

The Analysis of Sharia Legitimacy of State-Owned Sharia Bank by Using Disclosure Index

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ABSTRACT : The development of Islamic economics is currently in the spotlight of many parties, especially economists because many think that Islamic economics is a solution in the economic development of a country. One sector that has a role in the development of the Islamic economy is the banking sector, especially Islamic banking. Islamic banking is considered capable of providing innovations for financial solutions, especially for the Muslim community in the world who want to conduct transactions in modern times without eliminating the ethical aspects of banking. This study aims to analyze the disclosure of the performance of each state-owned Islamic bank in showing its legitimacy as a sharia-based bank. The objects of this research are: Bank Syariah Mandiri (BSM), Bank Negara Indonesia Syariah (BNIS), and Bank Rakyat Indonesia Syariah (BRIS) with annual data from 2015 to 2019. The results of this study are the average score of disclosure of the quality of Islamic Banks in Indonesia from the highest to the lowest, namely BSM and BNIS have the same score of 82%, while BRIS has a score of 80%. The conclusion is that Bank Syariah Mandiri and Bank BNI Syariah have the highest scores in the 2015-2019 calculations.

Keywords: Banking Performance, Disclosure Index, Islamic Principle, Legitimacy, State-owned Sharia Banking.

1. INTRODUCTION

Islamic banking has grown rapidly in the last five years. According to OJK (2020), Islamic banking assets increased as of September 2020 to Rp 561.84 trillion. Islamic banking market share has reached 6.18%. From these data, it can be seen that the development of Islamic banking is quite rapid. Increasing capital from a third source of funds owned by the public and increasing customers is a way to increase the market share of Islamic banking, which is a challenge for the Islamic banking industry in obtaining and maintaining its customers.

In improving services to customers, banks must legitimize their operations by paying attention to the needs and desires of customers, on the one hand Islamic banking must also pay attention to Islamic values that exist in its operations because the community does not only look at the operational aspects but also the spiritual aspects of Islamic banking. , a negative reputation can have a systematic impact on the Islamic finance industry. Therefore, Islamic banks must have good reputation management. Reputation risk can be reduced if Islamic banking applies the principles of Good Corporate Governance properly. The principles of GCG are the implementation of fairness, transparency, accountability and responsibility in the company's operations. The implementation of GCG will complement the principle of prudence (prudential banking). This includes the fulfillment of sharia principles (sharia principle) oriented to the fatwas of the Majelis Ulama Indonesia (MUI). Today's Corporate Social Report (CSR) in Islamic economics is closely related to companies that carry out business activities in accordance with the sharia concept. According to Ellili and Nobanee (2016) that

disclosure of corporate sustainability is defined as a public report by a company to provide internal and external interests (shareholders) with an image of the company's position and activities on the economic, environmental, and social dimensions. In short such a report attempts to describe the company's contribution to sustainable development.

This study assesses the performance of three state-owned Islamic banks in Indonesia, namely: Bank Syariah Mandiri, BNI Syariah, and BRI Syariah providing information on the performance of the annual report, assessing how the role of banks in social responsibility, corporate governance, using the information disclosure method. from the annual report that produces a disclosure index on Islamic banking.

2. LITERATURE REVIEW

2.1 Sharia Banking

Based on Law no. 21 of 2008 Article 1, sharia banking is something that concerns sharia banks and sharia business units, including institutions, business activities, as well as methods and processes in carrying out their business activities. Based on the type, it consists of Bank Umum Syariah (BUS) and Bank Pembiayaan Rakyat Syariah (BPRS). Sharia Commercial Banks are sharia banks which in their activities provide services in payment traffic, while Sharia People's Financing Banks are sharia banks which in their activities do not provide services in sharia payment traffic. Sharia principles are binding rules, both customers and banks, based on Islamic law. It can be concluded that Islamic banks are banks whose operational activities and transactions are based on Islamic law. Therefore, the emergence of banking institutions that use the name sharia is not only based on market demand factors or economic orientation but is realized on the basis of human values that are able to solve economic problems experienced by the community and are able to increase their human dignity and by themselves will bring economic change. Muslim society in a much better direction.

2.2 Legitimate

According to Islam and Kokubu (2018), legitimacy theory explains that organizations continue to try to ensure that organizations or companies operate within boundaries and norms that are not fixed and change from time to time. Legitimacy strategies can be used to gain, maintain or improve legitimacy because they reduce this legitimacy gap. Legitimacy is considered important for the company because the community's legitimacy to the company is a strategic factor for the company's future development. Organizational legitimacy can be seen as something that society gives to companies and something that companies want or seek from society. According to Hadinata (2019) a company is said to have legitimacy if the company has a contract with the community to carry out its activities based on the values of justice. The performance of Islamic banking is an indicator that is analyzed by stakeholders. For this reason, as a system that prioritizes the interests of the community, the company's operations must be in accordance with the expectations of the community.

2.3 Disclosure

According to Cahya et al. (2020) disclosure is information provided by the company to interested parties regarding the state of the company. If it is associated with accounting information, then disclosure is an effort of transparency of a company to present information in the form of financial and non-financial statements clearly so that it can accurately describe economic events that can influence decision making. There are three concepts of information disclosure, namely adequate, fair, and full disclosure (Aulia, 2020).

3. METHOD

3.1 Types and Research Objects

The population in this study were Islamic banks that were active in the 2015–2019 period. The samples taken in this study were only three state-owned Islamic commercial banks (BUMN) which had complete historical data in the 2015–2019 period. The data used is secondary data in the form of annual financial reports from the official website of each bank. The three banks is:

1. Bank BNI Syariah (BNIS)
2. Bank BRI Syariah (BRIS)
3. Bank Syariah Mandiri (BSM)

3.2 Research Variable and Operational Definitions

This study uses the disclosure index method as in previous researchers. Based on previous research, the study used a variable social / ethical disclosure checklist that has been studied by Belal, et al. (2014). The following are the variables from the social / ethical disclosure checklist based on research by Belal, et al.:

1. Islamic Financial Services Board (IFSB) Principles for Corporate Governance

Islamic Financial Services Board (IFSB) is an international institution that aims to formulate Islamic financial infrastructure and Islamic financial instrument standards.

2. Sharia Supervisory Committee

The Sharia Supervisory Committee is tasked with providing advice and advice to the directors as well as overseeing the activities of the bank to comply with sharia principles.

3. Islamic Commitment

Islamic Commitment is a directive to operate in sharia principles / ideals and not to be involved in activities that are not permitted in sharia.

4. Zakat

Accountability of zakat management in the distribution of zakat funds owned by banks.

5. Qardh Hasan

Banking policies in managing benevolent funds through qordh hassan schemes for customers.

6. Sharia Awareness

The appropriateness of banking operations in carrying out operational activities both on products and human resources.

7. Disclosure of IFSB to Promote Transparency and Market Discipline

The scope of disclosure is consistent with risk assessment and management objectives and formal policies that have been disclosed through the approval of the board of directors.

8. Board of Directors

Showing profile, ownership rights and authority in the duties of the board of directors.

9. Management

Showing profile and authority in management tasks.

10. Community Involvement

Development and application of practices in the management of the benevolence funds owned by the involvement of the community economic welfare program.

11. Charity

Benevolent funds management owned in the involvement of community social programs.

12. Sponsor

Management of the benevolent funds owned in the advancement of community education.

13. Complaints

Reporting the number of complaints regarding banking service issues and details about past litigation.

14. Ethics

Conformity of banks to the applicable code of ethics and understanding of resources in implementing a code of ethics policy.

4. RESULTS

4.1. Disclosure of Sharia Banks in Showing Legitimacy

The quality of Islamic bank performance in showing the legitimacy of the five banks was analyzed using previous research conducted by Belal et. Al (2014). The following is the score obtained from the bank's annual report

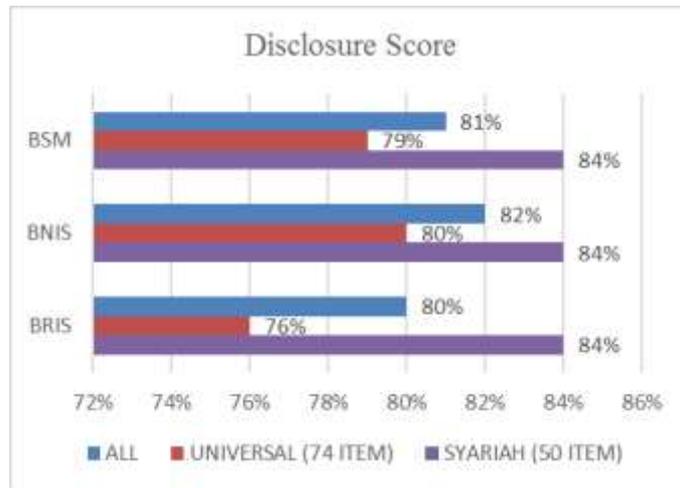


Figure 4.1 Disclosure Score

Based on the results of the disclosure of the operational quality of the three BUMN Islamic commercial banks in Figure 4.1 above, it shows that the results of the calculation of each bank's performance have different results. The highest score on average operational quality is owned by Bank BNI Syariah (BNIS), with a score of 82%, followed by Bank Syariah Mandiri (BSM) with a score of 81%. BRI Syariah Bank has the lowest score of 80%. If further analyzed, the score is divided into two aspects, namely universal as many as 74 items and sharia as many as 50 items. Judging from Figure 4.1 on the universal aspect of the disclosure score, Bank BNI Syariah has the highest disclosure score of 80%, followed by Bank Syariah Mandiri with a score of 79%. BRI Syariah Bank has the lowest score for the disclosure of universal aspects, namely with a score of 76%. The assessment of the sharia aspects of the three banks has the same disclosure score of 84%.

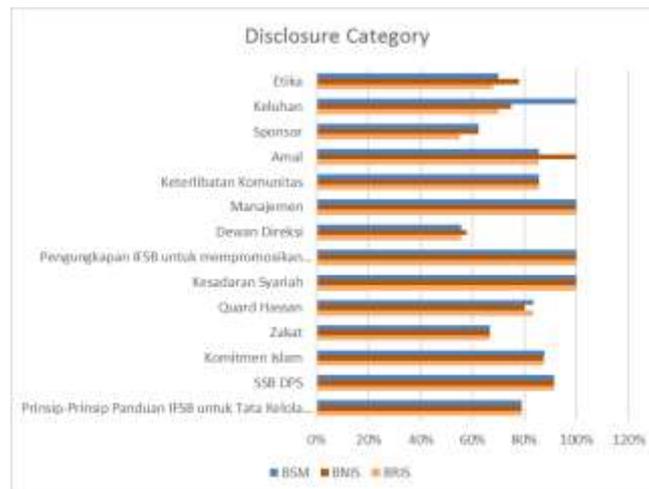


Figure 4.2 Disclosure Category

From Figure 4.2 the disclosure categories can be seen that the three banks have the highest disclosures on management, sharia awareness and IFSB disclosure to promote transparency and market discipline, then the lowest scores can be seen from zakat, sponsors, and the board of directors.

4.2. Sharia Disclosure Index and Universal Disclosure Index

4.2.1. Sharia Disclosure Index

In carrying out its operational activities, sharia banking has an obligation to pay attention to sharia values where it is in order to achieve maqashid sharia which is the goal of an economy based on sharia systems, in this study sharia disclosure consists of 31 items and 4 categories, namely; Islamic Commitment, Zakat, Qordh, and Sharia Awareness, Here's a picture of the results of calculating the sharia disclosure score.

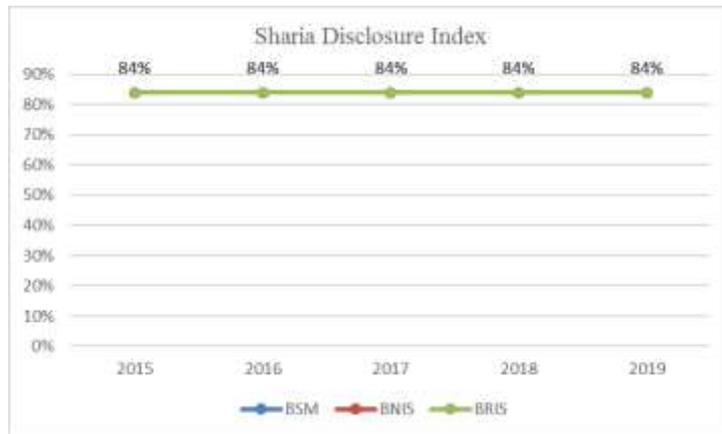


Figure 4.3 Sharia Disclosure Index

Based on the results of implementing sharia, the three sharia banks in Figure 4 above show results that are considered good with an achievement of 84%. In terms of commitment to implementing Islamic values, the three banks show seriousness in carrying out sharia banking operations by fulfilling aspects of commitment and long-term directives. length in this category. The three Islamic banks are also always committed to distributing zakat funds and providing qardh funds to the community in order to achieve economic prosperity, without neglecting the amount of qardh distributed by Islamic banking does not exceed the amount of financing that has profit sharing rewards. The presence of the Sharia Supervisory Board in sharia banking operations is considered effective in ensuring and controlling sharia banking in accordance with sharia values. This can be seen in the disclosure of the sharia awareness category which has positive achievements where the three sharia banks meet the aspects contained in that category.

4.2.2. Universal Disclosure Index

Universal disclosure consists of 63 items and 8 categories, namely; IFSB guiding principles for governance, IFSB disclosures to promote transparency and market discipline, board of directors, management, community engagement, sponsorship, complaints, and ethics. The following is a picture of the results of the calculation of the universal disclosure score:

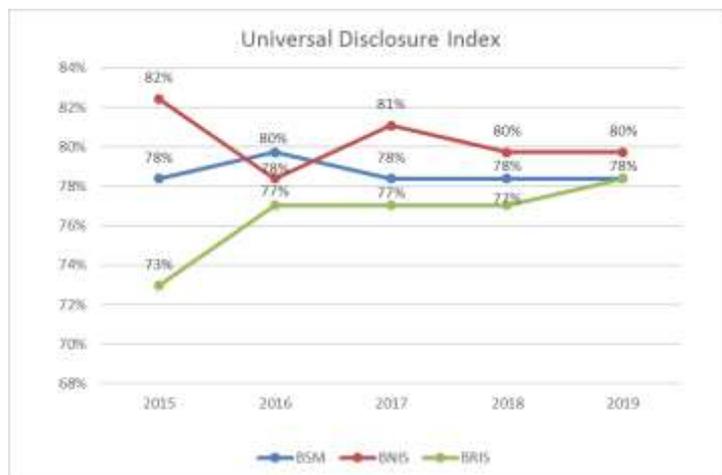


Figure 4.4 Universal Disclosure Index

Based on the results of these disclosures, the three banks show a commitment to carrying out operational activities in accordance with established guidelines. Universal disclosure in each bank is above a score of 70%, but Bank Syariah Mandiri and Bank BNI Syariah tend to have fluctuating scores while Bank BRI Syariah continues to increase.

4.3. Comparison of Total Disclosure

To provide recommendations on Islamic banking in order to approach the ideal in carrying out Islamic values by considering the quality of disclosure, gcg, csr, sharia, the following is a picture of the average calculation results of the three banks

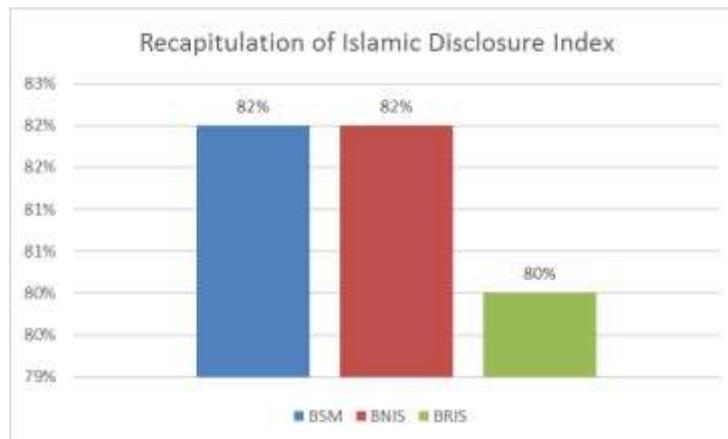


Figure 4.5 Recapitulation of Islamic Disclosure Index

From the average results obtained for five years, it can be concluded that Bank Syariah Mandiri (BSM) and Bank BNI Syariah (BNIS) have the highest score and are the same as seen from the overall disclosure index score of 82%. This indicates that Bank Syariah Mandiri (BSM) and Bank BNI Syariah (BNIS) always make maximum efforts in implementing Islamic values. These efforts were able to provide positive results on the level of capital adequacy, liquidity and profitability of Bank Syariah Mandiri and Bank BNI Syariah as the bank with the best financial ratios, while Bank BRI Syariah (BRIS) obtained a disclosure index score of 80% which means that Bank BRI Syariah also made the best efforts even though the level of capital adequacy, liquidity and profitability have not been able to exceed 1%.

5. CONCLUSION

Based on the results of the research entitled "The Analysis of Sharia Legitimacy of State-Owned Sharia Bank By Using Disclosure Index", it can be concluded:

1. The quality of disclosure of Islamic banks in showing their legitimacy that every bank has almost the same trend. Of the three state-owned Islamic banks, Bank Syariah Mandiri (BSM) and Bank BNI Syariah (BNIS) had the same score of 82%, while Bank BRI Syariah (BRIS) scored 80%.
2. The universal disclosure index shows a commitment to carrying out operational activities in accordance with established guidelines. Universal disclosure in each bank is above a score of 70%, but Bank Syariah Mandiri and Bank BNI Syariah tend to have fluctuating scores while Bank BRI Syariah continues to increase.
3. The sharia disclosure index shows results that are considered good with achievements above 80%. Each Islamic bank has the same value of 84%. This indicates that state-owned Islamic banking is very committed to running a business in accordance with Islamic values. Where in the Islamic commitment, the five banks show seriousness in carrying out Islamic banking operations by fulfilling the commitment aspects and long-term directions contained in that category.

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How to cite this article: *Ndalu Girindhana, Edy Nursanta, The Analysis of Sharia Legitimacy of State-Owned Sharia Bank by Using Disclosure Index, Asian. Jour. Social. Scie. Mgmt. Tech.2022; 4(4): 53-60.*