the impact is lower compared to the impact on conventional banks disclosing CSR. This is consistent with the *previous studies from Brammer et. al. (2004), Brown et. al. (2006), Febrina (2011), Sembiring (2005), (Khan, 2010), Suciyati (2010), Hanifa & Cooke (2002). For the two models in this research, that is Islamic banks disclosing CSR and Islamic banks not disclosing CSR relative against conventional banks disclosing CSR, it is found that ROA and leverage have an impact on CSR disclosure but not significant at .10 level. This is consistent with the previous studies Febrina (2011), (Masruki et al:2009). Nonetheless, the study provides some contribution on factors that contribute to the disclosure of CSR. Thus, future studies should expand the current model to include other factors.*

Keywords: *Islamic bank, conventional bank, corporate social responsibility (CSR), independent board of directors, financial performance.*

1. INTRODUCTION

Corporate social responsibility is concern abaout the way in which company meet their obligation both to the employee and comunity (Luan, 2005). Concern with corporate social responsibility (CSR) in Indonesia has been increasing. Initially, in Indonesia, Company Act No. 1 Year 1995 did not consider CSR, but later, in 2007 when the Company Act was revised and enacted (Company Act No. 40 Year 2007), the act included CSR in article 74, which states that a company having its business activities in the field of and/or related to natural resources shall be obliged to perform its social and environmental responsibility.

Bank as a financial institution has the same responsibility as any other companies in its social commitment. Bank In the Islamic context, the social responsibilities are derived from Allah and from the Prophet Muhammad [peace and bless-ings be upon him (pbuh)]. Thus, social role is very important for Islamic banks and some researchers described Islamic banks as banks having a social face. Dusuki & Dar (2005) have stated that in practice syariah banks are expected to play greater role in CSR activities compared to conventional banks.

Several previous researchers have formulated normative standards for reporting (Gambling & Karim, 1986; Baydoun & Willet, 2000; Lewis, 2001) and social reporting for Islamic business entity based on Islamic principles (Haniffa, 2001; Maali et. al., 2003 According to Hameed & Yahya (2003), syariah bank as one of Islamic business entities is obliged not only to report its economic performance but also its syariah compliance and its social and environmental concern to its stakeholders. This has been accomodated by SFA (Statement of Financial Accounting No. 1) in the Objectives of Financial Accounting for Islamic Banks and Financial Institutions (AAOIFI, 2002). In

Indonesia, non-financial reporting has been generally accommodated by PSAK No. 1 paragraph 09, where it is implicitly recommended that responsibility over environment and social affairs should be disclosed. The quality of accounting information is determined the breadth of the disclosure (Healy & Palepu, 2001). Disclosure can be mandatory or voluntary, including the disclosure concerning social responsibility of the company. The disclosure of corporate social responsibility in Indonesia is mostly voluntary.

Several of the previous studies, among others Sembiring (2005), Gao et. al. (2005), Naser et. al. (2006), Lynes & Andrachuck (2008), Joseph & Taplin (2011), Rustiarini (2011), and Febrina & Suaryana (2011) have explained the factors of company size, leverage, growth, the number of directors, ownership structure and industry as factors influencing the disclosure of social responsibility. Masruki et. al. (2009) have found that CSR disclosure is related only to bank size for syariah banks in Malaysia. CSR disclosure is predicted to be able to improve the relevance of accounting information value, due to the fact that CSR disclosure can increase the amount of information required by investors in assessing the company.

This research aims to determining the factors contributing to CSR disclosure in syariah and conventional banks in Indonesia. Based on the background and problems stated above, the objective of this research is to verify the factors which determine CSR disclosure in syariah and conventional banks in Indonesia. This study extends previous studies on CSR in Indonesia (Siregar and Bachtiar, 2010; Hassan & Harahap, 2010; Masruki. et al, 2009; Maali et al., 2003) but looks specifically at one particular company in the banking sector. The empirical findings from the first study done by Fitriyah & Ulfi (2012) has found that the factors of bank size, the number of SSB (Shariah Supervisory Board), ownership structure as factors determinan the disclosure of social responsibility.

The formulation of the problems is as follows: (1) Whether financial performance and independence of directors are relevant for CSR disclosure in syariah and conventional banks in Indonesia? (2) Whether significant differences exists between determinants of CSR (financial performance and independence of directors) between syariah and conventional banks in Indonesia?

2. Research Context

2.1. Overview of Previous Studies

Several of previous studies have tried to identify several variables explaining the variation in CSR disclosure such as Robert (1992), Haniffa et. al. (2005), Sembiring (2005), Gao et. al. (2005), Naser et. al. (2006), Sayekti & Wondabio (2007), Lynes & Andrachuk (2008), Curuk (2009), Anwar et. al. (2009), Handayani (2010), Joseph &

Taplin (2011) and Rustiarini (2011). Review on previous studies has identified that there are two factors explaining the variables of social and environmental responsibility disclosure, that is internal and external factors of the company. Internal factors of the company such as profitability, company size, leverage, size of board of directors, and ownership structure. External factors include market system, political system, knowledge system and social system (Iynes & Andrachuk, 2008).

There are various reasons why CSR in financial industry, especially banking, is no different from other industries, as evident from the research by Farook et. al. (2011) on the factors influencing CSR disclosure in syariah banks in Middle East countries. The research found that the existence of syariah council, political and social freedom of the society, and the size of deposits against total asset are the significant variables in explaining CSR disclosure. Hassan & Harahap (2010) tried to explore CSR disclosure using content analysis for syariah banks in seven countries, where Indonesia is one among them. They found that CSR disclosure in syariah banks is above average according to disclosure indeks. Anugerah (2011) states that the elements of the corporate governance structure are simultaneously impacting the breadth of CSR disclosure for banks with positive coefficient and can explain 77.5% of the breadth of bank CSR disclosure. Maali et. al. (2003) indicated that syariah banks have not played significant role in social activities. According to Usmani (2002), syariah banks should be able to adopt the new financing model which can support the development of small and mid-scaled businesses. The musharakah financing provided in phases for small and mid-sized businesses with its profit sharing should be able to support the economic development of the lower classes.

Based on previous research, the present researchers try to contribute to the literature by focusing on the relevance of financial performance and independence of board of directors with corporate social responsibility (CSR) in syariah and conventional banks in Indonesia.

2.2. Theoritical Framework

Definition of CSR

So far there is no single definition for CSR. What follows is several definition of CSR which have often been applied and referred to. One of the definition is from Bowen (1953), which states that CSR is an "obligation by businessman to pursue those policies, to make those decision or to follow those lines of action which are desirable in terms of the objectives and values of out society."

Wineberg & Rudolph define CSR as "the contribution that a company makes in society through its core business activities, its social investment and philanthropy programs and its engagement in public policy" (Wineberg, 2004:72). Mardjono

Reksodiputro states that the concept of CSR overlaps with the concept of corporate governance and business ethics (Reksodiputro, 2004), while Schermerhorn (1993) defines CSR as a concern from a business organization to act with their own way in serving the needs of the organization and external public interest (Schermerhorn, 1993).

Stakeholder Theory

Stakeholder theory states that a company is not an entity which operates entirely for its own interest but must provide benefit for its stakeholder. In this way, the existence of a company is influenced by the support given by the stakeholders to the company (Ghozali & Chairi, 2007).

Stakeholder theory predicts that management would pay attention to the expectations of powerful stakeholders, that is the ones powerful enough to control the resources required by the company (Deegan, 2000). This theory can be used for explaining company social responsibility which should be beyond maximizing profit for stakeholder interest and should be higher, that is serving the interest of all parties related or having claim over the company (Untung, 2008 in Waryanti, 2009).

Company would try to satisfy stakeholders by giving required information. The disclosure of corporate social responsibility is a form of company responsibility to the stakeholder. CSR disclosure shows that accounting information is a signal of company's concern with its stakeholder.

Agency Theory

Agency theory states that there is a relation between the principal (company owner or the party giving mandate) and the agent (company manager or the party receiving mandate), which is based on the separation of ownership and control of the company, or the separation between the functions of risk bearing, decision making and control (Jense & Meckling, 1976). Several studies have used the agency theory as the basis for evaluating CSR. Agency theory is more focused on the relation between manager and stakeholder, whereby agency theory can explain the insentive problem caused by the separation between manager and owner of resources. This theory believes that the separation between ownership and management would result in agency cost to due conflict of interest (Hossain, Perera & Rahman, 1995). Agency theory is also related to the agency cost resulting from the conflict between principal and agent (Jensen & Meckling, 1976). The research of Brown et. al. (2006) indicates that agency cost plays a role in explaining the magnitude of company donation, which is part of CSR.

CSR in Islamic View

In Islam, business activity is carried out not only to fulfill material needs and wants but also to carry out religious obligation and to fulfill non-material needs such as social comfort (al-Jawziyyah, 1995; Rahman & Goddard, 1998). Social responsibility of an organization towards the community consists in protecting and contributing to the prosperity of the community (Beekun, 1997). social responsibility in Islam is rooted in solidarity and social justice (Naqvi, 1981).

Based on the science of Tauhid, the primary objective of social responsibility is not only responsibility to Allah and human beings but also to the environment. The concept of Tauhid also sees that business activity carried out by human beings is a form of human role as *khalifah* (leader) in Allah's Earth. Human being as *khalifah* does not necessarily mean that human beings are free without responsibility, but a freedom which is responsible and can be accountable to Allah (Haniffah et. al., 2002). As a *khalifah* who holds fast to the principle of Tauhid in leading an Islamic business organization, it is natural that such a leader implements CSR (Muwazir et. al., 2006).

2.3. Formulation of Hypotheses

The variable of company size is the one most often used for explaining variations in social and environmental disclosure (Curuk. 2009; Gao et. al., 2005; Joseph & Taplin, 2011; Naser et. al. 2006; Sembiring, 2005). Almost all of these studies, except Curuk (2009), supports the research hypothesis. Company size has positive correlation with social responsibility disclosure. The relation between company size and CSR disclosure is explained by agency theory. Big companies would voluntarily disclose more information to reduce agency cost (Naser et. al., 2006; Sembiring, 2005). Therefore, the researchers test the relevance of company size with CSR disclosure, and the following hypothesis is proposed:

H1: Banks with large assets play greater role in social activities compared to smaller banks. There is a positive relation between bank's asset with its role in social activities.

Research on the factors influencing social responsibility disclosure in Indonesia has come up with mixed results. Sembiring (2003) found that profitability does not have impact on CSR disclosure. The variable of company size is found to have significant impact on the disclosure of company's social responsibility. Sembiring (2005) found almost the same findings. The independent variables under study were profitability, size, leverage, size of board of directors and profile. The result shows that profitability and leverage do not have significant impact on CSR disclosure. Other variables (company size, size of board of director and profile) have significant impact on CSR disclosure.

In order to test for the relevance of profitability for CSR disclosure, the following hypothesis is proposed:

H2: Banks with high profit play greater role in social activities rather than those with low profit. There is positive relation between the level of profitability and banks' role in social activities.

Previous studies have found that the level of leverage also correlates with the level of information in CSR disclosure, despite mixed findings. Roberts (1992) found positive correlation while Sembiring (2003) and Sayekti (2006) found negative correlation. Haniffa et. al. (2005) and Sembiring (2005) did not find correlation with leverage level and CSR disclosure. On the other hand, Naser et. al. (2006) found a positive relation between leverage and social and environmental disclosure. Based on the description above, it is proposed in relation to the relevance of leverage for CSR disclosure that:

H3: Banks with low leverage tends to play significant role in CSR activities compared to banks with high level of leverage. Social role of banks are related negatively with bank's leverage.

According to Suciyati (2010), there is an inseparable relation between corporate social responsibility and good corporate governance since corporate social responsibility is one of the practice of corporate governance. Khan (2010) has tried to explain the impact of elements of corporate governance on the breadth of CSR disclosure in private banks in Bangladesh. The result is that corporate governance as a whole has positive impact on the breadth of CSR disclosure.

The mechanism for corporate government is relevant to the disclosure of information (Bughsan, 2005). The mechanism of corporate governance as determined by companies include among others the establishment of independent board of directors (Siallagan & Machfoedz, 2006; Carningsih, 2009). The independent board of directors is expected to be able to improve the quality of effective control, where this effective control activity can improve the quality of disclosure from the company, both the mandatory and voluntary ones (Haniffa & Cooke, 2002). Sembiring (2005) states that the size of independent board of directors has positive impact on the disclosure of company social responsibility. Based on the above reasoning, the following is proposed:

H4: Banks with independent board of directors will play greater role in CSR disclosure compared to those without such a board of directors. Therefore, there is a positive relation between the existence of independent board of directors and CSR disclosure.

3. RESEARCH METHODOLOGY

3.1. Research Design

The population of this research covers syariah and conventional banks in Indonesia. The sample of this research is syariah and conventional national banks in Indonesia during the period of research, that is 2007-2011. Sample will taken using purposive sampling. The banks in the sample should fulfill the criteria as banking institutions which publish their annual financial report during a period of January 2007 to December 2011. Based on the criteria above, the number of banks in the sample is seven syariah banks (Bank Muamalat Indonesia, BNI Syariah, Bank Syariah Mandiri, Bank Syariah Mega Indonesia, Bank BRI Syariah, Bank Syariah Bukopin, Bank Victoria Syariah) and 10 conventional banks (Bank Mandiri, Bank Permata, Bank NISP, Bank BRI, Bank BNI, Bank Panin, Bank BCA, Bank Bukopin, BII Maybank and Bank Mega).

Data in a research is the objective basis on which a decision or a policy is made. Data in this research will be collected from secondary data also using documentary material collection method. The documents used in this research includes company's annual financial reports or annual reports. This data is gathered by searching for financial report published in company websites and Indonesia Capital Market Directory, published by Indonesian Stock Exchange.

3.2. Definition of Operational Variables

In line with the problem and hypotheses formulation, the variables to be analyzed in this research is grouped into two sets:

a. Dependent variables

Dependent variables of this research is corporate social responsibility (CSR) disclosure in syariah and conventional banks. This dependent variable is qualitative data, that is categorical data with the following definition:

Y = 0 when syariah bank discloses CSR activities

Y = 1 when syariah bank does not disclose CSR activities

Y = 2 when conventional bank discloses CSR activities

Y = 3 when conventional bank does not disclose CSR activities

b. Independent variables, that is the variables expected to impact on dependent variables, comprised of:

c.

1. X1: size. This is the size of the company as measured as the log of company assets.

   Size = ln(Total Assets)

   According to Adams & Hardwick (1998) and Brammer & Millington (2006), in order to minimize and reduce the impact of extreme values, the variable for company size is expressed in natural log (ln) of total assets.

2. X2: return on assets (ROA). This is the ratio to measure the ability of the company in producing net profit based on certain level of assets (Brigham, 2010)

   Return On Total Assets (ROA) = net profit after tax / total current assets

3. X3: leverage. This is the ratio which describes the relation between company debt to total current assets (Westerfield, 2009).

   Debt To Total Asset Ratio = total debt / total current asset

4. X4: independent board of directors (dewan komisaris independen / DKI). This is a dichotomous variable where a company either has or does not have independent board of directors, which is coded as follows:

   0 = number of independent board of directors two members

   1 = number of independent board of directors more than two members

3.3. Analytical Methods

The data analysis method of this research is chosen for its ease in interpretation and sense-making, that is:

a. **Descriptive analysis**. Descriptive analysis is used to obtain general picture of the data obtained. This general picture or overview can serve as reference in seeing the characteristics of the data obtain in the research. In this research, descriptive analysis is carried out to determine whether syariah and conventional banks which disclose CSR activities and which do not can be distinguished from one another based on the involvement of independent board of directors and its financial characteristics (size, leverage and ROA).

b. **Logistic Regression Model**. The data analysis method for this research is logistiC regression since the data for dependent variables is dichotomous (dummy variable) while the independent variables are quantitative, that is intervals, ratios and categorical data (Priyatno, 2009). Unlike ordinary linear regression, logistic regression cannot assume a relation between independent and dependent variables in a linear manner. Logistic regression is a non-linear one.

   This research also applies multinomial logistic regression. This multiple regression is applied to predict the impact of two independent variables or more on one dependent variable, where the dependent variable is qualitative and categorical, that would take a value of 0 for syariah bank disclosing CSR activities, 1 for syariah bank not disclosing CSR activities, 3 for conventional bank disclosing CSR activities, and 4 for conventional banks not disclosing CSR activities.

4. RESULTS AND DISCUSSION

4.1. Descriptive Analysis

Table 1. Description of Research Data

Case Processing Summary

		N	Marginal Percentage
CSR	syariah bank does not disclose CSR activities	10	13,3%
	syariah bank disclose CSR activities	25	33,3%
	bconventional bank disclose CSR activities	40	53,3%
DKI	number of independent board of directors 2 members	11	14,7%
	number of independent board of director more than 2 members	64	85,3%
Valid		75	100,0%
Missing		0	
Total		75	
Subpopulation		74[a]	

a. The dependent variable has only one value observed in 74 (100,0%) subpopulations.

Based on the statistical analysis in Table 1, syariah banks which disclose CSR is 33.3% and which do not disclose CSR is 13.3%. While 53.3% of conventional banks in the sample of this research has disclosed CSR of the total sample of 75 banks. From this result, one can conclude that the awareness of banks of the importance of CSR disclosure is growing. While the determinant variable for CSR disclosure in this research is the number of independent board of directors and financial characteristics of the company in terms of size, return on assets and leverage. 85.3% of syariah and conventional banks have more than two members of board of directors. This is consistent with the regulation from Bank Indonesia.

4.2. Analysis of Logit Model

The analysis of logit model in this research is applied to determine the relevance of financial performance and independent board of directors for the CSR disclosure of syariah and conventional banks. The logit model in this research is a multinomial logistic regression since the dependent variables consist of ordinal or nominal types with more than 2, so that binary model is not applicable. The result of multinomial logistic regression as calculated by SPSS 17 in this research is as follows:

Table 2. Result of Multinomial Logistic Regression

Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	145,517			
Final	25,217	120,300	8	,000

Pseudo R-Square

Cox and Snell	.799
Nagelkerke	.933
McFadden	.827

Likelihood Ratio Tests

Effect	-2 Log Likelihood of Reduced Model	Chi-Square	df	Sig.
Intercept	25,217[a]	,000	0	.
LNSIZE	98,088	72,870	2	,000
ROA	29,124	3,907	2	,042
LEV	30,212	4,995	2	,082
DKI	44,190	18,973	2	,000

The chi-square statistic is the difference in -2 log-likelihoods between the final model and a reduced model. The reduced model is formed by omitting an effect from the final model. The null hypothesis is that all parameters of that effect are 0.

a. This reduced model is equivalent to the final model because omitting the effect does not increase the degrees of freedom.

Parameter Estimates

CSR[a]		B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B) Lower Bound	Upper Bound
syariah bank does not disclose CSR activities	Intercept	481,334	259,403	3,443	1	,064			
	LNSIZE	-16,086	8,476	3,601	1	,058	1,033E-07	6,293E-15	1,695
	ROA	195,867	122,325	2,564	1	,109	1,16E+85	8,730E-20	1,5376+189
	LEV	44,164	27,596	2,561	1	,110	1,5E+19	4,902E-05	4,6790E+42
	[DKI=0]	2,182	7,902	,076	1	,082	8,866	1,666E-06	47182071,66
	[DKI=1]	0[b]	.	.	0	.	.	.	.
syariah bank disclose CSR activities	Intercept	434,144	258,429	2,822	1	,093			
	LNSIZE	-14,183	8,434	2,828	1	,093	6,921E-07	4,584E-14	10,451
	ROA	183,662	121,484	2,286	1	,131	5,80E+79	2,270E-24	1,4827+183
	LEV	38,377	27,355	1,968	1	,161	4,6E+16	2,409E-07	8,952E+39
	[DKI=0]	-5,629	7,164	,617	1	,032	,004	2,867E-09	4503,168
	[DKI=1]	0[b]	.	.	0	.	.	.	.

a. The reference category is: bconventional bank disclose CSR activities.

b. This parameter is set to zero because it is redundant.

Table fitting information shows whether the inclusion of independent variables into the model would result in better outcome than the model with only intercepts. By including independent variables, then 2log likelihood has been reduced into 25.217 or a reduction in chi-square as much as 120.300 which is significant in p = .00. Therefore, the model with independent variables has been proven to achieve better accuracy in predicting CSR disclosure in syariah and conventional banks.

Pseudo R-Square(Cox and Snell, Negelkerke) have the same analogy with R-Square in linear regression. This show that 93.3% of the variance is explained by the model, while the rest is outside the model. Likelihood ratio test in the table shows the contribution of each independent variable on the model. All variables contribute to the model in significance level $p < .1$.

In dichotomous logistic regression model, dependent variable is expressed in logit function for Y = 1 compared to the logit function Y = 0. In the logit multinomial model for 4 categories, there emerge three logit functions. However, since all conventional banks reports CSR, then the logit function for conventional banks not disclosing CSR is non-existent so that there are only two logit functions with conventional bank category which reports CSR as reference group. The resulting logit regressions are as follows:

For the Category of Syariah Banks Not Disclosing CSR

Ln [p/1-p] = 481.334 – 16.086 Ln SIZE + 195.867 ROA + 44.164 + 2.182 DKI (0)

Company size has significant impact on the probability that syariah bank would not disclose CSR but the probability is lower compared to its impact with conventional banks disclosing CSR, with a coefficient of -16.086 and significant on $p < .10$ with the Odd Ratio (expB) of 1.033E-07 (ratio between syariah banks not disclosing CSR and conventional banks disclosing CSR under the value of 1). This is consistent with the previous studies from Brammer et. al. (2004), Brown et. al. (2006), and Febrina (2011). For the case in Malaysia (Masruki et. al., 2009), there is a tendency that banks with large assets have strong drive to practice CSR. In general, bank size is a determinant of CSR disclosure in Malaysia.

The variable of independent board of directors is found to have significant probability on syariah banks not disclosing CSR and this would be higher than the impact of conventional banks disclosing CSR with a coefficient of 2.182, significant at $p < .10$ and Odd Ratio 8.866 (ratio between syariah bank not disclosing CSR and conventional bank disclosing CSR above 1). This is consistent with the research by Suciyanti (2010), Hanifa & Cooke (2002) and Sembiring (2005), which found that board of directors has positive impact on company CSR disclosure. Greater the number of independent board of directors it could easily to control the CEO and monitoring can be done effectively.

For The Category Of Syariah Banks Disclosing CSR

Ln [p/1-p] = 434.144 – 14.183 Ln SIZE + 183.662 ROA + 38.377 – 5.629 DKI (0)

Company size has a significant impact on the probability of syariah bank disclosing CSR but it is lower in its impact than conventional banks disclosing CSR with a coefficient of – 14.183 and significant at $p < .10$ with an Odd Ratio of 6.921E-14 (ratio between syariah bank disclosing CSR and conventional bank disclosing CSR under 1). This result is consistent with previous research by Brammer et. al. (2004), Brown et. al. (2006), which found that the size of syariah banks reflects the capability of the bank to attract customer to obtain financing from syariah banks. In order to maintain their customer, syariah banks should show that they practice their social responsibility to the public besides gaining profit from their shareholders. Siregar (2010) found firm size has a positive effect on CSR. This suggests that larger firm have more resources to devote to socialactivities and a larger asset base over which to spread the costs of social responsibility.

For the variable of independent board of directors, it is found that this variable has significant impact on the probability that syariah bank would disclose CSR and the impact is lower compared to the impact on conventional banks disclosing CSR with a coefficient of -5.629 and significant at $p < .10$ with an Odd Ratio of .004 (ratio between syariah banks not disclosing CSR and conventional banks disclosing CSR under the value of 1). This is consistent with the studies by Suciyanti (2010), Hanifa & Cooke (2002) and Sembiring (2005), where board of directors has positive impact on company CSR disclosure. For the case in Bangladesh (Khan, 2010), corporate governance as a whole has made positive impact on CSR coverage. In this research, corporate governance is proxied by independent board of directors.

For the two models in this research, that is syariah banks disclosing CSR and syariah banks not disclosing CSR relative against conventional banks disclosing CSR, it is found that ROA and leverage have an impact on CSR disclosure but not significant at .10 level. The variable of return on assets (ROA) has positive regression but not significant at α = 10%. So, despite relation between CSR and ROA, statistically the impact is not significant that H1 is rejected and Ho is accepted.

The finding above is consistent with Febrina (2011) and Siregar (2010) which shows that profitability level does not have significant impact on social responsibility disclosure and company environment, which means that higher level of profitability does not improve the coverage of social and environmental responsibility disclosure policy, since when company has high level of profit, the company would consider that they should not report things which might impair their financial success. On the other hand, this may result in an agency conflict, which would result in agency cost being borne by the company.

From calculation it is found that the regression coefficient for leverage is positive with the significance of 44.164 and 38.377, where both is above α = 10%. This means that between CSR and leverage, there is an impact but statistically not significant. This is contrary to the thirth hypothesis in this research, which states that banks with low leverage would have greater participation in social activities rather than banks with high leverage. The social role of banks has negative relation with bank leverage. However in this research, the increase in debt has an impact on the increase in CSR disclosure but not significant. This may be due to the fact that CSR disclosure would improve business reputation of syariah banks. When they have high level of debt, they are in better position to conduct their daily operation, especially in financing their customer. Also, banks with high level of debt would show that the customers trust them and would deposit their fund in the bank since the bank is considered to be able to give reasonable return for their investment (Masruki et. al., 2009). The results of this study support the research Nasser (2006) leverage ratio is positively related to the disclosure of corporate social responsibility because company with a high-risk attempt to reassure investors and creditors with a detailed disclosure.

CONCLUSION

The awareness of syariah and conventional banks in disclosing CSR is quite high, that is 86.6%, while the remaining 13.4% have not. This shows that the awareness of banks in disclosing CSR is growing. While the determinant variable for CSR disclosure in this research is observed from the number of independent board of directors and financial characteristics of the company, specifically company size, return on assets and leverage. About 85.3% of syariah and conventional banks have more than two members for their board of directors, and this is consistent with the regulation from Bank Indonesia.

The logit model constructed in this research has fulfilled the assumption of model fitting information, which shows that the final model has a chi-square of 120.300 and df 8, and a p-value of .000. It is evident that the model as a whole is significant. Pseudo R-square in Nagelkerke shows a value of .933, which means that company size, return on assets (ROA), leverage and number of independent board of directors can explain CSR disclosure in syariah and conventional banks as much as 93.3% through logistic regression model, while the rest is outside of the model.

Company size and independent board of directors are the determinants of CSR disclosure and larger company size would result in greater CSR disclosure. This is supported by studies from Brammer et. al. (2004), Brown et. al. (2006), Masruki et. al. (2009) and Febrina (2011). ROA and leverage have some impact on CSR but insignificant statistically. Higher ROA and leverage do not improve the policy for disclosing company social responsibility.

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