

Research Article

Variables Determinants of Social Performance And Islamic Banking and Conventional variable differentiator Social Performance Among Both Cases in Indonesia

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ABSTRACT: This study aims to examine and analyze the effect of risk variables, governance, financial performance, capital structure, asset structure, intermediation and human capital functions on the social performance of sharia commercial banks and conventional commercial banks as well as to test and analyze the influence of risk variables, governance, financial performance, capital structure, asset structure, intermediation functions and human capital towards social differences in performance between conventional and sharia commercial banks. The type of research used in this study is explanatory research, roomates explains the influence of independent variables on the dependent variable and comparative research, the which is research that is used to explain variables that influence the differences in social performance of Islamic banks and conventional commercial banks. The Populations in this study are commercial banks (conventional) and Islamic public banks in Indonesia. The purposive sampling technique was used to Obtain samples items, namely commercial banks (conventional) and sharia commercial banks in Indonesia to publish audited financial reports, annual reports and Reviews those that corporate social responsibility reports submitted between 2013 - 2017. Technical Data analysis used multiple regression and discriminant analysis. The analysis in this study tested the hypothesis. Multiple regression is used to analyze variables that Affect the social performance of conventional commercial banks and Islamic commercial banks. While discriminant analysis is used to analyze what variables influence the social performance of conventional public commercial banks and Islamic banks in Indonesia. Based on the results of the analysis and discussion concluded that (a) the variables of governance, capital structure, asset structure of human capital, risk, intermediation function and financial performance have no significant effect on the social performance of sharia commercial banks; (B) risk and financial performance variables have a significant effect on the social performance of conventional commercial banks. While the variables of governance, capital structure, asset structure of human capital, and intermediation function have no significant effect on the social performance of conventional commercial banks and (c) the variables of risk and financial performance have a significant effect on the performance of social Distinguishing between commercial Islamic banks and conventional commercial banks. While the variables of governance, capital structure, asset structure of human capital, and intermediation function do not Significantly influence between social performance of commercial Islamic banks and conventional commercial banks.

Keywords: social performance, banks, sharia, conventional

Background

In theory the enterprise, the company is viewed as a social institution that operates in the interests of a lot of group interaction. Broadly speaking, these groups consist of shareholders, creditors, employees, customers, governments and society. As social institutions, companies deemed partly responsible for the effects of non-economic terms associated with the company, fulfilling the responsibility to communicate the good financial reporting and accountability must be distributed in an honest and fair to all groups of users of financial statements and the wider community. Enterprise theory sharia have a great concern to the stakeholders at large. According to the theory of sharia enterprise, stakeholders include God, man, and nature. God is the highest and to be the only goal of human life. The second stakeholder theory sharia is a human enterprise which is divided into two groups: direct and indirect-stakeholder stakeholders.

The potential of Islamic banking incredible to participate in the role of social intermediation and serve the needs of the poor, who are often overlooked by the traditional banking sector. In the early days, the financial institutions that use a lot of moving Islamic instruments on services for the rural poor.

As with Mit Ghamr in Egypt that will all focus on the economic development, poverty alleviation, cultural learning life-saving among the poor Muslims. However, along with the times, the orientation of Islamic financial institutions (including banks

Sharia) are dominated by the doctrine of the pursuit of high profits (High Profit Maximization Doctrine). At the end of the movement of Islamic financial institutions can only provide services for the wealthy, while the poor who do not have an understanding of the financial institution is never included, even though they are the majority of Muslims. The phenomenon is not fully reflect the main reason Islamic banking as an institution based on sharia is supposed to reflect the identity and values of Islam.

There is a fundamental difference between conventional banking Islamic banking - which is not only in business practices that do just fine - but also on the values of the main runway (worldview) for the overall strategy and objectives. The values that are in line with the sharia is not only expressed in any transactions to achieve the halal transaction (syaria compliance), but is much broader than that which the role of Islamic banking in the community as a manifestation of the

by the management company without the knowledge of the owner or investor capital.

Agency theory usually seen as a conflict of interest (conflict of interest) in accounting and corporate. This means that within the general framework of the agency relationship model shows that managers do to maximize expected utility in order to influence the design of their employment contracts. Principal and agent in business interactions are in fact lead to the same interests, namely wealth, wealth. Finally, accounting becomes a powerful tool to provide maximum benefits to the owners of capital on the one hand, it can also provide the benefits of a capital injection and investment grew, and the linear to the agent of the owners of capital, namely the management company, to manage the company.

Agency relationship that occurs between managers (agents) and owners of capital (principles) in relation to the financial statements (financial statement) is that the assessment of the performance of the manager in charge of the continuity of the company by the owners of capital is based on the net income (net) generated by the manager ,

Entreprise theory Sharia

Sarker (1999a) and Yusof and Amin (2004) explains that the purpose of the company is *falah* namely the achievement of happiness in the world and the hereafter, or the material and spiritual well-being. Achievement *falah* or welfare according to Islamic law (sharia) is the main focus of human activity in the world. So manufacturers as well as consumers *Islami Islami*, will try to maximize the welfare of the world as well as prosperity in the hereafter. Should the company with sharia ethics in addition to creating the material prosperity also created mental wellbeing and spiritual welfare (Triyuwono, 2006b).

According to the theory of sharia enterprise, stakeholders include God, man, and nature (Triyuwono, 2006b). God is the highest and to be the only goal of human life. The second stakeholder theory sharia is a human enterprise which is divided into two groups: direct-and indirect-stakeholder stakeholders. Enterprise theory sharia balance egoistic values with altruistic values, the value of the material with the spiritual values and individual values with the congregation. In Islamic law, the equilibrium shape concretely realized in a form of worship, namely *zakat* (Triyuwono, 2006b). The consequence of this equilibrium value causes *islamic enterprise theory* not only care about the interests of individuals (in this case the shareholders), but also other parties. Enterprise theory of sharia have accountability wider scope than the entity theory. Accountability in question is the accountability to God, man, and nature (Triyuwono, 2006a: 35).

Islamic Bank

Mannan (1997) explains that the values of sharia in a micro perspective requires that all funds raised in the Islamic banking system is managed according to the principles include (a) *Siddiq*, (b) *sermons* (c). *mandate* (d) *fathanah*. The values of sharia in a macro perspective means that Islamic banking Research Hypothesis:

should contribute to the welfare of the community by referring to (a) the rules of *zakat*, (b) the prohibition of *usury rules*, (c) rules banning *gambling or gambling* and (d) rule banning *gharar*. According to Karim (2004) and Antonio (2001) basically the products offered by Islamic banking can be divided into three major parts, namely: (a) the product consists of the distribution of funds; financing with the principle of sale (financing *murabaha*, *salam* and *istishna*); financing with principles of lease (*Ijara* financing); financing with the principle of sharing (*Musharaka* financing and *mudharaba*) and a complementary agreement (*hawalah*, *Rahn*, *qardh*, *wakalah* and *kafalah*), (b) the product consists of a collection of funds; fund with *wadiah* principle and the principle of *Mudharabah* (*mudharaba mutlaqah* and *muqayyadah*) and a complementary agreement *wakalah* and (c) the product consists of banking services *Sharf* and *Ijara*.

Conventional Banks

Under the law number 10 of 1998 conventional bank is a bank conducting conventional business in its activities providing services in payment traffic. Martono (2002) explains that the conventional principles used there are two methods, namely: (a) set rates as price, both for products such as savings deposits, time deposits and loan products (credit) given by certain interest rate and (b) for other bank services, the bank using or applying various nominal fee or a certain percentage. costing system is called *fee-based*. On *bank konvensional*, The owner's interest is to obtain a compensation fund in the form of savings interest while in tow, while the interests of shareholders are among them obtain optimal spread between deposit rates and lending rates (interest optimize the difference).

Conceptual Framework and Research Hypotheses

Based on the explanation of the relationship between variables as above then drafted a conceptual framework first research model to explain the variables which serves as the independent variables and the dependent variable. With the preposition which is based on theoretical studies and empirical studies will be clear how many hypotheses to be compiled, the variables contained in each of these hypotheses and how the relationships between variables.

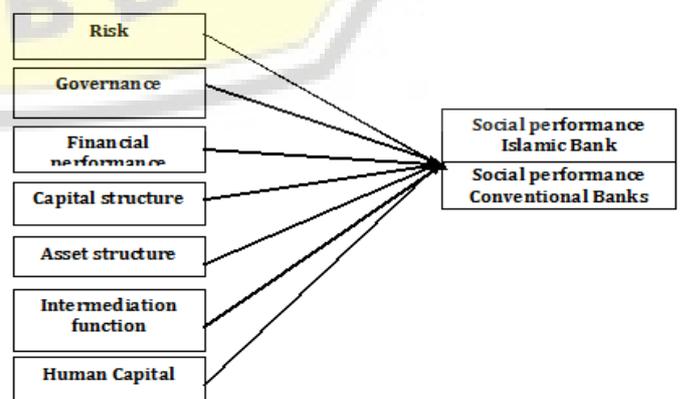


Figure 1 Conceptual Framework Research

H1 = The risk of a significant effect on the social

performance of Islamic banks and conventional banks as well as a significant influence on social performance to distinguish between Islamic banks and conventional banks

- H2 = Governance a significant effect on social performance distinguish between Islamic banks and conventional banks as well as a significant influence on social performance to distinguish between Islamic banks and conventional banks
- H3 = Significant influence financial performance social performance distinguish between Islamic banks and conventional banks as well as a significant influence on social performance to distinguish between Islamic banks and conventional banks
- H4 = Significant influence capital structure differentiate between the social performance of Islamic banks and conventional banks as well as a significant influence on social performance to distinguish between Islamic banks and conventional banks
- H5 = Significant influence asset structure differentiate between the social performance of Islamic banks and conventional banks as well as a significant influence on social performance to distinguish between Islamic banks and conventional banks
- H6 = The intermediation function have a significant effect on social performance to distinguish between Islamic banks and conventional banks as well as a significant influence on social performance to distinguish between Islamic banks and conventional banks
- H7 = Significant effect of human capital distinguish between the social performance of Islamic banks and conventional banks as well as a significant influence on social performance to distinguish between Islamic banks and conventional banks

Research methods

Table 1. Research Model 1: Result of Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O / STDEV)	P values
Fungtion intermediation -> Social Performance	-0243	-0293	0170	1,431	0153
Human Capital -> Social Performance	-0013	0022	0325	0039	0969
Financial Performance -> Social Performance	0268	0285	,553	0484	0629
Risk -> Social Performance	0109	0121	0505	0215	0830
Asset Structure -> Social Performance	-0020	-0027	0152	0131	0896
Capital Structure -> Social Performance	0051	0043	0112	0458	0647
Governance -> Social Performance	0136	0.0186	0196	0696	0487

Source: PLS output

Based on the test results of path coefficient was found that the

The research method used in this research is quantitative method. Type of this research is explanatory research which types of studies that examined the effect of independent variables (risk, governance, financial performance, capital structure, asset structure, intermediation and human capital to the dependent variable of the social performance of a conventional bank and syariah and comparative research is the type of research that aims to explain the social performance variables distinguishing between conventional and sharia banks through hypothesis testing.

Data used in this study is a secondary form of ratios - financial ratios and financial data relevant to the independent and dependent variables to be studied. This secondary data obtained from conventional commercial bank's financial statements and sharia banks are audited and published in the annual report (annual report) beginning in 2013-2017.

The population in this study were commercial banks (conventional) and sharia banks in Indonesia. Through data collection techniques, sampling purposive sample obtained in this research are commercial banks (conventional) and sharia banks in Indonesia to publish audited financial statements, annual report and submit reports on corporate social responsibility between the years 2013-2017.

Technical analysis of data using multiple regression and discriminant analysis. The analysis in this research hypothesis testing. Multiple regression was used to analyze the variables - variables that affect social performance with conventional banks and Islamic banks. While the discriminant analysis was used to analyze the variables that influence what social performance difference with conventional banks and Islamic banks in Indonesia.

Results and dicussion

In the first study models, PLS is used to test and analyze the effect of variable risk, financial performance, capital structure, asset structure, intermediation and human capital to the social performance of Islamic banks

risk variables, financial performance, capital structure, asset

structure, intermediation, human capital and governance no significant effect on the social performance of Islamic banks In the second study models, PLS is used to test and analyze

the effect of variable risk, financial performance, capital structure, asset structure, intermediation and human capital to the social performance of a conventional bank.

Table 2. Research Model 2: Result of Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O / STDEV)	p values
Capital Structure1 -> Social Performance	0078	0084	0049	1587	0113
Intermediation Fungtion-> Social Performance	0021	0022	0057	0359	0720
Financial Performance -> Social Performance	0250	0256	0125	2,005	0045
Risk -> Social Performance	0360	0362	0140	2577	0010
Asset Structure -> Social Performance	0061	0066	0045	1,352	0177
Capital Structure -> Social Performance	-0013	-0018	0083	0152	0879
Governance -> Social Performance	-0176	-0172	0145	1,215	0225

Source: PLS output

Based on the test results of path coefficient was found that the risk variables and financial performance significantly influence the social performance of conventional banks. While the capital structure, asset structure, intermediation, human capital and governance berpengaruh not significant to the social performance of conventional banks

examine and analyze the effect of variable risk, financial performance, capital structure, asset structure, intermediation and human capital which differentiate between social performance of Islamic banks and conventional banks.

Based on the test the average difference between groups such as the table below.

In the third research models, discriminant analysis was used to

Table 3. Test Wilks' Lambda

Test of Function (s)	Wilks' Lambda	Chi-square	df	Sig.
1	.381	117.705	2	0,000

produce numbers Wilks' lambda of 0.381, chi-square 117.705 and significance level of 0.000 indicates that there are significant differences between the social performance of Islamic banks and conventional banks social performance

Analysis of the test results of stepwise discriminant statistics

Table 4 Test Stepwise

Step	Entered	Wilks' Lambda							
		statistics	DF1	DF2	df3	Exact F			
						statistics	DF1	DF2	Sig.
1	Financial performance	,66	1	1	123.0	62.77	1	123.0	,00
2	Risk	,38	2	1	123.0	99.07	2	122.0	,00

Based on the results of the stepwise method by iterating twice earned two significant variables differentiate among social performance of Islamic banks and conventional banks because of the significance value less than 0.05, the variable risk and financial performance.

significantly influence the social performance of Islamic banks. Meanwhile, risk and financial performance variables significantly influence the social performance of a conventional bank. Variable risk and financial performance have a significant effect on social performance to distinguish between Islamic banks and conventional banks. In order to improve the social performance of conventional banks, the management of conventional banks need to engage in risk management and improve financial performance. To improve the performance of Islamic banks to be equal to the social performance of a conventional bank, the management of Islamic banks need to engage in risk management and improve financial performance.

Based on the test results showed that the variable stepwise risk and financial performance have significant influence in social performance differ between conventional banks and Islamic banks. While the capital structure, asset structure, intermediation, human capital and governance berpengaruh not significant in distinguishing between social performance of conventional and sharia banks.

Conclusion

Based on the results of research and discussion, the conclusions of this study are no indepeneden variables that

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