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CSR reporting levels and financial quality: comparative analysis in indonesian sharia and conventional banking

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Abstract

The variables tested and analyzed in this study are social responsibility disclosure, earnings quality, profitability, leverage, loss occurrence, and banking characteristics in Indonesia. More specifically, this study compares these variables to Islamic banks and conventional banks. This is done to reveal some various significant effects of religiosity norms that exist in the sharia principles of Islamic banking and do not exist in conventional banking. Measurement of the level of CSR disclosure is carried out using a dichotomous content analysis procedure which is prepared based on the GRI G4 standard. The finding show that conventional bank in Indonesia has a higher level of CSR disclosure than the islamic bank, but its not significantly different from the statistic test. Further descriptive analysis regarding the different characteristics of these two entities have been done to find the reasons for this finding. Subsequent findings show that the significant age gap of these banks affects the stability of the bank and their level of management ability. The characteristic of the conventional banks are older in age, larger in asset size, and their awareness of using better quality auditors are better. Even so, Islamic banks have a better level of earnings quality, lower losses, and a lower level of leverage.

Keywords: Social responsibility; norma religiosity; global reporting initiative index; opportunistic behavior; state commercial bank of indonesia

INTRODUCTION

The purpose of this study is analyzing the disclosure level of corporate social responsibility, which is hereinafter referred as CSR, in Islamic and conventional banks in Indonesia during 2015 to 2016. These research year are taken because it is the initial years of the sustainable finance roadmap by the OJK Board of Commissioners, and are the period before CSR disclosure is mandatory (Anggraini and Kartika, 2019).This is done to test whether the disclosure of CSR in these banks are meaningfull that their CSR reporting act are truly responsible motivated and not because of opportunistic decisions.

The norm of religiosity is a supervisory mechanism that should exist in Islamic banking and does not exist in conventional banking (Abdelsalam et al. 2016). Further, Islamic and conventional banks are compared to see whether the different supervisory mechanisms in these two entities have different impacts on the orientation of CSR disclosure. The norms of religiosity and limitation of moral accountability in sharia-based organizations significantly impact the quality of financial reporting and its relation with the earnings management and conservatism act (Abdelsalam et al., 2016). It means, the norms of religiosity in the organization influence managers' decisions when reporting the entity's financial condition.

This study extends some previous study by Muttakin et al. (2015) and Abdelsalam et al. (2016). Muttakin et al. (2015) test the relationsh between earnings quality and CSR by looking at the impact of strong stakeholder pressure across public companies in Bangladesh. He founf that CSR in Bangladesh is opportunistic and used to cover earnings management act. However, when a company has strong stakeholders as an additional monitoring mechanism, its CSR activity reports are proven to fix up the company's earnings reports quality.

This study extends the research of Muttakin et al. (2015) by exploring the different effects of CSR on earnings quality in different monitoring mechanisms, namely the norm of religiosity that grows from Islamic law. Islamic bank is an entity that use this sharia law, so to test the religiosity norm we should compared it to the conventional bank. This method are based on what Abdelsalam et al. (2016) did but in a different context.

Abdelsalam et al. (2016) succeeded in proving that the the quality of financial reporting are impacted significantly by the norms of religiosity and limitation of moral accountability in organizations. He further prove prove that Islamic banks in the MENA region have a smaller tendency to do earnings management and they adopt more conservative accounting policies than conventional banks.

Indonesia was chosen as the research object because of it has some unique features as a developing country. Muttakin et al. (2015) stated that developing countries have less awareness regarding social responsibility. In addition, governance practices in Indonesia have a relatively low score compared to other Asia-Pacific countries (Siregar and Utama, 2008). Also, Indonesia is a country that suport CSR activities for its entities through various applicable legal regulations but they have no clear legislative control regarding the template. It will cause different awareness of social responsibility in the country.

Another reason for using Indonesia is because of its major Muslim population the world thar its constitution is non-Quranic. Also, because the good prospect of Islamic banks in Indonesia and they should be calculated in the future (Sofyani and Setiawan, 2012). These reason makes Islamic and conventional banks have an adequate market share in Indonesia.

The reason of using CSR in this study are because of its several urgencies. The economy views CSR as having its power to support the entity performances (Roberts, 1992). Products and services from entities that are committed to CSR activities are preferable (Anggraeni and Djakman, 2017). These statement show that CSR is not only an activity that consumes funds but has a future economic benefits. Also, in order to sustain as a part of the community, a business entity must accept that social responsibility activities are important to be fullfiled (Jones, 1995). It is important for the business entity to documented their CSR activities in a good disclosure. Good disclosure has a good impact to the community as they will see that the entity has an honest, trustworthy and ethic motivation when they run their economic business (Jones, 1991).

The logic of the usefulness of spending funds for CSR reporting can be understood from several theories. The first theory is the theory of legitimacy, which according to Suchman (1995) is a general behavior perception that an entity should take accordance to a system of values, norms, beliefs, and conditions. According to this theory, a business entity is a part or unit of a social environment, so an entity should notice the environment concern in which its activities are carried out to be sustainable or sustainable. Produce a high-quality financial reports is one of the company shoul do (Kim et al. 2012).

The second theory is the Stakeholder Theory, which is a theory that explains that stakeholders are individuals or groups who own or declare ownership, rights, or interests to an business entity and its activities, at anytime (Clarkson, 1995). Stakeholders of the business entity are consist of creditors, customers, employees, suppliers, community organizations, and government (Roberts, 1992). A business entity is connected to various elements around it and has a social contract to fulfilled so that the entity has the responsibility to run a trustworthy and ethical entity (Gray et al. 2001). This makes every business entity’s policy being affected and influenced by every element around the company, either directly or indirectly. Mapping the various interests of the stakeholders is important to establish effective communication and strong relationship (Anggraeni and Djakman, 2017).

The reverse logic of using CSR on an entity is from the agency theory. Different interests between managers as agents and stakeholders as principals often lead to opportunistic attitudes due to differences in interests (Oktomegah, 2012). The opportunistic attitude of managers will motivated them in using CSR for personal gain and not for the benefit of the business entity or stakeholders (Kim et al. 2012). CSR are being done only to maintain its reputation which is then misused through earnings management. The decision to report the CSR activities may be used to impressed the business entity’s stakeholders with some transparent image while actually it conduct an earnings management (Kim et al. 2012).

CSR is very relevant when examined from the side of sharia law because of several principles that underlie its operations. The sharia law encourage entities to do their operations based on ethics, morals, responsibility, obeying Allah and the Caliph, and understand the public interest (Sofyani and Setiawan, 2012). Being socially responsible is one of the principles of sharia law that must be obeyed because social disclosure of business entities or CSR is an important matter for sharia-based entities (Indrawaty and Wardayati 2016).

Being involved in CSR gives the entity a strong business identity and provides various benefits for the business entity such as affecting the reputation of the business entity, especially its financial performance (Berrone et al. 2007). Sharia banking operates based on the principles of sharia law and emphasizes moral and ethical values in every activity (Imam and Kpodar, 2016). This makes Islamic banks has a religiosity identity so it should be more socially responsible compared to entity with a profit oriented only entity such as conventional banks (Mallin et al. 2014). According to this, the form of the religiosity norm itself is to apply various Islamic laws in company operations.

In Islamic banks are monitored by the Sharia Supervisory Board (DPS) as the extra layer of supervising the appliance of the sharia law in its operation. This extra layer of supervisor is expected to make Islamic banking better in disclosing CSR and quality earnings. The religiosity norm contained in sharia law offer horizontal and vertical monitoring mechanisms to mitigate agency problems. This is important because of the agency problems are still being an important issue to be solved. Things that can differentiate and mitigate this agency problem include oversight mechanisms and corporate governance, which are part of the an entity norms (Abdelsalam et al. 2016). The difference in characteristics such as funding, investment, and contract models between Islamic and conventional banks significantly affects the agency conflicts, and overall accountability (Abdelsalam et al. 2016).

Bitar et al. (2017) differentiated Islamic banking from conventional through its funding characteristics and show that Islamic banks is more capitalized, liquid, and profitable even though it has more volatile profits than conventional banking. A better capitalization, profitability, and liquidity in Islamic banking made it has a better ability to survive the economic crisis in 1998-2002 (Alqahtani et al. 2016).

Profitability measured by compare the earnings before interest and taxes with the company's total assets, or Return on Asset (ROA) proxy. ROA indicates an entity's ability to convert assets into profit.

A high profitability means a high entity's profit sources as well, and it will draw the stakeholder attention and expectations to the entity (Anggraeni and Djakman, 2017). Leverage indicates a fraudulent use of discretion by managers when the company experiences debt covenant fraud (Muttakin et al. 2015). Previous studies measured it by total debt divided with total assets to measure leverage (Muttakin et al. 2015; Anggraeni and Djakman, 2017; Abdelsalam et al. 2016). A high leverage level indicates a bad performance becaue more assets are financed by debt. The next variable is the losses, and used because there is an interest in higher earnings management in entities that experience losses (Muttakin et al. 2015). An entity that experiences losses has the potential to carry out earnings management to minimize the losses of the business entity.

Banking characteristics are variables used in this study consisting of size, age, and audit quality awareness of each bank. Company size is tested as a characteristic of banking because large companies are usually prone to intervention, allowing opportunistic CSR (Anggraeni and Djakman, 2017). Bank age is used to capture the different development level of banks (Muttakin et al. 2015). Different phases of development of an entity cause maturity of operations related to experience in making financial statements well. Big 4 KAP companies are considered more effective in overseeing the financial reporting process compared to other KAPs (Muttakin et al., 2015). A good type of auditor corelated to the quality of financial reports (Abdelsalam et al. 2016).

Thus, the hypothesis in this study is formulated as follows.

H1: CSR disclosure level in Islamic banks is higher than conventional banks.
H2: Earnings quality level in Islamic banks is higher than conventional banks.
H3: Profitability levelin Islamic banks is higher than conventional banks.
H4: Leverage level in Islamic banks is higher than conventional banks.
H5: The occurrence rate of losses in Islamic banks is lower than conventional banks.
H6: Conventional banks has stronger characteristics in terms of company size, age, and awareness of using qualited auditor.

METHOD

Types, populations, and research samples

The research type of this study is quantitative with the bank industry from Indonesia as the population. The sample selection used a purposive sampling method with several criteria, they are: (1) The sample is a conventional banks and an Islamic banks registered in Indonesia, (2) The bank has an annual report during the observation period, and the bank carries out CSR activities and reports it through annual reports. The amount of samples taken are 52 banks consisting of 40 conventional banks and 12 Islamic banks during 2015 and 2016 respectively. The reason for taking the research year is that these two years are the initial years of the sustainable finance roadmap by the OJK, and are the period before CSR disclosure is mandatory. (Anggraini and Kartika, 2019). This will make it easier to judge whether the initiation to disclose CSR is due to business ethics or opportunism. The respective bank's annual reports are the sources of the data.

Operational definitions and variable measurement procedures

CSR disclosure level as the independent variable is calculated using an index taken from GRI's CSR practice disclosure guidelines. A dichotomous procedure through content analysis was enforced, assigning 1 as the score to each GRI G4 index reported by the company, and a 0 score if it does not reported. However, they will not scored 0 when there is an index that is not under the general form of banking activity or is an index containing the disclosure of activities that occur conditionally. This will be discovered by reading the entire report. The equation of the CSR disclosure level will be as follows.

$$\textbf{CSRDi, t} = \frac{\sum_{t=1}^{ni} Xit}{\sum ind} \quad \ldots\ldots (1)$$

Where CSRDt, i is the CSR disclosure index where $0 \leq CSRDt, i \leq 1$, nt, i is the amount of items disclosed by business entity i at time t, nt, $i \leq 69$, and Xit, i = 1 if item i is disclosed and 0 if item i is not disclosed such that $0 \leq Xt, i \leq 1$. The disclosure results are then divided by the amount of indicators that can be used in the bank to obtain the average disclosure. A high average CSRDt value, means a better disclosure value.

Earnings quality as the dependent variable is measured with the level of discretionary accruals measurement as done by Muttakin et al. (2015); Abdelsalam et al. (2016); Kim et al. (2012); Muttakin et al. (2015); Kothari et al. (2005); Subramanyam, (1996); Jones, (1991). To be exact, this research uses the estimation model from Jones (1991) modified by Yasuda et al. (2004) for bank institutions. The Jones modified model is used because it does not have specific requirements or limits for the sample data (Dechow et al. 1995). The equation are as below:

$$\mathbf{DACCt, i = \alpha 0 + \alpha 1 + \alpha 2 \frac{1}{TAt-1} \frac{\Delta\, OIt,i}{TAt-1} \frac{BREt,i}{TAt-1}} \quad \ldots\ldots \quad (2)$$

Where TAt-1 is previous year’s total assets, ΔOIt, i is the change in operating profit i in year t, and BREt, i is the premise and fixed assets of the business entity i in year t.

The norms of religiosity that exist in Islamic banks are investigated by comparing the result from conventional bank and Islamic bank Profitability measured by compare the earnings before interest and taxes with the company's total assets, or Return on Asset (ROA) proxy. Leverage is measured using the DAR proxy or total debt divided by total assets as in several previous studies (Muttakin et al. 2015; Anggraeni and Djakman, 2017; Abdelsalam et al. 2016). The occurrence of bank losses during the research period or LOSS is measured using a dummy number for banks that experience losses during the observation period. The 0 score for the bank that not experienced a loss and the 1 score for the bank that has experienced a loss.

The variable of banking characteristics is represented by the size, age, and the use of a good auditor for each bank. It is measured by the Ln of the total asset. The bank age are calculated from it respective age since it was first inaugurated. Dummy is employed to measured the type of auditor, which is we will give a 1 score for the bank audited using KAP Big 4 and 0 for those that doesn’t..

Data analysis technique

Descriptive test and different test by independent-sample t-test are used to test the hypothesis in this study. These method has been employed because the samples to be tested for differences have different sizes. The first hypothesis is accepted if the average value for Islamic banks is significantly greater than the average value for conventional banks. The second hypothesis is accepted if the accrual discretionary value of conventional banks is greater than Islamic banks. The following are the research equations to test the second and third hypotheses:

EQt, i = α + ß1CSRDt, i + ß2IBs + ß3SIZEst, i + ß4AGEt, i + ß5LEVt, i + ß6PROFt, i + ß7 ATt, i + ß8LOSSt, i + ß9 YEARt, i + e ……………………………………………………………….. (3)

Information:

EQt, i	:	Earnings Quality, measured by proxy for discretionary accruals;
CSRDt, i	:	The CSR disclosure value, measured by a measurement scale of 0 - 1;
IBst, i	:	Dummy for bank types, 0 for conventional banks, and 1 for Islamic banks.
SIZEst, i	:	Bank size, measured by a dummy of 1 for banks with total assets above the median and 0 for total assets below the median after collect their Ln of total asset;
AGEt, i	:	The age of the bank, measured by the age of the company from the beginning of the birth of the bank;
LEVt, i	:	Leverage, measured using the DAR ratio of total debt divided by total equity;
PROFt, i	:	Profitability, measured with ROA proxy;
ATt, i	:	The type of audit measured by dummy variables 1 and 0 for the banks audited using Big 4 KAP;
LOSSt, i	:	Dummy for losses existed in the bank during the observation period. 0 for banks that have not suffered a loss and 1 for those that have suffered a loss; and
YEARt, i	:	Dummy for the study year because this study uses 2 years, 0 for 2015 and 1 for 2016.

RESULT AND DISCUSSION

The first hypothesis expects a higher CSR disclosure in Islamic banks than in conventional banks. The different test results for the this hypothesis are stated in Table 1.1 and Table 2. It concluded that the first hypothesis is not supported because the significant difference between the level of CSR disclosure in Islamic banks and conventional banks cannot be found statistically. By number of means, conventional banks have a higher average level of CSR disclosure than Islamic banks. However, these difference in means is not statistically significant, so the gap in average CSR disclosure between them is not too large. The average CSRD level at Islamic commercial banks is 0.308, slightly lower than the average CSR disclosure for conventional commercial banks, which is 0.352.

Further test result show that there are some different characteristic to explain this result. Although the characteristics of Islamic banks in Indonesia are not larger, are not older, are not more likely to use KAP Big 4, Islamic banks still have the awareness to do the disclosure of CSR.

The second hypothesis results is supported because of the different level of accrual discretionary are significant statistically by 0.045 point (Table 1.1). The level of discretionary accruals in conventional banks of 0.992 is proven to be significantly higher than the discretionary accruals of Islamic banks of 0.218, which indicates that the quality in Islamic banking are better.

Bank age is the proxy to describe the level of experience the bank. The assumption is that the older a bank is, the more banking experience it has and the more knowledge it has about banking. Conventional banks have an average age of 46.85 and Islamic commercial banks of 21.58 and has a significant different statistically. This indicates that the conventional banks has more mature experience in banking than Islamic banks.

The level of profitability in conventional banks are higher than Islamic commercial banks. Conventional banks have an average ROA ratio of 0.004 while Islamic banks have an average ROA ratio of 0.003 but not statistically significant in different (0,946). It concludes a rejection in the third hypothesis.

Conventional banks have an average DAR ratio level of 0.852 or an average of 85% of assets in conventional banks are financed by debt. Islamic banks have an average DAR ratio of 0.584, which means that on average 58% of assets owned by Islamic banks are financed by debt. This shows leverage level in Islamic banking is better so that the fourth hypothesis is accepted. Conventional banks have a higher average incidence of losses (68.3%) than Islamic banks (19.2%), show the fifth hypothesis is accepted. There is also a statistically significant difference for the audit type variable where more conventional banks use KAP Big4 than Islamic bank.

Table 1. Descriptive statistics of non-dummy variables

Variable	All Types of Banks (N = 104)		Conventional Bank (N = 80)		Islamic Bank (N = 24)		Different Test
	Average (SD)	Max. (Min)	Average (SD)	Max. (Min)	Average (SD)	Max. (Min)	
EQ (Daccr)	0.428 (0.881)	8,325 (0.0000039)	0.484 (0.992)	0.873 (0.154)	0.241 (0.218)	0.709 (0.132)	0.045 **
CSRD	0.342 (0.144)	0.872 (0.132)	0.352 (0.151)	0.873 (0.154)	0.308 (0.112)	0.706 (0.132)	0.190
AGE	41.02 (28,761)	121 (1)	46.85 (28,810)	121 (1)	21.58 (18,472)	59 (5)	0,000 ***
LEV	0.790 (0.785)	8,222 (0.081)	0.852 (0.044)	0.948 (0.743)	0.584 (1,642)	8,222 (0.806)	0.432
PROF	0.004 (0.037)	0.228 (-0.169)	0.004 (0.023)	0.030 (-0,117)	0.003 (0.065)	0.228 (-0.169)	0.946

Table 2. Descriptive statistics of dummy variables

Variable	Valid	All Types of Banks (N = 104)		Conventional Bank (N = 80)		Islamic Bank (N = 24)		P value
		Freq.	%	Freq.	%	Freq.	%	
SIZE	Lnfs> median	52	50	42	40.4	10	9.6	0.357

	Lnfs <median	52	50	38	36.5	14	13.5	
AT	Non Big4	51	49	34	32.7	17	16.3	0.015 **
	Big 4	53	51	46	44.2	7	6,7	
LOSS	Profit	91	87.5	71	68.3	20	19.2	0.531
	Loss	13	12.5	9	8.7	4	3.8	

*** Significant at the 1% level ** Significant at the 5% level * Significant at the 10% level CSR Disclosure Level

Table 2, shows the CSR disclosure level of each bank. There was no statistically significant difference in CSR disclosure for the economic, environmental, and social categories of both conventional banks and Islamic banks, although the average conventional banks are higher than Islamic banks. However, statistically, significant differences were found for the 2 sub-categories existing in the social category, namely human rights and society. The final results of the overall difference test in the two types of banks and the three major categories did not show any significant differences because the results of different tests showed a significant number.0.190 or not less than 0.05. So the difference between the level of CSR disclosure in conventional banks and Islamic banks are not found. Even so, conventional banks show a higher average number of CSR disclosures, which is equal to 0.352, and Islamic banks of 0.308.

Table 2. Level of csr disclosure

Variable	Category	Average Conventional Bank (N = 80)	Islamic Bank (N = 24)	Different Test (P-value)
CSRD (Percentage)	Economy	0.438	0.429	0.820
	Environment	0.140	0.076	0.228
	Social	0.363	0.312	0.145
	Employment practices and work comfort	0.413	0.388	0.540
	Human rights	0.105	0.048	0.029 **
	Public	0.512	0.393	0.020 **
	Product Responsibility	0.508	0.486	0.649
Total CSRD		0.352	0.308	0.190

*** Significant at the 1% level ** Significant at the 5% level * Significant at the 10% level

CONCLUSIONS

The purpose of this study is analyzing the social responsibility disclosure level, earnings quality, profitability, leverage, the occurrence of losses, and the characteristics of banking in Islamic banks compared to conventional banks in Indonesia. This analysis is done to test various significant effects of religiosity norms that exist in Islamic banks and do not exist in conventional banks.

The sharia law that used in Islamic banks distinguishes it from conventional banks, that's why this entity is assumed to have the religiosity norm. The Islamic banks operations must not only comply with bank legal rules in general but also religious rules. This norm is assumed not to exist in conventional banks because conventional banks only follow the legal rules of banks in general.

CSR disclosure level is measured by procedures dichotomous using content analysis method based on an index taken from the latest CSR disclosure standards and has been widely applied in various business entity in the world, GRI G4. Earnings quality is measured using accrual discretionary model by Jones (1991) modified by Yasuda et al. (2004) to suit banking form. Other variables tested in this study include the level of profitability and leverage, the occurrence of losses, and banking characteristics consisted by bank size, bank age, and type of audit.

Overall statistic result do not support the first and third hypotheses and support the second, fourth, fifth, and sixth hypotheses. For the first hypotesis that not supported means the CSR disclosures made in Islamic commercial banks are not higher than CSR disclosures made in conventional commercial banks. Overall conventional commercial banks have a higher average level of disclosure than Islamic banks, but the gap is not too large and the different test shows an insignificant value.

The awareness of CSR disclosure in the two types of banks is relatively equal even though the average level of CSR disclosure for conventional commercial banks is slightly higher. This is because CSR can increase the value of the entity in the eyes of stakeholders so that each entity seeks to gain legitimacy from stakeholders by disclosing CSR activities. This means that regardless of the type of entity, CSR activities carried out with various difficulties will be disclosed as best as possible.

Even so, the average disclosure shows that conventional commercial banks are higher than Islamic commercial banks, and the 2 sub-categories show a significant difference even though in general the social categories do not show any difference. This may be due to the differences in the characteristics of the two commercial banks which lead to the more established conventional commercial banks due to their older age.

Longer experience in banking activities has made conventional commercial banks have a larger average size than Islamic commercial banks. Anggraeni and Djakman (2017) state that a larger entity size describes resource ownership as an input for more adequate reporting. This means that conventional commercial banks have more adequate resources to report CSR. Conventional commercial banks are also more likely to use Big 4 KAP which is assumed to be better able to supervise company reporting to make it more efficient.

The categories of CSR disclosure that are quite high in conventional and sharia commercial banks are the economic and social categories. The average for the economic category in conventional and sharia commercial banks is 44% and 43%. This shows that CSR disclosures carried out at Islamic and conventional commercial banks still focus on economic matters. The economic subcategory reports on aspects such as economic performance, the existence of an entity in the market, and indirect economic impacts. This explains that the focus of the bank in reporting CSR is the consideration of profit and loss because the bank is an economic entity.

The reason for the opposite findings in hypotheses 1 and 3 of this study may occur because Islamic commercial banks in Indonesia do not have clear directions regarding CSR reporting that is under sharia principles. In addition, implementing Islamic law principles as a whole in a country that is not based on Islamic law is a big challenge for Islamic banks to develop under the norms of religiosity. This is because the law has always been the basis for growing norms, including Islamic law with norms of religiosity.

Another reason for the findings of hypotheses 1 and 3 of this study is the quality of human resources. If the human resources in Islamic banking do not have good knowledge of sharia law, individuals who work with the sharia system will not have the norm of religiosity in themselves as a mechanism for internal supervision.

The third reason is that Islamic commercial banks in Indonesia have emerged long after conventional commercial banks. This age gap made it difficult for Islamic commercial banks at the beginning of their existence to introduce themselves to customers if they did not match the way of operating with conventional commercial banks that were already known by the public. Islamic commercial banks in Indonesia, which are relatively young compared to conventional commercial banks, may have some of the concepts of commercial banks that cannot be released. In other words, Islamic commercial banks in Indonesia may not yet differentiate themselves completely from conventional commercial banks.

Another reason for the finding of this first failed hypothesis is that Indonesia's legal and political environment uses a non-Quranic constitution. Legal regulations in Indonesian banking are relatively more pressing than sharia regulations, allowing the attention of Islamic commercial banks that must pay attention to legal and sharia rules to be unbalanced.

Apart from hypotheses 1 and 3, other hypotheses in this study are proven. This shows that although the characteristics of conventional banking are stronger in terms of age, awareness of the use of audits, and asset size, Islamic banking still has a better level of earnings quality, leverage level, and loss soccurrence rate or profit tendency than conventional banks.

The conclusion from the findings in this study is that the norm of religiosity will be an effective monitoring mechanism if the values of religious law in an operation are carried out properly. The findings in this study indicate that there is no difference between conventional commercial banks and Islamic commercial banks in Indonesia in carrying out CSR disclosures. This indicates the possibility that Islamic commercial banks in Indonesia have not fully conceptualized sharia law on social responsibility disclosure practices, however, this has been reflected in the management of earnings quality, leverage, and the incidence of losses.

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