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# The Impact of Zakat on the Financial Performance of Islamic Commercial Banks in Indonesia

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**ABSTRACT**

Companies certainly aim to achieve strong financial performance. One aspect of good performance is fulfilling corporate social responsibility (CSR). However, the CSR disclosure currently used by Islamic banks is considered inadequate, as it does not yet include sharia-compliant indicators. CSR disclosure in Islamic banks would be more appropriate if it used zakat as a proxy. Therefore, this study aims to determine the effect of CSR, projected through zakat contributions, on the financial performance of Islamic banks in Indonesia. The financial performance of Islamic banks is measured using Return on Assets (ROA) and Return on Equity (ROE). This study utilizes secondary data from the financial reports of Islamic commercial banks in Indonesia listed with the Financial Services Authority (OJK) from 2009 to 2023, using purposive sampling, with a selected sample of 30 data observations. The analysis technique employed is simple linear regression analysis. The findings of this study show that zakat has a positive effect on the financial performance of Islamic commercial banks, as measured by both ROA and ROE.

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## 1. INTRODUCTION

In 2023, the growth of Shariah Commercial Banks (ICB) assets continued to increase. The Financial Services Authority (OJK) reported that as of September 2023, total ICB assets reached Rp831.95 trillion, growing by approximately 10.93%. This has led to a significant market growth for ICB, amounting to 7.27%, as reported by Koran Kompas (2023). Its financial performance, showing consistent and significant improvement, enables ICB to compete effectively with conventional banks, thus positioning it as a globally recognized Islamic financial institution. (M. A. Ali, Shuib, et al., 2023).

The financial performance of Shariah Commercial Banks (ICB) is influenced by several factors, one of which is CSR. ICB that maintains stakeholder satisfaction through CSR initiatives will have a

positive impact on its financial performance (Auliyah & Basuki, 2021). CSR involves fulfilling corporate social responsibilities aimed at benefiting society (Saeed & AlAli, 2020). The influence of CSR on corporate financial performance deserves attention, considering CSR involves expenditure that does not directly impact the company's bottom line (M. A. Ali, Shuib, et al., 2023). Several studies have found that CSR has a positive influence on ICB financial performance, such as those by (Devie et al., 2018), (Galdeano et al., 2019), and (Ling, 2019). However, other studies contradict these findings. Research by (Gangi et al., 2018) and (Sekhon & Kathuria, 2020) suggests that CSR has a negative impact on ICB financial performance.

The debate surrounding CSR as a performance responsibility for ICB remains contentious (Zafar & Sulaiman, 2020). Many studies still use CSR disclosure variables to influence ICB performance. However, according to (Auliyah & Basuki, 2021) these measurements are typically applied to conventional banks and are thus irrelevant for assessing ICB performance, which should be oriented towards Shariah principles. There are still many different benchmarks used in various studies measuring ICB performance, so ICB should be capable of selecting the most appropriate metrics for its operations (Jusoh & Ibrahim, 2020). Therefore, ICB should adjust its CSR measurements according to Islamic law applicable to the company. Since the majority of stakeholders in ICB are Muslims, they naturally expect CSR fulfillment in ICB to be more relevant to Muslim communities and aligned with Islamic principles (M. A. Ali, Shuib, et al., 2023).

CSR disclosure already exists based on Islamic principles known as Islamic Corporate Social Responsibility (ISR). However, ISR merely counts the amount of disclosure by ICB as a form of transparency indicating compliance with its social responsibilities (Nurhayati & Rustiningrum, 2021). Zakat can demonstrate the actual amount expended by ICB as part of its social responsibility fulfillment for that year. Using zakat amounts to measure CSR is preferable to relying solely on disclosure. This is supported by research from (Setiawan et al., 2022) and (Septian & Eliza, 2022) which prove that CSR disclosure through ISR does not affect ICB financial performance. Therefore, this study employs zakat proxies to measure ICB financial performance.

The financial performance of ICB can be measured using ROA and ROE. Zakat can influence the financial performance of ICB measured by ROA. If ICB effectively channels its zakat, ROA will increase because ROA reflects profit over total bank assets. Zakat can also impact the financial performance of ICB measured by ROE. If ICB distributes zakat, ROE will increase because ROE indicates profit generated by the bank for shareholders. This study also incorporates two control variables: size and leverage, similar to previous research (Devie et al., 2018), (Buallay, 2019), and (Iman et al., 2022).

Therefore, this study aims to examine the impact of CSR, measured by zakat distribution, on the performance of Shariah Banks (ICB) in Indonesia. This research differs from other studies on the relationship between CSR and the performance of ICB, such as those by (Riduwan et al., 2023), (Utami et al., 2023), (Mahendra, 2023), y using zakat as a measure of CSR, a metric that is still rarely utilized in Indonesia. Several studies have shown varied results. Research by (Rosman et al., 2019), and (Auliyah & Basuki, 2021) ound that zakat as CSR has a positive and significant effect on the financial performance of ICB. In contrast, a study (Azizah et al., 2018) concluded that zakat payments in financial and non-financial companies do not affect their financial performance.

## Literature Review

### *StakeholderTheory*

Stakeholder theory was introduced by Freeman in 1994. This theory posits that a company is not merely an entity operating for its own benefit but must also provide value to its stakeholders (shareholders, creditors, consumers, suppliers, government, and the community). Therefore, the existence of a company is significantly influenced by the support given by its stakeholders. The sustainability of a company depends on this stakeholder support, so the company must continuously seek such support to ensure the ongoing operations of (ICB) (Ghozali, 2020).

Stakeholder theory is a management approach aimed at maximizing the interests of the organization while providing numerous benefits to everyone (Riduwan et al., 2023). This theory asserts that an organization must fulfill its social obligations to the community, as this will impact its financial performance (M. A. Ali, Shuib, et al., 2023). This theory aligns with the practice of good corporate governance. If a company implements good corporate governance, it will result in fairness for all stakeholders (Riduwan et al., 2023).

CSR is often directed towards stakeholders due to its influence on the company. Several studies have also used stakeholder theory to measure the relationship between CSR and the performance of various companies, including ICB, such as those by (Galdeano et al., 2019), (Platonova et al., 2018), (Devie et al., 2018) and (Ling, 2019). This theory posits that ICB must contribute to social activities for stakeholders and demonstrate good performance. If the company cannot fairly meet the interests of its stakeholders, it will receive a poor rating, and its economic sustainability will be threatened (M. A. Ali, Shuib, et al., 2023). his theory is also widely used in research employing zakat as a proxy to measure the financial performance of ICB, as in the studies by (Saeed & AlAli, 2020) and (Auliyah & Basuki, 2021).

### *ICB Performance*

Financial performance represents a company's achievement in generating profit over a specific period, both effectively and efficiently (Auliyah & Basuki, 2021). Measuring the financial performance of ICB is essential as it is related to the health level of these banks. If a ICB has good financial performance, its health level will also be good (Juliyanti, 2023). A ICB with a good health level will be able to achieve the goals desired by the company and its stakeholders. Financial performance is often measured using ROA and ROE. ROA can measure the bank management's ability to manage its assets over a certain period. When ROA increases, the bank's profits also increase, resulting in a more advantageous position for the bank in using its funds (Arafah & Wijayanti, 2023). Several studies using ROA to measure the financial performance of ICB include those by (Bui et al., 2023) and (M. A. Ali, Nor, et al., 2023). Meanwhile, ROE reflects a company's performance in generating profit for its shareholders. Research by (Saeed & AlAli, 2020) and (Hadi et al., 2020) used ROE to measure the financial performance of ICB.

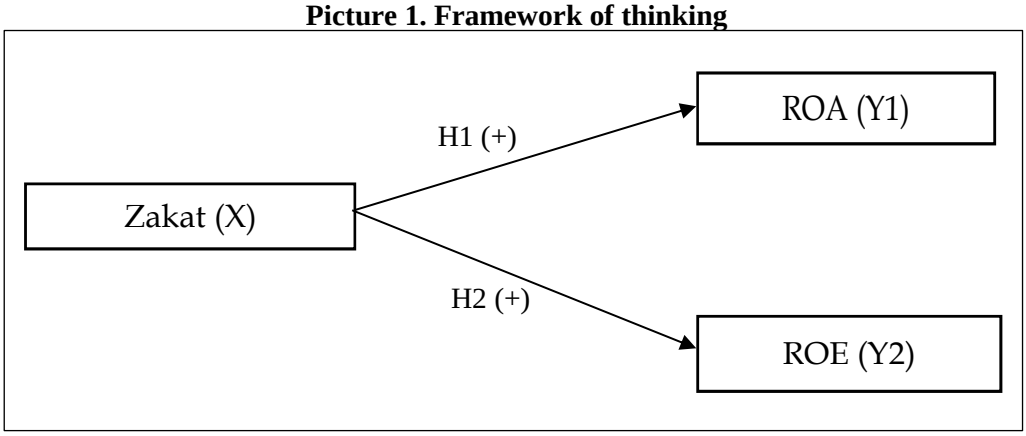
### *Zakat as CSR*

Zakat is an obligation that must be fulfilled by all Muslims. It is one of the pillars of Islam and an essential component of the Islamic faith, even forming part of the Five Pillars of Islam (Fajriyah &

Rahmayati, 2023). It serves as a tool for poverty alleviation and reducing social inequality, thereby addressing economic issues within the Muslim community (Machado et al., 2018). Research conducted by (Sari et al., 2019) and (I. Ali et al., 2019) ndicates that zakat positively impacts poverty alleviation. Zakat also influences economic growth (M. A. Ali, Shuib, et al., 2023). A study by (Munfaati & Noviarita, 2023) demonstrates that zakat has a positive and significant impact on accelerating economic growth in Indonesia. This finding is consistent with research by (Siswantoro & Ikhwan, 2023) which also found that zakat affects long-term economic growth in Indonesia. From various studies conducted previously, it can be concluded that zakat can be used to fulfill the social responsibility of Shariah Banks (ICB) as a substitute for CSR. The distribution of zakat is considered more appropriate because it aligns better with Islamic principles compared to CSR, which is typically used by conventional banks.

**Hypothesis Development**

**Picture 1. Framework of thinking**




**The influence of zakat to ROA**

Zakat is considered one of the CSR activities in an organization, including ICB, because a ICBiness organization inevitably generates profits, and zakat must be issued from these profits to enhance community welfare (Saeed & AlAli, 2020). Zakat can affect the financial performance of ICB, measured by ROA, as ROA indicates management's ability to generate profit from the total assets owned (Arafah & Wijayanti, 2023). If ICB distributes its zakat properly, stakeholders will trust and support the operational performance of ICB. When stakeholders support ICB's performance, the bank's profits and financial performance will increase. Several studies by (Auliyah & Basuki, 2021) and (M. A. Ali, Nor, et al., 2023) have examined the use of zakat as a measure of ICB's CSR against ROA. These studies found that zakat as CSR has a positive and significant impact on the financial performance of ICB measured by ROA. Based on the various studies and theories mentioned above, the author formulates the following hypothesis:

H1 : Zakat has a positive and significant impact on the financial performance of ICB, measured by ROA.

**The influence of zakat to ROE**

As an institution guided by Shariah principles, zakat is an obligation that must be fulfilled by ICB. By paying zakat, ICB is considered to have met the needs of its stakeholders (Rosman et al., 2019). akat can affect the financial performance of ICB, measured by ROE, as ROE indicates the

bank's success in generating profit for its shareholders (M. A. Ali, Nor, et al., 2023). If ICB distributes its zakat effectively, stakeholders will provide more support to ICB. With this support, the return on equity for shareholders will increase, and the financial performance of ICB will improve. Research conducted by (Saeed & AlAli, 2020) demonstrates that zakat positively impacts the financial performance of ICB, measured by ROE. Based on the above explanation and research findings, the author formulates the following hypothesis:

H2 : Zakat has a positive and significant impact on the financial performance of ICB, measured by ROE.

## 2. METHOD

### Sample Selection and Data Sources

This study is a quantitative research using secondary data in the form of financial statements. The data source consists of annual financial reports from Islamic commercial banks in Indonesia, registered with the OJK, covering a 15-year period (2009-2023) with a selected sample of 30 data observations. The sampling technique employed is purposive sampling, which involves selecting samples based on specific criteria, and unbalanced panel data, meaning all available samples are used even if the number of years is not balanced. The criteria for the research sample are as follows :

1. Shariah commercial banks listed with OJK from 2009 to 2023.
2. Shariah commercial banks that provide the research variable data.

### Variable Measurement

#### *Zakat*

Zakat is a responsibility of all companies or organizations to the community because entities can generate profits that support social goals (Auliyah & Basuki, 2021). The independent variable, CSR, is proxied by zakat, as in the studies conducted by (Azizah et al., 2018), (Saeed & AlAli, 2020), and (M. A. Ali, Shuib, et al., 2023). Zakat is calculated by dividing the zakat distributed by the bank in that year by the total assets, as conducted in the research (M. A. Ali, Nor, et al., 2023) :

$$Zakat\ (Z) = The\ total\ zakat\ distributed\ by\ the\ bank : Total\ Asset$$

#### *Financial Performance*

Financial performance represents the financial condition of a company, reflecting its success level during a specific period (Saeed & AlAli, 2020). The dependent variable, financial performance, is measured using two methods: ROA and ROE. ROA is calculated by dividing net income by the average total assets, while ROE is calculated by dividing net income by the average total equity. Using average total assets and average equity provides a more accurate picture of profitability, especially when a company's assets and equity values have significantly changed. This approach to calculating ROA and ROE has been widely adopted in research, including studies by (Hadi et al., 2020), (Bui et al., 2023), and (M. A. Ali, Shuib, et al., 2023).

$$Return\ on\ asset\ (ROA) = Net\ income\ /\ Average\ total\ assets$$

$$Return\ on\ equity\ (ROE) = Net\ income\ /\ Average\ total\ equity$$

***Control Variable***

***Size***

Company size can indicate the adequacy of assets and the number of employees within a company. External parties such as consumers and investors will certainly pressure the company to operate according to their expectations (Auliyah & Basuki, 2021). Therefore, the larger the company size, the better its financial performance will be. Size is calculated using the logarithm of total assets, as in the research conducted by (Iman et al., 2022) and (M. A. Ali, Nor, et al., 2023).

$Size\ (SZ) = Log(total\ asset)$

***Leverage***

Leverage refers to the use of certain assets by a company while incurring fixed costs. Leverage can measure the extent to which a company finances its assets with debt (Auliyah & Basuki, 2021). If a company can manage it efficiently, leverage can enhance the company's financial performance. Leverage is calculated by the formula total liabilities divided by total assets, as seen in the research (Devie et al., 2018) and (Buallay, 2019).

$Leverage\ (LV) = Total\ liabilities : total\ aset$

**Data Analysis**

This study employs simple linear regression analysis to examine the relationship between the impact of CSR, proxied by zakat contributions, and the financial performance of Islamic Commercial Banks (ICB). The dependent variables are measured using Return on Assets (ROA) and Return on Equity (ROE), while the independent variable, zakat, is calculated based on zakat contributions. Additionally, control variables such as firm size and leverage are included in the study. The simple regression model used in this research is as follows :

$ROA = \alpha_0 + \beta_1 Z + \beta_2 SZ + \beta_3 LV + \varepsilon$

$ROE = \alpha_0 + \beta_1 Z + \beta_2 SZ + \beta_3 LV + \varepsilon$

Description :

ROA = Return on asset

ROE = Return on equity

Z = Zakat

SZ = Size

LV = Leverage

## 3. RESULTS AND DISCUSSION

### ROA TEST REUSLTS (Y1)

**Descriptive Statistics**

**Table 1. Descriptive Statistics Y1**

| | Y1 | X | SZ | LV |
|---|---|---|---|---|
| Mean | 0.005025 | 0.000336 | 10.14090 | 0.195330 |
| Median | 0.010969 | 0.000342 | 9.942728 | 0.161557 |
| Maximum | 0.035657 | 0.001257 | 11.54854 | 0.838036 |
| Minimum | -0.111444 | 0.000000 | 9.607745 | 0.050409 |
| Std. Dev. | 0.027063 | 0.000274 | 0.554463 | 0.151298 |
| Skewness | -3.270938 | 1.118323 | 1.746155 | 2.654812 |
| Kurtosis | 13.79767 | 5.297784 | 4.743054 | 11.94487 |

Source: Eviews 12 Output Results

The descriptive statistics for the minimum, maximum, average, and standard deviation values of the variables zakat, ROA, size, and leverage are presented in table 1.

**Table 2. Chow Test Results Y1**

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

| Effects Test | Statistic | d.f. | Prob. |
|---|---|---|---|
| Cross-section F | 0.495118 | (2,24) | 0.6156 |
| Cross-section Chi-square | 1.212942 | 2 | 0.5453 |

Source: Eviews 12 Output Results

The Chow test is used to determine whether the Common Effect Model (CEM) or the Fixed Effect Model (FEM) is more appropriate for panel data modeling (Basuki & Yuliadi, 2014). From the results of the Chow test above, the probability value of 0.6156 > 0.05 indicates that the CEM is the selected model. Since the CEM has been chosen, the Hausman test is not conducted, as the Hausman test is used to choose between the FEM and the Random Effect Model (REM)

**Table 3. LM Test Results Y1**

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

| | Test Hypothesis | | |
|---|---|---|---|
| | Cross-section | Time | Both |
| Breusch-Pagan | 0.756599 | 0.055908 | 0.812507 |
| | (0.3844) | (0.8131) | (0.3674) |

Source: Eviews 12 Output Results

The Lagrange Multiplier (LM) test is used to determine whether the Random Effect Model (REM) or the Common Effect Model (CEM) is more appropriate (Basuki & Yuliadi, 2014). From the LM test

results above, with a probability value of 0.3674 > 0.05, the CEM is selected. Based on the results of the Chow and LM tests, the best model for examining the dependent variable in this study, namely ROA, is the CEM. Since the CEM is the selected model, it is necessary to conduct classical assumption tests (Basuki & Yuliadi, 2014). This study uses robust regression to address violations of the normality test. This method can handle outliers by fitting the regression model to most of the data without removing the outliers (Silaban & Susiana, 2023). It provides more stable and consistent results, even in the presence of extreme observations (Putri et al., 2023). The study employs the M estimation method. This study uses only one independent variable, so a multicollinearity test is not conducted, as this test is only applicable in regression analyses with more than one independent variable (Basuki & Yuliadi, 2014).

**Heteroscedasticity Test**

**Table 4. Heteroskedasticity Test Results Y1**

Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

| | | | |
|---|---|---|---|
| F-statistic | 1.222210 | Prob. F(3,26) | 0.3215 |
| Obs*R-squared | 3.707833 | Prob. Chi-Square(3) | 0.2948 |
| Scaled explained SS | 17.50101 | Prob. Chi-Square(3) | 0.0006 |

Source: Eviews 12 Output Results

Heteroscedasticity refers to the unequal variance of residuals across all observations in a regression model. This test is conducted to ensure that heteroscedasticity is not present in the regression model (Basuki & Yuliadi, 2014). This study uses the Breuch Pagan Godfrey test, which shows an obs*R-squared probability value of 0.2948 > 0.05, indicating that there is no violation of heteroscedasticity.

**Autocorrelation Test**

**Table 5. Autocorrelation Test Results Y1**

Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 2 lags

| | | | |
|---|---|---|---|
| F-statistic | 1.024489 | Prob. F(2,24) | 0.3742 |
| Obs*R-squared | 2.359761 | Prob. Chi-Square(2) | 0.3073 |

Source: Eviews 12 Output Results

The Autocorrelation Test is conducted to determine whether there is a correlation between a period and the previous period t-1 (Basuki & Yuliadi, 2014). From table 5, it can be seen that the probability chi-square value is 0,3073 greater than 0.05, meaning that there is no autocorrelation problem.

**Hypothesis Test Results**

**Table 6. Hypothesis Test Results Y1**

Dependent Variable: Y1
Method: Robust Least Squares
Date: 10/17/24 Time: 19:54
Sample: 2009 2023
Included observations: 30
Method: M-estimation
M settings: weight=Bisquare, tuning=4.685, scale=MAD (median centered)
Huber Type I Standard Errors & Covariance

| Variable | Coefficient | Std. Error | z-Statistic | Prob. |
|---|---|---|---|---|
| C | -0.003248 | 0.006326 | -0.513446 | 0.6076 |
| X | 28.70227 | 1.279728 | 22.42842 | 0.0000 |
| SZ | 0.000374 | 0.000630 | 0.592797 | 0.5533 |
| LV | 0.001005 | 0.002286 | 0.439498 | 0.6603 |

Source: Eviews 12 Output Results

$Y1 = -0{,}003248 + 28{,}70227X + 0{,}000374SZ + 0{,}001005LV + \varepsilon$

The partial test (t-test) is conducted to determine whether an independent variable has a significant effect on the dependent variable. Based on table 6, the t-test results for the variable zakat (X) on the ROA (Y1) show a significance value of 0.000, which is less than 0.05. Therefore, H1 is accepted, meaning that the zakat variable has a positive effect on the financial performance of Islamic Commercial Banks (ICB) as measured by ROA.

**Coefficient of Determination Test**

**Table 7. Coefficient of Determination Y1**

| | | | |
|---|---|---|---|
| R-squared | 0.677862 | Adjusted R-squared | 0.640693 |
| Rw-squared | 0.973217 | Adjust Rw-squared | 0.973217 |
| Akaike info criterion | 62.39027 | Schwarz criterion | 69.56788 |
| Deviance | 9.13E-05 | Scale | 0.001277 |
| Rn-squared statistic | 531.7719 | Prob(Rn-squared stat.) | 0.000000 |

Source: Eviews 12 Output Results

The Coefficient of Determination Test is conducted to assess the ability of the independent variable to explain the dependent variable. The results in table 7 show an adjusted R-squared value of 0.6406, or 64,06%, indicating that the independent variable, zakat, explains 64,06% of the ROA (Y1) of Islamic Commercial Banks (ICB) in Indonesia. The remaining 35,94% is explained by other variables not included in this research model.

**ROE TEST RESULTS (Y2)**

**Descriptive Statistics**

**Table 8. Descriptive Statistics Y2**

| | Y2 | X | SZ | LV |
|---|---|---|---|---|
| Mean | 0.024286 | 0.000336 | 10.14090 | 0.195330 |
| Median | 0.061925 | 0.000342 | 9.942728 | 0.161557 |
| Maximum | 0.270227 | 0.001257 | 11.54854 | 0.838036 |
| Minimum | -1.325254 | 0.000000 | 9.607745 | 0.050409 |
| Std. Dev. | 0.273069 | 0.000274 | 0.554463 | 0.151298 |
| Skewness | -4.227675 | 1.118323 | 1.746155 | 2.654812 |
| Kurtosis | 21.39912 | 5.297784 | 4.743054 | 11.94487 |

Source: Eviews 12 Output Results

The descriptive statistics for the minimum, maximum, average, and standard deviation values of the variables zakat, ROE, size, and leverage are presented in table 8.

**Table 9. Chow Test Results Y2**

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

| Effects Test | Statistic | d.f. | Prob. |
|---|---|---|---|
| Cross-section F | 0.373725 | (2,24) | 0.6921 |
| Cross-section Chi-square | 0.920058 | 2 | 0.6313 |

Source: Eviews 12 Output Results

From the results of the Chow test above, the probability value is 0.6921 > 0.05, indicating that the Common Effect Model (CEM) is selected. Since the CEM is chosen, the Hausman test is not conducted.

**Table 10. LM Test Results Y2**

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

| | Test Hypothesis | | |
|---|---|---|---|
| | Cross-section | Time | Both |
| Breusch-Pagan | 0.800188 | 1.08E-05 | 0.800199 |
| | (0.3710) | (0.9974) | (0.3710) |

Source: Eviews 12 Output Results

From the results of the LM test above, the probability value is 0.3710 > 0.05, indicating that the Common Effect Model (CEM) is selected. Based on the results of the Chow test, Hausman test, and LM test, the best model for examining the ROE (Y2) variable in this study is the CEM. Since the CEM

is the selected model, a classical assumption test needs to be conducted. This study uses the robust method with M estimation.

**Heteroskedasticity Test**

**Table 11. Heteroskedasticity Test Results Y2**

Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

| | | | |
|---|---|---|---|
| F-statistic | 0.754338 | Prob. F(3,26) | 0.5298 |
| Obs*R-squared | 2.402095 | Prob. Chi-Square(3) | 0.4932 |
| Scaled explained SS | 17.59367 | Prob. Chi-Square(3) | 0.0005 |

Source: Eviews 12 Output Results

From the heteroscedasticity test results above, the obs*R-squared probability value is 0.4932 > 0.05, meaning there are no signs of heteroscedasticity, or in other words, the model passes the heteroscedasticity test.

**Autocorrelation Test**

**Table 12. Autocorrelation Test Results Y2**

Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 2 lags

| | | | |
|---|---|---|---|
| F-statistic | 0.588115 | Prob. F(2,24) | 0.5632 |
| Obs*R-squared | 1.401595 | Prob. Chi-Square(2) | 0.4962 |

Source: Eviews 12 Output Results

Source: Eviews 12 Output Results From table 5, it can be seen that the probability chi-square value is 0,4962 greater than 0.05, meaning that there is no autocorrelation problem.

**Hypothesis Test Results**

**Table 13. Hypothesis Test Results Y2**

Dependent Variable: Y2
Method: Robust Least Squares
Date: 10/17/24 Time: 20:33
Sample: 2009 2023
Included observations: 30
Method: M-estimation
M settings: weight=Bisquare, tuning=4.685, scale=MAD (median centered)
Huber Type I Standard Errors & Covariance

| Variable | Coefficient | Std. Error | z-Statistic | Prob. |
|---|---|---|---|---|
| C | -0.319586 | 0.059405 | -5.379776 | 0.0000 |
| X | 205.9366 | 12.01654 | 17.13776 | 0.0000 |
| SZ | 0.032044 | 0.005918 | 5.414643 | 0.0000 |
| LV | -0.003172 | 0.021462 | -0.147782 | 0.8825 |

Source: Eviews 12 Output Results

Y1 = -0,319586 + 205,9366X + 0,032044SZ -0,003172LV + $\varepsilon$

Based on table 10, the t-test results for the variable zakat (X) on the ROA (Y1) show a significance value of 0.000, which is less than 0.05. Therefore, H2 is accepted, meaning that the zakat variable has a positive effect on the financial performance of Islamic Commercial Banks (ICB) as measured by ROE.

**Coefficient of Determination Test**

**Table 14. Hypothesis Test Results Y2**

| | | | |
|---|---|---|---|
| R-squared | 0.480150 | Adjusted R-squared | 0.420167 |
| Rw-squared | 0.961616 | Adjust Rw-squared | 0.961616 |
| Akaike info criterion | 74.90311 | Schwarz criterion | 84.40376 |
| Deviance | 0.017407 | Scale | 0.015680 |
| Rn-squared statistic | 370.0637 | Prob(Rn-squared stat.) | 0.000000 |

Source: Eviews 12 Output Results

The results in table 14 show an adjusted R-squared value of 0.4201, or 42,01%, indicating that the independent variable, zakat, explains 42,01% of the ROE (Y2) of Islamic Commercial Banks (ICB) in Indonesia. The remaining 57,99% is explained by other variables not included in this research model.

**Discussion**

1. The influence of zakat on the financial performance of Islamic Commercial Banks (ICB) measured by ROA

   Based on the above statistical results, a significance value of 0.000 < 0.05 indicates that H1 is accepted, meaning zakat positively influences the financial performance of ICB in Indonesia as measured by ROA. This finding aligns with stakeholder theory used in this research. The theory posits that if ICB effectively distribute zakat, stakeholders will increasingly trust and support their operations. With stakeholder support, the financial performance of ICB measured by ROA improves. These results are consistent with studies conducted by (M. A. Ali, Nor, et al., 2023) and (Arafah & Wijayanti, 2023) which also assert that zakat positively affects the financial performance of ICB measured by ROA.
2. The impact of zakat on the financial performance of Islamic Commercial Banks (ICB) measured by ROE

   Based on the above statistical results, with a significance value of 0.000 < 0.05, it indicates that zakat positively influences the financial performance of ICB in Indonesia as measured by ROE. This finding is consistent with the hypothesis and stakeholder theory, which states that if ICB distribute zakat, it can influence stakeholders to further support the bank's operations. When stakeholders support the bank's operations, the financial performance of ICB measured by ROE improves. This aligns with research conducted by (Saeed & AlAli, 2020) and (Auliyah & Basuki, 2021) which also indicate that zakat positively affects the financial performance of ICB

## 4. CONCLUSION

Based on the hypothesis testing results and analysis of the research findings above, it can be concluded that both hypotheses in this study are accepted because the results indicate that zakat positively affects the financial performance of ICB as measured by both ROA and ROE. This means that the more zakat distributions made by ICB, the greater the impact on their financial performance. Zakat distributions can influence stakeholders to increase their trust in ICB. As a result, the financial performance of ICB measured by ROA and ROE will improve.

This study has several limitations and shortcomings. The primary limitation is that the study only includes one independent variable, which is zakat. Secondly, the sample size is quite small, with only 30 data points, due to the fact that not all Islamic Commercial Banks (ICB) in Indonesia provide the necessary data on zakat for this research. Not all ICB clearly separate the zakat distributed by the bank from other internal zakat. Therefore, the researcher hopes that Islamic Commercial Banks in Indonesia will pay more attention to zakat distribution and clearly distinguish between zakat issued by the bank and other internal zakat. For future researchers, it is recommended to include more independent variables that were not considered in this study. Due to the differing results between this study and others that still use CSR to measure the financial performance of ICB, it is suggested that future researchers compare CSR and zakat to determine which has a greater impact on the financial performance of ICB, whether measured by ROA or ROE.

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