

Strategy for Achieving Social Performance of the Kanindo Syariah Cooperative, Dau Malang Branch

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ARTICLE INFORMATION

Publication information

Research article

HOW TO CITE

Abdillah, M. Manzilati, A. Noor, I. (2023). Strategy for Achieving Social Performance of the Kanindo Syariah Cooperative, Dau Malang Branch. *Journal of International Conference Proceedings*, 6(7), 23-34.

DOI:

<https://doi.org/10.32535/jicp.v6i7.2768>

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Received: 30 October 2023

Accepted: 28 November 2023

Published: 30 December 2023

ABSTRACT

For sharia financial institutions that runs their business based on the philosophy of the Qur'an and Sunnah, social performance is the basis for actors in interacting with the environment and each other. One method of reporting social performance for sharia companies is the Islamic Social Reporting Index method (ISR). However, this method is still considered inappropriate to be applied to sharia financial institutions, which requires sharia financial institutions to develop their own social strategies. This research aims to determine the strategy for achieving social performance in the Dau branch of the Kanindo Syariah cooperative and to dig deeper into the reasons why the ISR method is not suitable for application to Sharia Financial Institutions. This research uses descriptive qualitative research methods. The results of the research shows that Kanindo Syariah Dau branch has a strategy consisting of collecting and distributing social funds internally and externally. As for the ISR method, three conclusions were obtained which are the reasons why this method is not appropriate for sharia financial institutions, (1) lack of concern for the environment, (2) lack of understanding regarding maqashid sharia, and (3) lack of suitability for the environmental theme of the institutions which operates in the financial sector.

Keywords: Environment, Islamic Social Reporting Index, Sharia Financial Institutions, Social Performance, Strategy

INTRODUCTION

Islam is a religion that regulates human life both in worldly and spiritual matters, and in worldly matters, Islam regulates many things, Islam requires humans to work for the sake of their survival, this is emphasized in the verse of the Qur'an which reads: *"Work, then Allah and His Messenger and the believers will see your work, and you will be returned to (Allah) Who knows the unseen and the real, then He will report to you what you have done"* (Q.S. At-Tawbah / 9:105).

From the argument above it can be concluded that work is one of the recommendations in the Islamic religion, work can also be considered as worship to God if what is done is good and halal work. There are many kinds of work, one of which is through organizations in a financial institution, and the sustainability of a financial institution depends on its good and bad performance.

According to Mahsun in the journal of economics and management (2014), performance is a description of the level of achievement of implementing an activity or policy program in order to realize the goals, objectives, mission and vision of an organization as stated in a company's strategic planning. If the performance of a financial institution is good, it will also have a good impact on the sustainability of that financial institution, and vice versa.

Islam is a religion that always prioritizes balance, including in terms of performance. The performance of financial institutions is divided into two, namely business performance and social performance. Being balanced between business and social means that sharia financial institutions must not be trapped in the extremes of capitalism which only prioritizes the profit motive as the only goal. Nor should we be satisfied with just being an institution that provides social benefits, without also having the ability to be efficient in optimizing the use of its resources in order to develop the institution economically. In practice, business activities cannot be separated from their attention to environmental problems. Running a business by ignoring the environment with various external impacts will in turn threaten the continuity of the business itself (Saifuddin, 2016).

One clear proof of the importance of maintaining social performance, which in this context is protecting the environment, is the case of PT Inti Indorayon Utama in North Sumatra, who became a suspect because he was proven to have polluted the environment and caused chaos in the surrounding community. The decline in environmental quality ultimately has an impact on the worsening health of the surrounding community. Waste generated from PT Inti Indorayon Utama was proven to be the cause of the rise in ARI (Upper Respiratory Tract Infection) sufferers at that time. Apart from that, it also causes a decrease in the quality of the rice harvest. This case will worsen the image of PT Inti Indorayon Utama, in the worst-case scenario, will be subject to criminal law which will result in the company being closed down.

Social performance in general is usually measured using several methods, one of which is the SROI (Social Return of Investment) method. But the fact is that conventional methods are considered inefficient and there are many limitations in measuring social performance, which is why Haniffa (2002) created a new method, namely the ISR (Islamic Reporting Index) method which is based on sharia provisions. The ISR method is a standard for reporting the social performance of sharia-based companies. The items seen in the ISR method are five themes, namely the Funding and Investment Theme, the Product and Services Theme, the Employee Theme, the Community Theme, and the Environmental Theme. Then it was developed by Othman et al. (2009) by adding one more theme, namely the Corporate Governance Theme.

Research conducted by Irawan (2020) shows the results of social performance obtained from the ISR (Islamic Social Reporting Index) index model. Not all sharia financial institutions do the same thing in order to fulfill their social functions, for example Bank Syari'ah Mandiri, in 2011 the bank was not able to optimize their shadaqah. Then Bank Mega Syari'ah in 2011, was not able to optimize waqf. This happens because there are several sharia financial institutions that do not carry out these activities, so that when measured using the ISR index model which includes these items, the results are not optimal. This shows that the strategies for achieving social performance between each institution can be different.

The Kanindo Syari'ah Cooperative is a sharia cooperative that has been around for 25 years, and even has 13 branches in the city of Malang. It can be assumed that the Kanindo Syari'ah cooperative is performing well. However, considering that there is no appropriate reference for sharia financial institutions to develop strategies for achieving social performance, and the fact that ISR is still less applicable for sharia financial institutions, this research aims to examine the strategies for achieving social performance of Kanindo Syariah cooperatives and explore further why the ISR method is less suitable to be applied to sharia financial institutions. Based on this background, it is important to carry out further research regarding strategies to achieve good social performance with the title *"Strategies for Achieving Social Performance of the Kanindo Syari'ah Cooperative, Dau Malang Branch"*.

LITERATURE REVIEW

The Importance of Strategy for Companies

Every human being who has a goal must have a strategy to achieve that goal, and in order to fulfill that goal, there must be a strategy to make the goal easier to achieve and with good results too. The word strategy comes from Greek which means leadership in peace (Dirgantoro, 2001). According to William F. Glueck, strategy is defined as an integrated and comprehensive plan that increases the company's strengths with the environment it faces so that the company's goals can be achieved. Strategy shows the general direction that an organization wants to take to achieve its goals (Anoraga, 2004). Meanwhile, Pearce and Robinson (1997) state strategy as a large-scale and future-oriented plan to interact with the competitive environment in order to achieve company goals. Ideally, the strategic management process for development will be directed by a deep and complete understanding of the market, external environment, and competition (Lainawa et al., 2022).

From the several definitions of strategy above, it can be concluded that each definition of strategy leads to "long-term goals" and that strategy is something related to the "big problems" that will be faced by a company, which means that when a company's strategy has been determined, then in the future it will not be easy to change. From the definition above, it can also be concluded that strategy determines what direction the company will become. This shows that a company's strategy determines the company's success amidst future competition.

With the right strategy, a company will be able to overcome problems that will arise both due to external and internal factors, so that it can strengthen the company's position in competition with other companies, the company can also maintain and develop all forms of strengths and opportunities it faces, and can increase consumer comfort. through the distribution of duties and authority, and also in increasing market share (Pristiwantiyasih, 2018).

However, the strategy required for conventional companies is different from sharia companies, because the orientation of these two types of companies is very different. Conventional companies tend to be only business-oriented, while the social functions they carry out are simply to attract stakeholder interest, it is not an obligation that must be carried out. Meanwhile, sharia companies carry out their social function because social function for every Muslim is an obligation, then the ultimate goal of sharia companies is not just worldly profit, but Falah. Falah is prosperity in this world and the hereafter. Prosperity in the world can be achieved by a company if the company has good business and social performance.

Strategy in Islamic Views

If we look at the history of the Prophet in ancient times, Rasulullah SAW often used strategies to preach and expand power or even go to war. One of them is the story of Khalid bin Walid, who at that time was very aware that it was impossible to protect himself from an army as large as the Roman army. Then a strategy was formulated, namely to spread fear to the enemy troops by always changing troop formations every day with the aim of making the Roman troops think that the enemy troops wanted additional help from new troops. In this way, enemy troops will feel afraid and eventually withdraw from the battlefield. The Islamic troops then returned to Medina, they did not chase the fleeing Roman troops, because the retreat of the Roman troops meant that the Islamic troops had won.

In an economic context, this can be applied by developing strategies so that managed companies achieve good performance. In this regard, the concept of strategy can also be understood from the vocabulary contained in the words of Allah SWT in the letter Yunus verses 3 and 31 which read:

"Indeed, your Lord is Allah Who created the heavens and the earth in six days, then He sat on the Throne to regulate all affairs. No one will intercede except after His permission. Such [being] is Allah, your Lord, so worship Him. Then don't you take lessons?"

"...and who regulates all affairs?" Then they will answer: "Allah". So, say: "Why don't you fear (Him)?"

From the two verses above, we can take one concept which is now being developed into an economic concept, namely planning. This concept shows that every effort that is not planned with a good strategy will produce uncertain results, and vice versa. Islam also emphasizes that in every activity, the Islamic ummah must comply with Islamic law, namely paying attention to good and bad, as Allah SWT emphasizes in His words in the letter of Ali Imran verse 104 which reads:

"And let there be among you a group of people who call to goodness, enjoin what is right and forbid what is wrong, they are the lucky ones."

From this verse, we are advised to always be careful in making decisions about what we will do, whether it will provide benefits or harm to ourselves and others, including in terms of company management, companies must not only care about business factors alone to seek company profits, but we also have to consider what benefits we will produce and what losses we might incur if we are not careful. In the corporate context, the command of ma'ruf nahi munkar can be applied through fulfilling social performance, which in this context companies must consider what they must do to participate in the prosperity of society and not create any harm to society.

Social Strategy for Achieving Falah

Kaplan and Norton (1996) and Neely et al. (2001) reveal that the criteria for selecting a company performance measurement model are currently no longer limited to financial aspects alone, company performance measurements that only look at financial aspects are not representative in describing the company's overall performance.

Social performance is a company's activities in carrying out a form of social responsibility in addition to carrying out company operational activities (Zubaidah, 2003). For sharia financial institutions that run their business based on the philosophy of the Al-Qur'an and Sunnah, they basically make social performance the basis for actors in interacting with the environment and each other. The Sharia Banking Law emphasizes that the aim of developing sharia banking is the realization of a national sharia banking system that can support the implementation of development in order to increase justice, togetherness and equal distribution of people's welfare. In other words, the benefit of the people is one of the important points in establishing a sharia bank. This indicates that it is not just profit oriented, but rather social is the main goal (Reni & Sari, 2013). This also applies to other sharia financial institutions.

Good management theory explains that companies that are able to manage stakeholders well will be able to achieve better company financial performance (Waddock & Graves, 1997; Mishra & Suar, 2010). One way to improve the company's image in the eyes of stakeholders is to carry out Corporate Social Responsibility (CSR). CSR is a company's business activities to carry out its social responsibilities to stakeholders and society. CSR is carried out by companies to improve welfare and have a positive impact on the environment, which will also have an impact on positive appreciation given by stakeholders, so that companies can increase sales and reduce costs which will lead to increased company profits (Dean, 1998).

One method of measuring CSR for sharia financial institutions is the Islamic Social Reporting Index method. The initial creation of the ISR method was based on Ros Haniffa's (2002) concerns, where according to Haniffa, there were many limitations in conventional social reporting, so she then put forward the Islamic Social Reporting Index (ISR) conceptual framework which was based on sharia provisions. In particular, this index is an extension of social performance reporting standards which includes community expectations not only regarding the role of companies in the economy, but also the role of companies from a spiritual perspective. Apart from that, this index also emphasizes social justice related to the environment, minority rights and employees (Fitria and Hartati, 2010). ISR has five themes originating from Haniffa, and one additional theme from Othman et al. (2009) as follows.

Table 1. ISR Themes

No.	Themes	Items
1.	Funding and Investment	<ul style="list-style-type: none">• Riba• Gharar• Zakat management activities• Policy on late payment of debts and client bankruptcy• Current balance sheet• Value added statement
2.	Products and Services	<ul style="list-style-type: none">• Green product• Halal status• Product quality and safety• Consumer response

3.	Employees	<ul style="list-style-type: none"> • Nature of work • Employee involvement • Health and welfare guarantee • Policies regarding times and places of worship • Education and training • Equal rights • Work environment • Special occupations (disabled, ex. convict, etc.)
4.	Society	<ul style="list-style-type: none"> • Volunteers from among employees • Providing educational scholarships • Work empowerment for school graduates or students in the form of internships • Development of the younger generation • Improving the quality of life for the poor • Concern for children • Charitable or social activities • Support for health, entertainment, sports, cultural, educational and religious activities of the communities in which they operate
5.	Living Environment	<ul style="list-style-type: none"> • Go green campaign, endangered wildlife • Environmental conservation • Does not pollute the environment • Education about the environment • Producing natural commodities • Environmental management system • Environmental audits • Environmental policy
6.	Corporate Governance	<ul style="list-style-type: none"> • Sharia compliance status • Details of names and profiles of directors • Performance reports of commissioners, DPS and directors • Remuneration policy for commissioners, DPS and directors • Share ownership structure • Reports on income and use of non-halal funds • Legal case reports • Anti-corruption and terrorism policies

Nevertheless, the ISR method still has weaknesses, Irawan (2020) in her research shows the results that many sharia banks in Indonesia do not carry out several items in the ISR index, this is because the ISR index is not only intended for sharia financial institutions only, but also for trading, service and manufacturing companies. This also shows that there is no official standard for disclosing social responsibility for sharia financial institutions, so that the results of research on one sharia financial institution and another sharia financial institution have different results.

RESEARCH METHOD

This research approach is qualitative research. This research uses a qualitative approach because the data collected and the analysis is more qualitative in nature. Qualitative data is a source of broad description and has a solid foundation, and contains explanations of processes that occur within the local scope (Miles and Huberman, 1992). This research uses a qualitative approach to understand more deeply the strategies used by the Kanindo Syari'ah cooperative in fulfilling their social function.

The selected research location was the Kanindo Syari'ah cooperative, Dau branch, Malang city. This research uses two types of data, namely primary and secondary. The informants for this research consist of key informants and supporting informants as follows: Mr. Farhan, head of the DAU branch as key informant, Mr. Wahyu, central business manager as expert informant, Mr. Rofiq, central social manager as key informant, Ms. Figuri, internal control, HRD and DPS, as expert informant, Mr. Nur Hafidz, member as supporting informant, and Mr. Sugiyono, member as supporting informant. This research uses descriptive analysis. Validation tests were carried out using source triangulation and technique triangulation tests.

RESULTS

Based on the results of interviews received from informants, Kanindo Syariah Dau branch has internal and external strategies in its social strategy. In more detail as follows:

Internal Strategy

Kanindo Syariah Dau branch in carrying out its social functions collaborates with Baitul Maal As-Salaam (BMA). BMA is a social institution owned by Kanindo Syariah which is tasked with carrying out Kanindo Syariah's social functions and oversees all Kanindo Syariah branches. Based on information received from Mr. Rofiq as the central social manager. Kanindo Syariah has a social strategy in the form of collecting social funds and distributing social funds internally and externally.

Internal social fund collection is obtained through non-halal funds received by each branch in the form of ta'zir (fines), and through charity cans distributed to each employee, and charity boxes available at each branch. Charity cans distributed to each employee will be collected during regular Kanindo Syariah meetings. As for the charity box, it will be cleaned every two months because based on experience, people will be more interested in giving charity if the charity box is clean.

As for fines that go to Kanindo Syariah, these fines are not mandatory, but if members still want to pay, they will be directed to put them in the infaq box available at each branch. The nominal amount of the fine imposed is also not specified, but is simply determined.

And from the social funds collected, it will be distributed internally to Kanindo Syariah in the form of scholarships given to employees' children who are studying at Islamic boarding schools. However, each branch has the right to submit social activities to the BMA. Based on information received from Mr. Farhan, the Dau branch also has social activities, but only in simple forms, such as helping members' businesses in the form of banners, or becoming consultants for their businesses.

External Strategy

External social funds collection is obtained through inevitable conventional bank interest and donations obtained through social media and charity boxes available in restaurants around the Dau branch. This conventional bank interest is obtained from Kanindo Syariah branches located in remote areas where there are no sharia banks, while Kanindo Syariah still needs banking services to secure the funds it has. So, whether they want it or not, these branches have to collaborate with conventional banks. This was confirmed by Mr. Wahyu as the central business manager and Mr. Farhan as the head of the Dau branch.

Charity boxes placed outside Kanindo Syariah will be cleaned every two months, the same as charity boxes placed in the offices of each Kanindo Syariah branch. After external funds are collected, these funds will be distributed externally to Kanindo Syariah in the form of scholarships, additional nutrition for students, ZISWAF, qardhul hasan, and annual routine programs, namely the Muharram and Ramadhan programs.

External scholarships will be given to orphanages and TPQ (Al-Qur'an Education Park). Then, to improve the nutrition of students, it is carried out every month. To distribute ZISWAF funds, BMA collaborates with branches to determine where they will be distributed. For qardhul hasan, Kanindo Syariah distributes it to members who really need it, such as people who have fallen in their business but have a strong desire to get back up.

As for the Muharram and Ramadhan programs, there are many activities carried out in them, such as social service, providing compensation, holding free health checks, and competitions to please orphanage children. This distribution of external social funds was also confirmed by Mr. Farhan. Meanwhile, for members, some of them admitted that they did not know, but they confirmed it with the documentation in the Kanindo Syariah annual calendar.

Islamic Social Reporting Index

After further discussion, apart from the annual routine strategy they carry out, when referring to the ISR index, Kanindo Syariah carries out all the themes of the ISR index, but not all items they carry out.

Funding and Investment Theme

On this theme, based on information received from informants, Kanindo allocated non-halal funds received from Kanindo Syariah branches for social activities as explained in the previous sub-chapter. Apart from allocating non-halal funds for social activities, Kanindo Syariah also manages zakat. In its management, Kanindo Syariah collaborates with BMA, funds for zakat are collected from each branch, and BMA is responsible for distributing them. In managing this zakat, BMA is under the auspices of Dompot Dhuafa.

And finally, Kanindo has a policy regarding late payment of receivables. The policy is not to require fines for members who pay late. If members want to pay, they are directed to pay as sincerely as possible and then put it in the infaq box which will be managed by the BMA. This was also confirmed by Mr. Nur Hafidz and Mr. Sugiyono as members.

Products and Services Theme

For this theme, based on information received from informants, Kanindo Syariah provides facilities for members to provide criticism and suggestions verbally and in writing. Oral criticism and suggestions can be conveyed to employees when they meet in the office every day. As for written criticism and suggestions, they can be submitted at the end of year meeting (RAT), or included in the back of the Kanindo Syariah charity box, or via available social media. However, for Mr. Nur Hafidz and Mr. Sugiyono as members, these two admitted that they did not know of any other way other than directly orally. This shows that socialization regarding this policy has not been comprehensive.

Employees Theme

For this theme, based on information received from informants, Kanindo Syariah Dau branch involves employees in decisions taken by the company. However, based on the information received from Mr. Rofiq, not all employees were involved, but each employee was still given the right to provide input. Then Kanindo Syariah also guarantees the health and welfare of employees, which is done by covering the health costs of employees and their families in the form of BPJS, Jamsostek and Jamsiskes.

Kanindo Syariah also pays attention to the time and place of employee worship by requiring employees to stop working when prayer time arrives, as for the customer service department, they pray alternately. As for employee development, Kanindo does this by bringing in practitioners to provide the required learning. Kanindo also requires every employee to carry out certification. Kanindo also directs its employees to take part in seminars both online and offline. And there is also upgrading through events held by the cooperative department and sharia institutional forums.

Kanindo Syariah also maintains equal employee rights by providing salaries according to those stated in the system. Kanindo Syariah also provides rewards to employees who excel and amil rights to BMA employees. Lastly, Kanindo Syariah always strives to maintain a conducive work environment by maintaining good communication. This includes prayer events at the beginning of the week and weekends, in which communication is carried out regarding problems encountered during the past week.

Society Theme

For this theme, based on information received from informants, Kanindo Syariah allocated the social funds received in the form of ZISWAF. In managing waqf funds, Kanindo collaborates with the Indonesian Waqf Board (BWI). Kanindo also allocates social funds for qardhul hasan financing products as explained in the previous sub-chapter. However, Mr. Sugiyono, as a member, admitted that he had never tasted this product. According to Mr. Rofiq's explanation, this is because qardhul hasan is only aimed at members who really need it, while Mr. Sugiyono is not included in it.

Kanindo also involves its employees as volunteers for the social activities it carries out. Kanindo also allocates social funds for scholarships given to both internal and external companies. This scholarship is carried out in the context of developing the younger generation. Kanindo Syariah also provides the right to internships for agencies that collaborate with it.

Kanindo also provides support for public health in the form of improving students' nutrition, collaborating with hospitals to provide free check-ups, providing free masks during COVID 19. And providing support for sports and culture in the form of competitions held during the Muharram and Ramadhan programs.

Living Environment Theme

For this theme, based on information received from informants, Kanindo Syariah carried out a go green campaign and environmental conservation in the form of reforestation through plant nurseries around the Dau branch office. Kanindo also provided plant seeds and organic fertilizer for members who needed it.

Kanindo also provides environmental education to the community in the form of eco enzyme education which is given to members in order to understand to the public how important it is to protect the environment.

Corporate Governance Theme

Remembering that corporate governance is the mechanism used to ensure the financial suppliers from the company to get the return from the activities by the manager (Sari & Wardani, 2021). For the last theme, based on information received from informants, Kanindo Syariah always tries to maintain sharia in everything it does. Kanindo does this through upgrading with events held by sharia institutional forums, this is also done through strict supervision by the sharia supervisory board, as well as inviting ulama or cooperative services to provide the required learning.

DISCUSSION

Based on the discussion above, Kanindo Syariah has an internal and external social strategy which consists of strategies for collecting and distributing social funds both internally and externally. This is in accordance with David Besanko's (2013) strategy theory where in developing a strategy, a company must pay attention to both internal and external aspects.

As for ISR, Kanindo Syariah succeeded in covering all the themes of the ISR index, although not all items were achieved. This fact is different from most sharia financial institutions which are unable to cover all the themes of the ISR index, especially the environmental theme. This is due to the inappropriateness of this method which is intended for sharia companies in general rather than just sharia financial institutions.

After conducting further discussions regarding the ISR index, three possibilities were found regarding the causes of the unsuitability of this method for Islamic financial institutions in previous research, namely as follows, First, lack of concern for the environment due to the tendency to seek profit rather than benefit the environment and others. Second, incompatibility of environmental themes for the financial industry operating in the financial sector. Third, lack of understanding of maqashid sharia.

If we look at the first point, this is due to a lack of understanding of the concept of tawazun in Islamic teachings. Islam always teaches its people to always be balanced in all things, including at work, apart from seeking profit, they must also benefit others and the environment.

Then the second point, the financial industry really operates in the financial sector, so environmental aspects are not very relevant for sharia financial institutions, however, as a financial institution based on Islamic teachings, it must pay attention to maqashid sharia, this is related to the third point, Maqashid sharia according to Ibn 'Ashur is the goal and wisdom desired by Allah in all laws or most of them, whose attention is not devoted to specific sharia laws only (Ismail, 2014). Maqashid sharia aims to provide benefits to oneself and others, so that one can achieve Falaḥ, namely prosperity in this world and the hereafter.

If we pay attention to each theme and item from the ISR index, all of them aim to provide benefits both to ourselves and others, this is in accordance with the maqashid of sharia, so it can be said that there are no limits for a sharia financial institution in providing benefits, whether in its field or not. So, it can be concluded that if a sharia financial institution understands the maqashid of sharia well, then it is certain that the institution will try its best to provide benefits both for itself and others.

CONCLUSION

Kanindo Syariah Dau branch in developing its social strategy in collaboration with BMA. Based on the results obtained from the field, it shows harmony with the strategy theory of David Besanko (2013) which states that apart from external factors, when developing a strategy, you must also pay attention to internal factors. Then based on CSR theory, which in this research is the ISR index, Kanindo Syariah succeeded in reaching all the themes in the ISR index, but not all existing items could be reached. Meanwhile, based on empirical studies, most Islamic financial institutions are unable to do so, especially for environmental themes. This shows that Kanindo Syariah is able to do what most sharia financial institutions cannot do.

As for the causes of the ISR index being less applicable for Islamic financial institutions in previous research, three possibilities were found to cause this, which after analysis, only became two, namely a lack of understanding of the concept of tawazun in Islam, and a lack of understanding of the concept of maqashid sharia. If a company understands the maqashid of sharia well, then there are no longer any restrictions in doing good, which means the ISR index is suitable to be applied to all kinds of sharia companies. The results of this research indicate that socialization regarding sharia maqashid in sharia financial institutions needs to be improved, so that social performance in sharia companies will increase, especially since Indonesia is the country with the largest Muslim majority in the world.

ACKNOWLEDGEMENT

I am very grateful to my family, teachers and colleagues, for their thorough, helpful, and usually prompt response to requests for their opinions and advice. Present policy does not permit formal acknowledgement in the journal of those who have helped in this way. However, I hope that this brief note will assure them that their assistance has been appreciated.

DECLARATION OF CONFLICTING INTERESTS

The author who name is listed immediately below certify that he has no affiliations with or involvement in any organizations or entity with any financial interest (such as honoraria; educational grants; participation in speakers' bureau; membership, employment, consultancies, stock ownership, or other equity interest; and expert testimony or patent-licensing arrangements), or non-financial interests (such as personal or professional relationships, affiliations, knowledge or beliefs) in the subject matter or materials discussed in this manuscript.

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