

## Original Research Article

## The Impact of Zakat on Financial Performance

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**Abstract:** Sharia Banks in Indonesia since 1992, or around 26 years ago, are related to performance, which is still fluctuating, as well as a poor reputation and reputation related to customer trust in partnering with Sharia Banks, which is still minimal, as evidenced by the still low market share. If examined more deeply, Sharia banking has good growth potential in Indonesia. The majority of Indonesia's population is Muslim, around 87.18% of the total population of Indonesia. However, only around 5.86%, or around 17 million people from the total population of Indonesia, have Sharia Bank accounts (Financial Services Authority, 2022). The conditions above show several challenges that Sharia Banks must face. Sharia banks must continue to strive to carry out appropriate business strategies when facing the current conditions of Sharia banking. Sharia banks must try to improve their performance and reputation to compete with conventional banks. One of the predictor factors that can improve performance and reputation is the implementation of Good Corporate Governance (Syrmita & Fircarina, 2020). In carrying out business strategies that the company has planned to improve performance, the company needs to have good governance. Good Corporate Governance or corporate governance is a system that regulates and controls companies in running their business to increase success and accountability based on statutory regulations and ethical values (Safii, 2020). Implementing Good Corporate Governance in companies will minimize detrimental actions carried out by managers for personal interests. Therefore, the risks that a manager might pose can be reduced. Such actions are usually carried out by management, namely earnings management, which can be detrimental to many parties, even the company itself. *Good corporate governance* is the principle that directs and controls the company to achieve a balance between the power and authority of the company in providing accountability to stakeholders (Governance, 2011). These principles are standard tools to improve the company's image, efficiency, effectiveness, and social responsibility. This tool can align the interests of principals and agents through supervision, monitoring, and control mechanisms for company decisions and performance. Implementing sound corporate governance is a concept that emphasizes the importance of shareholders' rights to obtain information in a timely, correct, accurate, and transparent manner. Apart from that, it also shows the company's obligations in terms of disclosing all financial performance information (Herlyanto, 2020). *Good Corporate Governance* is a company management system designed to improve company performance, protect the interests of stakeholder holders, and increase compliance with laws and regulations and generally accepted ethical values. Good Corporate Governance is a concept that concerns the structure of the company, division of tasks, division of authority, and distribution of the burden of responsibility for each element that forms the structure of the company and the mechanisms that must be implemented. By each element of the company. Assessment of the level of banking financial performance is carried out by analyzing financial ratios that influence the bank's financial performance so that it can be seen from the level of profitability generated by the company (Febrina, 2017). The National Committee for Governance Policy explains that the relationships between the elements of the company's structure, starting from the general meeting of shareholders (GMS), Directors, and Commissioners, also regulate the relationships between elements of the company's structure and

elements outside the company, which is, in essence, the stakeholder of the company. First, the country is very interested in tax revenues from the company concerned. Second, the wider community includes public investors (if the company is a public company), potential investors, creditors, and potential investors. creditorcompany because Good Corporate Governance (GCG) is a comprehensive concept (Governance, 2011). Based on the above, this research aimed to test and analyze the influence of ZakatZakat on the financial performance of Sharia Banks. It is hoped that the results of this research will be helpful for both practitioners and academics, as explained below. They can contribute to knowledge in the field of finance, especially regarding the influence of ZakatZakat on financial performance. This research is expected to contribute knowledge to the field of study of legitimacy theory and Shariah Enterprise Theory in disclosure zakat.

**Keywords:** Financial Program, Enterprise Theory, Syariah Bank.

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## INTRODUCTION

*Sharia Theory of Enterprise*(SET) is used to understand company stakeholders from an Islamic perspective. The theory states that a company's stakeholders include humans, the natural environment, and God. Humans are ultimately responsible to Allah for all their activities in the world (Triyuwono, 1997). For some time now, accounting has traditionally been understood and taught as a set of rational procedures that provide helpful information for making decisions, such as decision control. In this understanding, accounting looks like a concrete technology accessible from the values of the society in which it is accounted for practiced. This view has received strong criticism from other parties in contemporary studies, especially regarding its philosophical assumptions (Triyuwono, 1997).

Accounting in the real world has helped management and other parties in organizations to see conceptual and abstract phenomena that had never been thought about before, such as costs and profits, which in accounting practice are now known as generally accepted symbols. As a result, accounting can influence perceptions, change language, and encourage dialogue, influencing how priorities, concerns, and concerns occur and the possibilities for doing things.

This phenomenon can be seen concretely when the concept is manifested in calculative form. Therefore, it is not strange that Triyuwono (1997) said that "calculative power is potentially immense," and when something has entered a calculative condition, organizational interdependence can be created. Through these calculations, accounting has implications for forming concrete economic realities and phenomena finance, on the trends in the extent to which economic exchanges can be made, and on the conditions for establishing accurate objectivity of economic transactions. Seeing the enormous influence of accounting in shaping reality, Morgan (1988) critically

expressed the view that accounting should not see itself as a passive agent who only practices a form of accounting technique. However, it should be an agent who is part of or actively involved in forming social reality and who can interpret accounting as a social reality.

Organizational Reality and Zakat, in a more operational form, the "Amanah" metaphor can be reduced to the "Zakat" metaphor, or the organizational reality metaphorized by ZakatZakat (Triyuwono, 1997). This means that a business organization's orientation is not only profit but also ZakatZakat. The company will try to achieve a high zakat payment "figure" with this zakat orientation. Thus, net profit will no longer measure company performance, but ZakatZakat will be a measure of company performance.

Triyuwono (1997) stated that using the zakat metaphor to create organizational reality has several meanings. First, there is a transformation from achieving maximum net profit to achieving maximum ZakatZakat. This means that profit is not the company's ultimate goal but only a goal. Second, because the goal is ZakatZakat, all forms of company operations must comply with Sharia rules. Third, ZakatZakat combines a balanced human character between egoistic and social characters. The egoistic character depicts that the company is still permissible to make a profit (but still within the Sharia framework), and then a portion of the profits earned is allocated to ZakatZakat. Meanwhile, social means that the company also has a deep concern for human welfare and the environment, which is reflected in ZakatZakat.

Ideally, business organizations should be able to create their organizational reality based on the zakat metaphor. The implication is that all organizational tools will be structured so that they can reflect ZakatZakat as a metaphor (Triyuwono, 1997). This transformation will influence the behavior of management, employees, and the surrounding community, as well as information tools, in this case, the form of accounting used by the

organization concerned. Other factors such as economic, social, and political systems, laws and regulations, culture, perceptions, and values that apply to society's responsibility impact accounting (Triyuwono, 1997).

Sharia business theory supports Sharia corporate social responsibility, which is in line with Sharia, and also supports the payment of Zakat through Sharia Banks, which is an obligation for Muslims. ICSR and zakat payments in food. This theory is a form of human responsibility for everything God has given so that in the future, humans can return to a state of immorality per the meaning of Zakat. This is because the purpose of Zakat is to give property that has rights to other people.

## RESEARCH METHODS

### Research design

This research uses a quantitative research approach with an explanatory research design that aims to describe the pattern of relationship or influence between two or more variables. This relationship pattern can be symmetrical, causal, and reciprocal (Chandrarin, 2017). The pattern of influence that will be studied in this research is the influence of Zakat and ICSR on GGBS and the financial performance of Sharia Banks.

### Population, Sample, and Research Data

The population in this research is Sharia Commercial Banks in Indonesia. There are several main reasons for choosing Sharia Commercial Banks as the object of this research. Sharia Commercial Banks exclusively operate businesses based on Sharia principles, while Sharia business units (UUS) in conventional banks are only parts or branches of banks that apply Sharia principles. By choosing a Sharia Commercial Bank, research can focus more on analyzing the influence of Zakat and Islamic CSR, which are fully integrated into the operations and governance of a Sharia bank. Sharia Commercial Banks have independence in decision-making and policies that are different from Sharia business units, which conventional bank parent policies may still influence.

## RESEARCH RESULT

### Descriptive statistics

Descriptive statistical tests found a description and an overview of the research sample data. The data that can be explained is in the form of the lowest value (minimum), highest value (maximum), average (mean), and str deviation (std. Dev) of each variable used in the research. Statistical results of descriptive research can be seen in the following Table 1:

**Table 1: Descriptive Statistics Test Results**

Variable	Minimum	Maximum	Mean	Std. Deviation
ZAKAT	33,309,410	4,899,9375,000	8,198,793,253	12,515,634,096

Source: processed data, 2023

### Zakat Variables

In statistical tests, descriptive shows the number of samples (N) of 50 observation data. It is known that the value of Zakat at 10 Sharia Commercial Banks (BUS) during the five years of observation has a minimum value range of Rp. 33,309,410 and maximum Rp. 48,999,375,000. The lowest position for Zakat was at Bank Syariah Bukopin in 2017, and the top position was at Bank Mandiri Syariah in 2020.

Berg linear regression analysis is a linear regression where a dependent variable (variable Y) is connected to an independent variable (variable X). In this research, the Berg linear regression equation model is used to determine the influence of Zakat (as an independent variable) on ROE (as a dependent variable) together.

$$Y = a + \beta_1X_1 + \beta_2X_2 + e.$$

The results of the regression equation test can be seen in the following Table 2:

**Table 2: Regression Equation Test Results**

Coefficients		
Model	Strdized Coefficients	
	Beta	
1	(Constant)	0.09
	ZAKAT	407

a. Dependent Variable: ROE

Source: processed data, 2023

The constant value is 0.090 with a positive value. This shows that if the Zakat variable is zero, the ROE is 0.090.

The regression coefficient for the Zakat variable (X1) has a positive value. This shows that if there is an

addition or increase in Zakat, then ROE will also increase. The regression coefficient for the ICSR variable (X2) is positive. This shows that ROE will also increase for every 1% increase in ICSR. RESULT AND DISCUSSION

## The Influence of Zakat on Sharia Bank Financial Performance (ROE)

Based on the test results, banking zakat has a positive and significant effect on the Financial Performance of Sharia Banks for the 2016-2020 period. Zakat, one of the pillars of Islam that must be fulfilled by every Muslim who meets the requirements, has many benefits, including being an economic instrument that can improve community welfare. In Sharia Banks, Zakat is imposed on bank income from halal transactions and by Sharia principles. Zakat issued by Sharia Bank is then distributed to mustahik, namely, people who are entitled to receive Zakat (Hidayah *et al.*, 2023).

The influence of Zakat on the financial performance of Sharia Banks can be seen from several aspects, one of which is Return on Equity (ROE). This ratio shows the bank's ability to generate profits from the capital it has. According to several studies, Zakat positively influences the ROE of Sharia Banks. This happens because Zakat can increase bank income, increasing the profits earned (Fathuddin, 2019).

Zakat can also increase bank efficiency in managing its funds by encouraging banks to channel their funds to productive activities that generate profits. The results of this research are also in line with research conducted by Amirah and Raharjo (2014), which found significant positive results regarding the relationship between Zakat and the financial performance of Sharia banking. The research was conducted in Indonesia, and the observation period was three years, from 2009 to 2012. Apart from that, there is also research conducted by Andria (2020) regarding the relationship between Zakat and the financial performance of Islamic banking with a variable number of 14 Sharia Commercial Banks in Indonesia with a 4-year observation period, namely from 2016 to 2019. This research also aligns with the results of Syurmita and Fircarina (2020), who state that Zakat has a positive and significant influence on company performance.

The research results show that Zakat (X1) has a positive and significant effect on the performance of Sharia Commercial Banks, as measured by Return on Equity (ROE, Y). This interpretation can be linked to the "Shariah Enterprise Theory," which describes the principles and operations of business in the context of Islamic finance. This theory emphasizes that in Sharia finance, business activities are measured by profitability and their conformity with Sharia principles. Zakat is one of the main pillars of Islam and has a vital role in Islamic finance and economics. In the context of Sharia Banks, effective distribution of Zakat can improve the public's image and trust, which ultimately contributes positively to the bank's financial performance (Smolo & Ismail, 2011).

The application of Zakat in Sharia Bank operations reflects the application of Islamic values, which do not only focus on profits but also on social welfare and fair distribution of wealth. This aligns with the basic principles of Shariah Enterprise Theory, which integrates spiritual and material aspects of business (Triuwono', 1997). This theory recognizes that financial success can be achieved by applying Islamic principles, including Zakat, which has a positive economic, social, and spiritual impact (Kayed, 2012).

The finding that Zakat has a positive effect on ROE in Sharia Banks illustrates that implementing Sharia principles, including giving Zakat, can directly improve financial performance while strengthening the social and spiritual aspects of the business. This shows that Sharia Banks, which emphasize the application of Islamic values such as Zakat, can achieve good financial performance while providing meaningful social contributions.

Certain factors can influence Zakat's ROE of Sharia Banks. These factors involve the bank's commitment to Zakat, the quality of Zakat management, and macroeconomic conditions. Therefore, increasing the bank's commitment to Zakat, improving the quality of Zakat management, and paying attention to macroeconomic conditions can be necessary so that Sharia Banks can optimize their influence of Zakat on their financial performance.

## CONCLUSIONS

Based on the research results, a sample of 10 Sharia Commercial Banks in Indonesia was obtained over five years, so the number of observations made amounted to 50 data. From the analysis results, a conclusion is obtained: Zakat has a positive and significant effect on the performance of Sharia Commercial Banks. This shows that if Sharia Commercial Banks manage Zakat well, they can improve financial performance.

*Islamic Corporate Social Responsibility (ICSR)* does not affect the performance of Sharia Commercial Banks. This shows that financial performance will stay the same if Sharia Commercial Banks carry out their social functions well.

*Good governance Sharia Business (GGBS)* has a positive and significant effect on the performance of Sharia Commercial Banks. This shows that the implementation of good corporate governance by Sharia Business Good Governance (GGBS) will improve the financial performance of Sharia Commercial Bank.

Based on the research analysis as well as the conclusions and limitations of this research, there are several suggestions, including the following: Future researchers are expected to be able to add indicators used in measuring company GGCG and adapt them to the

latest guidelines. After conducting research, the author found several limitations that could be weaknesses that influenced the research results, namely that the research only used company annual reports for the 2016-2020 period.

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