

Does Zakat Disclosures as Corporate Social Responsibility (CSR) Have an Impact on Islamic Banking Performance?

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ABSTRACT

This study aims to examine the impact of zakat disclosure, especially on the application of corporate social responsibility (CSR) which is the contribution of Islamic banking to its financial performance, namely return on assets and return on equity. This study focuses on 8 Islamic commercial banks in Indonesia from 2011 to 2020. The sample was selected based on the transparency regarding zakat disclosure in their annual report. The method in this study uses a panel data approach. The results show that the contribution of zakat disclosure as corporate social responsibility has a positive and significant effect on both models of Islamic bank financial performance in Indonesia. This shows that CSR through zakat can support the stakeholder theory where Islamic banks that focus on social obligations will improve their financial performance. This study provides a theoretical contribution by explaining disclosure of zakat is an obligation for Islamic banks, and provides important empirical evidence for policy implications. Thus, Islamic bank management may find the importance of CSR in zakat disclosure through reports on sources of funds and distribution of zakat funds in their financial statements for the benefit of stakeholders.

Keyword: Zakat disclosures, CSR, Financial Performance, Islamic Bank.

JEL Classification: M14, M40, L25, G21

INTRODUCTION

Zakat is the third pillar of Islam, where the obligation to pay zakat is equivalent to the obligation of a Muslim to pray. Zakat must be issued from assets that meet the requirements as muzaki (obligatory zakat) to mustahik (zakat recipients), with the aim of purifying property. Zakat is a tool used to help and support the welfare of the ummah, including the poor and needy, to free debtors who are in debt, for the way of Allah and for travelers as stated in Q.S At-Taubah Verse 60.

In achieving the goals of equity, justice and the welfare of the ummah, the obligation to pay zakat lies not only with Muslim individuals but also for businesses. Business is one of the most important

economic activities promoted by the Prophet Muhammad and his companions. All types of business activities aimed at accumulating wealth are subject to the obligation of zakat. According to Abbas et., (2018) all types of businesses that involve goods or services and have met certain requirements and criteria are subject to zakat. Including financial institutions such as Islamic banking.

Islamic banking is a financial institution that carries out its operational activities based on sharia principles. Based on Islamic law, Islamic bank is obliged to issue zakat maal if the net profit generated in one year exceeds the nisab (Afandi, 2019). Based on the report from the Financial Services Authority (OJK), from a total of 14 Islamic Commercial Banks

operating in Indonesia, total assets in 2020 reached IDR 1,802 trillion, an increase of 13 percent from 2019 (Snapshot Perbankan syariah Indonesia 2020). Islamic banking continues to show positive developments with total financing (PYD), and third party funds (TPF) that have increased from previous years. In addition, factors affecting the growth of Islamic banking in 2020, supported by increased capital, adequate liquidity, quality of financing and profitability of Islamic banks.

National zakat collection in 2020 only reached 3.8 percent or only 12.3 trillion rupiah of the total potential zakat (Pusat Kajian Strategis BAZNAS, 2020). This amount includes the potential for zakat from various sectors including the business sector of Islamic banking. The awareness of paying zakat for companies or business entities is not as great as individual zakat (Afandi, 2019). Regulations regarding corporate zakat have been regulated in Article 22 of Law No.23/2011 and Article 23 paragraph (2), the amount of zakat deducted from the balance sheet or company profits of 2.5 percent can be an incentive that will reduce the company's taxable income. But unfortunately, the application of corporate zakat has not been optimal in Islamic banking in Indonesia (Sidik & Reskino, 2016).

Islamic banks as Islamic financial institutions must of course be able to carry out their role by assisting in the process of distributing zakat to the community, both those who have micro businesses and other sectors. This is in order to reduce the level of poverty in Indonesia, through a mandatory corporate program, namely corporate social responsibility (CSR). Zakat is part of the CSR concept which will provide guidance for companies to pay attention to social interests in addition to the interests of the company itself (Ilmi, 2011; Nurmalia & Ardana, 2019; Ahmad, 2019; Anriani, Siregar, & Siregar, 2020). Distribution and disclosure of zakat in a company will be a positive signal for the

community, and can attract the sympathy and support of stakeholders (Mispiyanti & Junaidi, 2016). This initiative can help companies in growing a good corporate image over time. Reputation and company performance are interrelated, because a good company reputation will create a competitive advantage that will ultimately improve sustainable company performance (Louisot & Rayner, 2012).

CSR or corporate social responsibility becomes very important in determining the success of a company, because customers will prefer companies that are economically and socially responsible. Disclosure of corporate social responsibility (CSR) refers to improving financial performance, providing significant and positive results through customer loyalty and reducing risks that are directed at their reputation, especially during unfavorable economic conditions (Quazi, Amran, & Nejati, 2016). In addition, corporate social responsibility is part of the realization of sustainable development on Industrial and Infrastructure Innovation. The advancement of a company's innovation is the key to responding to economic challenges as well as to promoting company efficiency (Khansa & Violita, 2021).

In recent years, many financial institutions have started to introduce CSR practices in their operational strategies. Several studies on whether CSR has a contribution to the financial performance of Islamic banks have also been carried out quite a lot throughout the world, with quite mixed results. To see the financial performance of a business, it can be measured by several financial ratios, such as the Return on Assets (ROA) ratio and the Return in Equity (ROE) ratio. Return on Assets is used to measure financial performance from a management perspective (Platonova, Asutay, Dixon, & Mohammad, 2018). Meanwhile, the Return in Equity Ratio is used to measure financial

performance which shows the perspective of shareholders (Mollah & Zaman, 2015).

Among several previous studies with the same topic, almost all of them stated that the variable CSR of zakat disclosure showed a positive relationship to the financial performance of Islamic banks. Among them, such as research that has been carried out by Sidik and Reskino (2016), Jan et al., (2019) and Rehman et al., (2020). In contrast to the results of research conducted by Samad et al. (2018), they found that there is a negative relationship between the zakat variable and the performance of Islamic banks. Furthermore, research conducted by Auliyah and Basuki (2021) shows that the zakat variable has no significant effect on financial performance as measured by ROE.

This study aims to identify the impact of zakat disclosures of corporate social responsibility (CSR) level on the Islamic Commercial Bank financial performance in Indonesia. There is a gap of research on the zakat disclosures as corporate social responsibility in Islamic banks in Indonesia. This is the latest study of Islamic Banks in Indonesia that provides an examination of the role of the level of zakat disclosure on financial performance. This study refers to the research of al-Homaidi et al (2021) who made Yemen as the object of study.

Based on the background described above, the study has two main objectives: (1) Examining the impact of Zakat disclosure as corporate social responsibility (CSR) on financial performance as measured by ROA and ROE; (2) Examining the impact of other control variables (CAP, CAR, FDR and Size) on Islamic banking financial performance. The paper is organised as follows: Section 2 discusses the theoretical background that supports research on Zakat disclosure as corporate social responsibility on financial performance and will summarize various previous studies, while Section 3 describes

the data and research methods used in this study. Section 4, the core part, will present the analysis and discussion of these findings. The final section contains conclusions and some suggestions along with recommendations from the research findings and analysis.

LITERATURE REVIEW

Background Theory

According to Al-Qardawi (1986), zakat in the perspective of Sharia comes from an Arabic word which means something that grows, develops, increases, blesses and also means purity and improvement. Meanwhile, zakat from the shariah point of view refers to the portion of wealth whose requirements have been determined by Allah SWT to be distributed to certain groups. Therefore, zakat is actually a means of circulation of wealth (Bayinah, 2015). it aims to reduce the socioeconomic gap between the rich and the poor by preventing the rich from getting richer and the poor getting poorer.

Zakat is one of the corporate social responsibility of financial instruments which has actually been emphasized in the Quran and As-Sunnah. Islam as a religion offers a complete guide to life, which discusses faith, ethics, morality, and belief in Allah in every area of life, whether in political, business, social, and economic matters. Because as stated earlier, that the main goal of Islam is the achievement of holistic welfare. CSR is defined as a company's steps for the betterment of the whole society (Pearch II & Doh, 2005). According to Dusuki (2008), CSR in the context of Islam is based on the Quran and Sunnah, which provide a substitute or a better framework for the philosophy of human interaction with fellow human beings. The Quran implies that a company or institution should be socially responsible by giving charity and helping around people in need (Hasan, 2001). Anriani et

al., (2020) states that zakat is part of the CSR concept which will provide guidance for companies to pay attention to social interests in addition to the interests of the company itself.

Disclosure of zakat is an obligation for Islamic banks that must be reported through reports on sources of funds and distribution of zakat funds in their financial statements (Auliyah & Basuki, 2021). This refers to the statement of Islamic Financial Accounting Standards/Sharia PSAK No. 109 concerning Zakat and Infaq, that zakat accounting must be in accordance with sharia principles. It can certainly play an important role in business through increasing corporate transparency, developing corporate image, and providing useful information to investors (Rehman, et al., 2020). In stakeholder theory, it is explained that when companies meet various expectations of their stakeholders, they will be able to create better company performance (Freeman, 1984).

Khansa and Violita (2021) stated that management disclosure of accountability reported in the form of entity performance that contains sharia values, will increase public interest and attractiveness to conduct transactions using Islamic banks. Several previous studies have described how important it is to disclose corporate social responsibility based on an Islamic perspective (Khan & Yunis, 2019; Arifin & Wardani, 2016; Yusuf & Bahari, 2015). Thus, Corporate Social Responsibility is an indicator used to support the performance of a company. Companies with good financial performance are said to be successful in carrying out their operational activities. Financial Performance is an analysis to measure the level of success of the company in managing the organization as a whole by following the correct financial implementation rules.

Financial ratio is a measure used to assess the performance of a company (Xu, Xiao, Dang, Yang, & Yang, 2014).

According to Mithas et al., (2012) the profitability ratio is used to measure how much the company's ability to earn a profit. Thus, the company's ability to generate profits in its operations becomes the main focus in assessing the company's performance. This is because in addition to being an indicator of the company's ability to fulfill obligations to funders, company profits are also an element in creating company value that shows the company's prospects in the future. The level of profitability can be used as the basis for making investment decisions to measure the company's ability to generate returns on investments made.

Return on Assets (ROA) is a ratio to measure the company's ability to generate profits with the assets used. In financial analysis, ROA is an analytical tool to measure how efficient the management of asset use is in generating profits. Thus, ROA becomes important information for investors to see how much profit is generated from the invested capital. Furthermore, Return on Equity (ROE) is the ratio used by investors in making investment decisions (Arifin & Wardani, 2016). Return on equity, is a comparison between net income after tax and equity. According to Arifin and Wardani (2016), the selection of ROA and ROE as proxies for financial performance is considered appropriate in reflecting the company's efforts to generate profits from its resources.

Previous Study

Research on the relationship between zakat and Islamic Bank performance has been extensively studied by previous researchers. Ramadhani (2016) found that Islamic bank that disclose zakat have better and more stable financial performance because Islamic bank can maintain stakeholder trust in Islamic religious provisions. Furthermore, Ibrahim et al., (2020) examined the relationship of the Zakat Disclosure Index to financial

performance using the ROA model in 50 Islamic banks in Malaysia for the 2010-2014 period. The results found that higher zakat disclosure is associated with higher financial performance of the banks. Furthermore, Al-Homaidi and Al-Matar (2021) examined the correlation between the disclosure of zakat information on Islamic banks performance in Yemen for the period 2005-2014. Measurement of the performance of Islamic banks using 2 proxies ROA and ROE. The findings conclude that there is a strong positive relationship between zakat disclosure and financial performance in Islamic banks in Yemen during the study period.

Furthermore, research on the contribution of zakat as an instrument of corporate social responsibility in improving the company's financial performance. Javaid and Al-Malkawi (2018) found that there is a strong positive relationship between Zakat as corporate social responsibility on the company's financial performance. Sidik and Reskino (2016), studied the influence of zakat and Islamic corporate social responsibility (ICSR) on the performance of companies using a sample of 10 sharia banks in Indonesia from 2011 to 2014. The results show that zakat and Islamic corporate social responsibility (ICSR) has a positive influence. and significant impact on the performance of a company.

The same research was conducted by Romzie et al., (2019) they examined the impact of corporate social responsibilities (CSR) which is zakat contribution on the financial performances which use proxies by return on assets, return on equity and operating profit. The sample used is 15 Islamic banks in Malaysia from 2010-2014. The results show that zakat as part of corporate social responsibility has a positive significant impact on operating profit of Islamic banks. However, there is no evidence that zakat as part of corporate social responsibilities can provide significant impacts on ROA and ROE.

Auliyah and Basuki also tested the effects of zakat and Corporate Social Responsibility (CSR) on the financial performance of 8 sharia banks listed on the Indonesia Stock Exchange (IDX) from the period 2014-2018. The dependent variable was financial performance which proxied by ROA and ROE, while the independent variable was zakat and CSR. The result of the study showed that zakat disclosure has positive and significantly affected financial performance as measured by ROA model. Meanwhile, zakat disclosure shows no significant effect on financial performance as measured by the ROE model.

Meanwhile, research conducted by Samad et al., (2018) showed different results. They examined corporate zakat on the performance of Islamic banks in Malaysia, using a sample of 16 Islamic banks for the period 2010-2015. The results show that there is no significant relationship between the zakat variable and the financial performance of Islamic banks during the research period. This study found that there was a low level of commitment to pay corporate zakat among Islamic banks in Malaysia.

Research Framework

This research is based on stakeholder theory, which states that the main goal of an organization is the creation and maximization of stakeholder value (Thomas & Preston, 1995). According to this theory, an organization will be efficient if it pays attention to all the relationships that affect organizational goals (Freeman, 1984). The assumption of stakeholder theory becomes a useful tool for measuring profitability. So the theory that explains CSR disclosure and its impact on company performance is stakeholder theory (Rehman, et al., 2020). The social responsibility of business organizations is to meet the needs of their stakeholders for which they are legally and socially responsible. In order to examine the relationship between CSR and financial

performance, it is necessary to identify appropriate proxy variables to avoid potential measurement bias (see Scholtens, 2008). In this case, the object of research is the financial performance of Islamic banking, namely return on assets (ROA) and return on equity (ROE). This proxy is a clear measure of firm performance and is widely used in the literature (Al-Homaidi & Al-Matar, 2021; Samad, Said, Mohd Nasir, Mahshar, & Kamarulzaman, 2018; Javaid & Al-Malkawi, 2018; Herwanti, Irwan, & Fitriyah, 2017). Furthermore, regarding the Zakat variable which is the core of this research, the current study takes zakat as a

CSR proxy variable. CSR as measured by Zakat is expected to have a positive relationship to the financial performance of Islamic banking. Consistent with the standard CSR literature, we include four control variables: capital structure (proxied by total assets divided by total equity, capital adequacy ratio) (Romzie, Haron, & Othman, 2019), liquidity (proxied by financing to deposit ratio) (Romzie, Haron, & Othman, 2019), and firm size (total assets) (Romzie, Haron, & Othman, 2019; Samad, Said, Mohd Nasir, Mahshar, & Kamarulzaman, 2018).

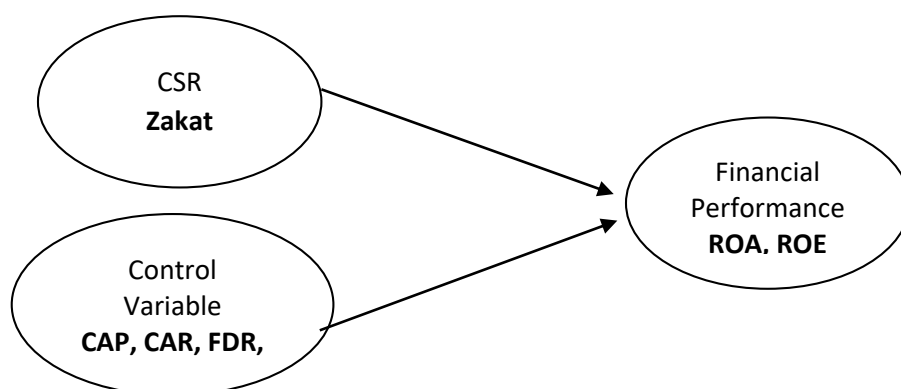


Figure 1 Research Framework

METHODOLOGY

Data

This study uses panel data set of 8 Islamic commercial banks (BUS) in Indonesia from 2011 to 2020. The data used as the dependent variable is the financial performance of 8 Islamic commercial banks in Indonesia. The sample was selected based on the transparency regarding zakat disclosure in their annual report. Furthermore, the independent variables consist of CSR, CAP, CAR, FDR, and SIZE. In this study, the financial performance of banks was evaluated using ROA and ROE model. This paper is based on secondary data, where the data are obtained from the annual financial reports of each bank.

Methods

The type of research used in this paper is a type of quantitative method using a panel data approach. Panel data is data that contains observations about different cross sections across time. To examining the impact of zakat disclosures on Islamic banking performance, the following baseline regression analysis was used:

$$ROA_{it} = \alpha + \beta_1 CSR_{it} + \beta_2 CAP_{it} + \beta_3 CAR_{it} + \beta_4 FDR_{it} + \beta_5 SIZE_{it} + \varepsilon_{it}$$

$$ROE_{it} = \alpha + \beta_1 CSR_{it} + \beta_2 CAP_{it} + \beta_3 CAR_{it} + \beta_4 FDR_{it} + \beta_5 SIZE_{it} + \varepsilon_{it}$$

Where,

ROA : Return on Asset

ROE : Return on Equity

- CSR : Corporate Social Responsibility
(total zakat/total asset)
CAP : Total Asset/total Equity
CAR : Capital Adequacy Ratio
FDR : Financing to Deposit Ratio
Size : Ln of total asset
 ε_{it} : Error in the model
 α : intercept
 i : cross section for Islamic
Commercial Banks
 t : period of study

There were two main reasons for choosing this method: i) panel data can provide more accurate inferences of model parameters, ii) greater capacity to capture the complexity of individual behaviour. Therefore, the use of panel data in this study is needed to be able to see how the transparency of zakat disclosures in Islamic bank can affect their performance.

Based on panel data estimation, there are three alternative models of panel data analysis that can be used to estimate the behaviour of Islamic bank financing, namely the pooled least squares model or often referred to as the common effect model, the fixed effect model and the random effect model (Baltagi, 2005).

Furthermore, to determine the best model in estimating panel data regression. Several test techniques are used, namely the Chow test to choose between common effect or fixed effect models. Second, the Hausman test is used to choose between the best fixed effect or random effect model in estimating panel data regression. Third, the Lagrange Multiplier test to choose between common effect or random effect model.

After the model is selected, the next step is to test the hypothesis. Hypothesis testing can be measured by looking at the value of the t-statistic, the value of the F-statistic, and the value of the coefficient of determination. The value of t-statistic is used to see the effect of each independent variable on the dependent variable. Furthermore, the F test was conducted to see whether the independent variables used in the study were able to explain changes in the dependent variable. In other words, the F-statistic test is used to test whether the use of the model is appropriate and reliable. Finally, by looking at the value of the coefficient of determination (R) which aims to assess how far the regression model used is able to explain the dependent variable.

Table 1 Descriptive Statistics

<i>Variable</i>	<i>Mean</i>	<i>Median</i>	<i>Max</i>	<i>Min</i>	<i>Std. Dev</i>
ROA		0.008000	0.069300	-0.107700	0.021288
ROE	0.005763	0.031000	0.579800	-0.940100	0.172932
CSR	0.029067	0.015736	0.083356	0.000000	0.019822
CAP	0.019368	11.89584	63.93824	3.177509	8.715624
CAR	13.82212	0.183250	0.619800	0.113500	0.093602
FDR	0.208558	0.888500	1.629700	0.169800	0.159430
SIZE	0.873911	15.94294	18.65897	13.37238	1.359931
	16.17320				

RESULT AND DISCUSSION

Result

The table above summarizes the descriptive statistics of the variables used in this study. Islamic banks recorded an average ROA performance of 0.57% with a maximum performance value of 6.9% and a minimum

performance of minus 107%. Meanwhile, the average ROE performance was 2.9%, where the highest performance was recorded at 5.7% and the minimum performance was minus 94%. Nevertheless, overall most of the Islamic banks recorded a positive performance during the study period. This can be seen from the high variation in performance between banks

which is recorded by standard deviation. Furthermore, the CSR variable of Islamic banks recorded an average of 1.9% of total assets, with the highest CSR value reaching 8.3% while the lowest value was recorded at 0%. This shows that some Islamic banks

do not pay zakat at all. From the sample in this study, Bank Panin Syariah did not issue zakat in 2011, 2012 and 2018. Meanwhile, the rest of the banks continued to pay zakat although the portion of the amount was quite varied.

Table 2. Model Estimation Result

Variables	MODEL 1 ROA	MODEL 2 ROE
Constant	-0.022 (0.5129)	-0.3959 (0.2077)
CSR	0.4887*** (0.0001)	3.8076*** (0.0004)
Controlled variable		
CAP	0.0011*** (0.0125)	0.0056 (0.1413)
CAR	0.0369 (0.3251)	0.1863 (0.5616)
FDR	-0.0386*** (0.0104)	-0.1257 (0.3213)
SIZE	0.0017 (0.3533)	0.0213 (0.2277)
R-Square	0.3292	0.2060
F-Statistic	7.265***	3.840***
Notes: *** significant at 1% significance level, ** significant at 5% significance level, *significant at 10% significance level		

Based on the results of the estimation model selection using several tests, the best model to explain the ROA Model uses the Common Effect Model, while the ROE model uses the Random Effect Model. Furthermore, to be able to explain the impact of CSR on financial performance, the specific factor used in this study is CSR which is proxied by zakat divided by total assets. Other determinants used in this study are bank-specific factors (ie, capital, which is proxied by total assets divided by equity ratio and capital adequacy ratio, then liquidity which is proxied by financing to deposit ratio and bank size which is proxied by log natural of total asset).

Table 2 reveals the correlation results (t-statistics) of this examination. The

results indicated that variable zakat as corporate social responsibility (CSR), capitalization (CAP) have a positive correlation with Islamic banks performance calculated by ROA. Thus, the liquidity variable (FDR) has a negative correlation with the performance of Islamic banks determined by ROA. While only CSR variable that show a positive relationship with banks' performance calculated by ROE. The F-statistic probability value show the significant result (below 5 percent), so the variables used in this study, namely: CSR, CAP, CAR, FDR and SIZE simultaneously affect the independent variable which is proxy by ROA and ROE model. So, it conclude that the use of the model in this research is appropriate and reliable. The adjusted R-square value of

ROA model is 0.3292 or 32.92 percent means that the variable ROA can be explained by variables CSR, CAP, CAR, FDR and SIZE by 32.92 percent while the remaining 63,08 percent is explained by variables outside the model. Then, the adjusted R-square value of ROE model is 0.2060 or 20.60 percent means that the variable ROE can be explained by variables CSR, CAP, CAR, FDR and SIZE by 20.60 percent while the remaining 79,40 percent is explained by variables outside the model.

Discussion

Experts have explained that Zakat is the main social instrument used for income redistribution, building social justice, equality, and prosperity in Muslim societies (Al-Sabban, Al-Sabban, & Rahatullah, 2014; Javaid & Al-Malkawi, 2018; Abdullah, Derus, & Al-Malkawi, 2015). Furthermore, zakat as a CSR perspective is the obligation of companies to run their operations regardless of their economic and commercial interests. Where, the main core of this CSR theory is that organizational goals must be in line with community goals (Gao & Bansal, 2013). The theory further supports the objective of Islamic banks to meet the demands of various stakeholders in a normative approach and take advantage of instrumental benefits in the form of better financial performance (Dusuki, 2008). All these arguments and assumptions are also in accordance with Islamic teachings on CSR.

The findings show that CSR has a significant positive effect on the operating profit of Islamic banks, both ROA and ROE models. This shows that CSR through zakat can support the stakeholder theory where Islamic banks that focus on social obligations will improve their financial performance (Romzie, Haron, & Othman, 2019; Ahmad, 2019; Anriani, Siregar, & Siregar, 2020; Javaid & Al-Malkawi, 2018; Al-Homaidi & Al-Matar, 2021). The existence of a positive and significant relationship can also attract the attention of

investors to consider the bank's CSR activities (Platonova, Asutay, Dixon, & Mohammad, 2018). This is supported by several previous studies which noted a positive and quite large relationship between the profitability of companies and the magnitude of their CSR (Jan, Marimuthu, & Isa, 2019; Sidik & Reskino, 2016; Rehman, et al., 2020).

The transparency of the performance of entities that contain sharia values is believed to increase the public's desire to transact using Islamic banks (Khansa & Violita, 2021). Islamic banks that adhere to sharia principles must apply ethical principles in their policies, such as transparency in reporting to attract stakeholder trust, honesty in every transaction and involvement in social and non-profit programs (Ibrahim, Hashim, & Ariff, 2020). Islamic banks tend to disclose matters relating to zakat and other charitable instruments, because this disclosure will improve the image of the bank. Thus, the perspective of zakat disclosure becomes an interesting way to explore the relationship between ethical values and bank performance.

Further results show that capitalization has a positive and significant effect on banking performance as shown in the ROA model. Furthermore, the FDR variable as a proxy for banking liquidity also shows significant results, but shows a negative effect on ROA. Other internal banking variables, namely bank size in both models, show insignificant results. This study is in line with research conducted by Al Homaidi & Al-Matar (2021), which shows that bank size has no effect on the performance of Islamic banks.

CONCLUSION

The results of this study indicate that the variable Zakat disclosures as Corporate Social Responsibility has a positive and significant effect on the financial performance of Islamic banking in

Indonesia which is addressed in the ROA and ROE models. Thus, Zakat as CSR in the financial statements of Islamic banking in Indonesia is recommended to be carried out in order to encourage increased company performance. In addition, this study shows that CSR through zakat can support the stakeholder theory where Islamic banks that focus on social obligations will improve their financial performance. This finding reflects the importance of Islamic banks to focus on CSR especially on the contribution of zakat to the financial performance of Islamic banks and in building the reputation of various stakeholders.

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APPENDIXES

EViews RESULT

DESCRIPTIVE STATISTICS

	ROA	ROE	CSR	CAP	CAR	FDR	SIZE
Mean	0.005763	0.029067	0.019368	13.82212	0.208558	0.873911	16.17320
Median	0.008000	0.031000	0.015736	11.89584	0.183250	0.888500	15.94294
Maximum	0.069300	0.579800	0.083356	63.93824	0.619800	1.629700	18.65897
Minimum	-0.107700	-0.940100	0.000000	3.177509	0.113500	0.169800	13.37238
Std. Dev.	0.021288	0.172932	0.019822	8.715624	0.093602	0.159430	1.359931
Skewness	-2.733784	-2.657611	1.146351	3.054776	1.862919	0.161862	0.037734
Kurtosis	16.08890	17.30576	3.739794	16.46789	7.223315	12.58800	2.015603
Jarque-Bera	670.7118	776.3541	19.34591	729.0356	105.7275	306.7821	3.249110
Probability	0.000000	0.000000	0.000063	0.000000	0.000000	0.000000	0.196999
Sum	0.461000	2.325330	1.549420	1105.769	16.68460	69.91290	1293.856
Sum Sq. Dev.	0.035801	2.362535	0.031041	6001.006	0.692140	2.008025	146.1036
Observations	80	80	80	80	80	80	80

Model ROA

CEM

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.022375	0.034030	-0.657506	0.5129
CSR	0.488754	0.117421	4.162395	0.0001
CAP	0.001136	0.000444	2.561131	0.0125
CAR	0.036952	0.037300	0.990666	0.3251
FDR	-0.038638	0.014687	-2.630769	0.0104
SIZE	0.001795	0.001921	0.934178	0.3533
Root MSE	0.017325	R-squared		0.329284
Mean dependent var	0.005763	Adjusted R-squared		0.283965
S.D. dependent var	0.021288	S.E. of regression		0.018014
Akaike info criterion	-5.123351	Sum squared resid		0.024012
Schwarz criterion	-4.944699	Log likelihood		210.9340
Hannan-Quinn criter.	-5.051724	F-statistic		7.265961
Durbin-Watson stat	1.669208	Prob(F-statistic)		0.000014

FEM

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.054550	0.081853	0.666432	0.5074
CSR	0.482171	0.144551	3.335640	0.0014
CAP	0.001437	0.000458	3.135594	0.0025
CAR	0.032370	0.039678	0.815827	0.4175
FDR	-0.031259	0.016096	-1.942013	0.0563
SIZE	-0.003550	0.004645	-0.764314	0.4474

Effects Specification

Cross-section fixed (dummy variables)				
Root MSE	0.015882	R-squared		0.436327
Mean dependent var	0.005763	Adjusted R-squared		0.335371
S.D. dependent var	0.021288	S.E. of regression		0.017355
Akaike info criterion	-5.122223	Sum squared resid		0.020180

Schwarz criterion	-4.735143	Log likelihood	217.8889
Hannan-Quinn criter.	-4.967031	F-statistic	4.321936
Durbin-Watson stat	1.892758	Prob(F-statistic)	0.000047

REM

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.022916	0.034145	-0.671130	0.5042
CSR	0.491617	0.115223	4.266670	0.0001
CAP	0.001167	0.000430	2.713718	0.0083
CAR	0.036429	0.036279	1.004147	0.3186
FDR	-0.037738	0.014293	-2.640289	0.0101
SIZE	0.001757	0.001924	0.913010	0.3642
Root MSE	0.017211	R-squared		0.328984
Mean dependent var	0.005407	Adjusted R-squared		0.283646
S.D. dependent var	0.021143	S.E. of regression		0.017895
Sum squared resid	0.023698	F-statistic		7.256121
Durbin-Watson stat	1.683087	Prob(F-statistic)		0.000014

CHOW TEST

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.817644	(7,67)	0.0982
Cross-section Chi-square	13.909751	7	0.0528

HAUSMAN TEST

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	9.679617	5	0.0848

LM TEST

	Cross-section	Time	Both
Breusch-Pagan	0.020799 (0.8853)	2.202750 (0.1378)	2.223549 (0.1359)

MODEL ROE

CEM

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.389783	0.298686	-1.304995	0.1959
CSR	3.749919	1.030616	3.638521	0.0005
CAP	0.005054	0.003893	1.298160	0.1983
CAR	0.205249	0.327383	0.626938	0.5326
FDR	-0.146133	0.128910	-1.133612	0.2606
SIZE	0.022337	0.016864	1.324588	0.1894
Root MSE	0.152061	R-squared		0.217022
Mean dependent var	0.029067	Adjusted R-squared		0.164118
S.D. dependent var	0.172932	S.E. of regression		0.158106
Akaike info criterion	-0.779065	Sum squared resid		1.849814
Schwarz criterion	-0.600413	Log likelihood		37.16258
Hannan-Quinn criter.	-0.707438	F-statistic		4.102182
Durbin-Watson stat	1.764829	Prob(F-statistic)		0.002421

FEM

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.204189	0.713933	0.286006	0.7758
CSR	3.804835	1.260790	3.017819	0.0036
CAP	0.007837	0.003996	1.961075	0.0540
CAR	0.111898	0.346074	0.323335	0.7474
FDR	-0.056857	0.140392	-0.404985	0.6868
SIZE	-0.020453	0.040513	-0.504845	0.6153

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	0.138527	R-squared	0.350199
Mean dependent var	0.029067	Adjusted R-squared	0.233816
S.D. dependent var	0.172932	S.E. of regression	0.151371
Akaike info criterion	-0.790503	Sum squared resid	1.535179
Schwarz criterion	-0.403423	Log likelihood	44.62011
Hannan-Quinn criter.	-0.635312	F-statistic	3.009034
Durbin-Watson stat	2.028525	Prob(F-statistic)	0.002022

REM

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.395952	0.311502	-1.271107	0.2077
CSR	3.807688	1.024295	3.717373	0.0004
CAP	0.005610	0.003773	1.486965	0.1413
CAR	0.186311	0.319531	0.583076	0.5616
FDR	-0.125784	0.125968	-0.998539	0.3213
SIZE	0.021319	0.017527	1.216381	0.2277

Root MSE	0.149788	R-squared	0.206030
Mean dependent var	0.025398	Adjusted R-squared	0.152383
S.D. dependent var	0.169163	S.E. of regression	0.155742
Sum squared resid	1.794909	F-statistic	3.840494
Durbin-Watson stat	1.800953	Prob(F-statistic)	0.003786

CHOW TEST

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.961666	(7,67)	0.0735
Cross-section Chi-square	14.915056	7	0.0371

HAUSMAN TEST

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	9.335453	5	0.0964

LM TEST

	Cross-section	Time	Both
Breusch-Pagan	0.166205 (0.6835)	6.493106 (0.0108)	6.659311 (0.0099)

