

**ANALYSIS OF THE IMPACT OF PROFITABILITY RATIOS ON CORPORATE
ZAKAT EXPENDITURES****(Study on Islamic Commercial Banks in Indonesia from 2020 to 2023)**Nely Agustiani¹, Shofia Mauizotun Hasanah²State Islamic University of Mataram ^{1, 2}Corresponding author: shofia.mauizotun@uinmataram.ac.id**Abstract**

This research aims to determine the effect of profitability ratios on corporate zakat expenditure in Islamic commercial banks in Indonesia from 2020 to 2023. This quantitative research utilizes secondary data. The dependent variable in this study is corporate zakat, and the independent variables are profitability ratios proxied by Return on Assets (ROA) and Return on Equity (ROE). The data analysis method uses panel data regression. The population in this study consists of Islamic commercial banks in Indonesia registered with the Financial Services Authority. The sampling technique used is purposive sampling, resulting in a sample of 8 Islamic commercial banks. Data processing in this study uses the statistical data analysis tool Eviews version 10. The study results can be concluded partially that the Return on Assets variable has a significant negative effect on corporate zakat expenditure, and the Return on Equity variable has a significant positive impact on corporate zakat expenditure. Simultaneously, it also shows that Return on Assets and Return on Equity affect corporate zakat.

Keywords: *Return on Assets, Return on Equity, and Corporate Zakat***1. INTRODUCTION**

Islamic banking today is experiencing rapid development. This argument can be proven by data showing an increase in the number of banks conducting Islamic business activities in December 2023, accompanied by the emergence of new players in the form of both Islamic Commercial Banks (BUS) and Islamic Rural Banks (BPRS). Based on data from 2023, the number of Islamic banking businesses recorded includes 13 BUS, 20 UUS (Sharia Business Units), and 210 BPRS registered with the Financial Services Authority (OJK) (www.ojk.go.id, 2023).

The presence of Islamic banks in Indonesia has a significant impact on society, especially since the majority of the population is Muslim. Islamic banking has operational characteristics that follow the principles of Islamic law, where the practice of usury is absent. This is why many people choose to use products and services from Islamic banks (Ike, 2021). The increase in assets of Islamic bank companies in Indonesia continues to be evident, reaching a growth of 11.1% year-on-year by the end of 2023.

Table 1 Growth of Islamic Banks

Banking Industry	Number of Institutions	Number of Offices	Assets (in trillion rupiah)
BUS	13	1.967	594, 709
UUS	20	426	274, 277
BPRS	173	693	17,29

Source: Islamic Banking Statistics, OJK, 2023

Based on the table above, it can be seen that the largest total assets are contributed by BUS amounting to Rp. 594.709 trillion, which is larger than UUS at Rp. 274.277 trillion and BPRS at Rp. 17.29 trillion. With the increasing number of Islamic banks and the total assets of Islamic banking, it is expected that the amount of zakat funds disbursed by Islamic banks will also increase. In carrying out their activities, Islamic banking must be based on Islamic law to achieve welfare, often referred to as Maqashid al-Syariah (the objectives of Islamic law), one of which is the payment of zakat. As Allah's command in Q.S. Al-Baqarah (2): 43:

وَأَقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ وَارْكَعُوا مَعَ الرَّاكِعِينَ

Which means: “*And establish prayer and give zakat and bow with those who bow.*”

The above verse explains that Allah SWT commands to establish prayer according to the prescribed sharia and to pay zakat, and you should be among those who bow from His ummah.

In addition to the above verse, Indonesia as a state of law also regulates zakat, as explained in Law Number 23 of 2011 Article 1 Paragraph 2, which states: “Zakat is the property issued by Muslims or business entities to be given to those entitled to receive zakat according to Islamic rules and laws.” Furthermore, zakat is also explained in Article 4 Paragraph 3 which states: “zakat mal as referred to in paragraph 2 belongs to individual or business entity *muzakki*.”

Based on the explanation in the law, it can be concluded that Islamic banks in Indonesia must pay zakat from their companies if they meet the stipulated conditions. The zakat issued must be given to Mustahiq or those entitled to receive zakat.

With the majority of the population being Muslim, Indonesia has a significant zakat potential, reaching around Rp. 327 trillion annually. This potential is divided into several categories of zakat collection, including corporate zakat amounting to Rp. 144.5 trillion, income zakat amounting to Rp. 139.07 trillion, money zakat amounting to Rp. 58.76 trillion, zakat from the agricultural sector amounting to Rp. 19.79 trillion, and zakat from the livestock sector amounting to Rp. 9.51 trillion. However, by the end of 2023, the total zakat collected nationally only reached Rp. 32 trillion, or about 9.77% of the zakat potential in Indonesia.

From the above explanation, it can be seen that zakat collection in Indonesia is still low. This indicates that the implementation of corporate zakat is not yet as expected. One of the problems is the lack of understanding from the public, especially economic actors, and the less significant impact on tax payments. Islamic banking, as an institution engaged in business, certainly always considers its financial condition to understand the growth or increase in its finances. By considering, a ruler certainly knows the range of zakat he will issue (Irman, 2013).

With the increasing number of Islamic banks operating in Indonesia, the number of corporate zakat obligors will also increase. In relation to zakat expenditure seen from the business concept, a bank with good financial performance will tend to issue zakat in accordance with religious and legal provisions. The meaning of corporate zakat obligation is that the obligation to issue zakat by Islamic banking will increase if there is an increase in the number of Islamic banks in Indonesia. This is because the increase in the Islamic banking sector will drive higher profits and generate more profits than before. Hence, the zakat that must be issued by the company will be more than before (Muhammad, 2017).

To assess how effective a bank is in earning profits, the bank can use profitability ratios. Profitability ratios are an analysis method involving specific elements of financial statements to produce measures used as indicators. This helps in evaluating the efficiency and ability of the bank in generating profits. The higher the resulting profitability ratio, the proportionally higher the profit obtained by the bank. In other words, the profitability ratio is a factor that influences the amount of zakat that will be issued by the company (Dahlan, 2005).

It should be noted that zakat required of business entities is not intended to excessively burden the business entity and threaten its continuity. According to Fathudin in his research, the condition of measuring financial performance in banks can be measured using Return on Assets (ROA). The reason for using ROA is because Bank Indonesia (BI) as the supervisor and regulator of banking prioritizes assets sourced from public funds (customers) (Fathudin, 2019). Faisal Hidayat and Miftahurrahmah also stated that financial performance can also be seen using the Return on Equity (ROE) ratio. The profitability measures commonly used in the banking industry are Return On Assets (ROA) and Return On Equity (ROE). ROA focuses on the company's ability to earn earnings in its operations, while ROE only measures the return obtained from the owner's investment in the business (Faisal, 2021).

The use of Return On Assets (ROA) is to show the bank's ability to manage its assets to generate profits. A high Return On Assets (ROA) will generate large profits. This is supported by a study conducted by Rian Maulana in 2020 titled "The Effect of Profitability Ratios on Corporate Zakat (Study on Islamic Commercial Banks Operating in Banda Aceh)" with the result that Return On Assets has a positive and significant impact on corporate zakat. Rian Maulana's study contrasts with research conducted by Yunita April Lianingrum in 2022 titled "Analysis of the Effect of Profitability Ratios on Corporate Zakat (Study on PT. BPRS Harta Insan Karimah Surakarta)" with the result that Return On Assets does not affect zakat expenditure.

Meanwhile, Return On Equity (ROE) functions to measure the management's ability of a company to manage capital to generate net income. A high Return On Equity (ROE) will cause the profit level to be higher as well. This is because additional capital in carrying out work can be used to pay for the company's operations and ultimately generate profits. Annida Dita Aprilia researched this in 2021 with a study titled "The Effect of Financial Performance Levels on Corporate Zakat Payments (Study on Islamic Commercial Banks in Indonesia 2017-2020)" with the result that Return On Equity (ROE) significantly affects zakat expenditure. This study contrasts with research conducted by Siti Restu Nurlianingsih in 2021 titled "The Effect of Profitability Ratios on Corporate Zakat at PT. Bank Muamalat Indonesia Period 2013-2020" with the result that there is no significant effect between Return On Equity (ROE) on corporate zakat.

Based on the above explanations, it indicates a research gap, namely different results between one study and another, thus further research on corporate zakat is necessary. Therefore, the researcher intends to conduct further testing on the extent of the effect of profitability ratios, namely ROA and ROE on corporate zakat.

2. METHODOLOGY

This research uses a quantitative approach. The data sources in this study are secondary data in the form of annual financial reports collected through the official websites of the respective Islamic banks. The population in this study comprises all Islamic commercial banks

in Indonesia registered with the Financial Services Authority. The sample in this study is determined by purposive sampling with the following criteria:

- Islamic Commercial Banks registered with the Financial Services Authority from 2020 to 2023.
- Islamic Commercial Banks that publish annual financial reports for the period 2020 to 2023 on their official websites.
- Islamic Commercial Banks that publish financial ratio data and zakat expenditure during the period 2020 to 2023.

Based on these criteria, the sample used in this study consists of 8 Islamic Commercial Banks in Indonesia, namely PT. Bank Aceh Syariah, PT. Bank Muamalat Indonesia, Bank Victoria Syariah, Bank Syariah Indonesia, Tbk, Bank Mega Syariah, PT. BCA Syariah, PT. Bank Panin Dubai Syariah, Tbk, and Bank Jabar Banten Syariah. The data analysis method uses panel data regression with E-views 10 software.

3. RESULT AND DISCUSSION

A. Result

1) Descriptive Statistical Analysis

The dependent variable used is the company's Zakat and the independent variables are ROA (X1), ROE (X2). Based on descriptive statistical analysis, the following picture is obtained:

Table 2 Descriptive Statistics Table

	ROA	ROE	ZAKAT
Mean	1.012188	6.456250	18418.38
Median	1.245000	4.910000	628.5000
Maximum	4.080000	28.48000	189730.0
Minimum	-6.720000	-31.76000	11.00000
Std. Dev.	1.679708	9.896417	44627.58
Observations	32	32	32

Based on table 2 descriptive statistical analysis results, the amount of data (n) in this study is 32 samples. In the ROA (X1) variable in annual data during the 2020-2023 period, it has the highest value of 4.08, namely at Bank Mega Syariah in 2021. Meanwhile, the lowest value is -6.72, namely at Bank Panin Dubai Syariah in 2021. The average value of ROA is 1.012188 with a standard deviation of 1.679708.

In the ROE (X2) variable in quarterly data during the 2020-2023 period, it has the highest value of 28.48, namely at Bank Mega Syariah in 2021, the lowest value of -31.76, namely at Bank Panin Dubai Syariah in 2021. The average value of ROE is 6.456250 with a standard deviation of 9.896417.

While in the dependent variable, namely corporate zakat (Y) in the annual financial statements during the 2020-2023 period, the highest value is 189730, namely at Bank Syariah Indonesia in 2023. While the smallest was 11, namely at Bank Victoria Syariah in 2022. Obtained an average of 18418.38 with a standard deviation of 44627.58

2) Determining the Panel Data Regression Model

a) Chow Test

Table. 3 Chow Test Results

<i>Effects Test</i>	<i>Statistic</i>	<i>Prob.</i>
<i>Cross-section F</i>	57.298093	0.0000
<i>Cross-section Chi-square</i>	91.413191	0.0000

Source: Secondary data (processed from eviws 10), 2024

The chow test is used to determine which common effect model (CEM) or fixed effect model (FEM) should be used. Judging from table 3, the probability value is 0.0000. These results indicate a probability value < 0.05 , so the most appropriate model to use is the fixed effect model (FEM).

b) Hausman Test

Table 4 Hausman Test Results

<i>Test Summary</i>	<i>Prob.</i>
<i>Cross-section random</i>	0.3388

Source: processed from eviws 10, 2024, 2024

The Hausman test is used to choose which model is better to use between the fixed effect model (FEM) or the random effect model (REM). Judging from table 4, the probability value is 0.3388. These results indicate a probability value > 0.05 , so the most appropriate model to use is the random effect model (REM).

Since the model selected in the chow test is a fixed effect model and in the hausman test the selected model is a random effect model, there is no need to do the lagrange multiplier test.

3) Classical Assumption Test

Because the best model result used is random effect, not all classical assumption tests are carried out because the random effect model is a generalized least square (GLS) estimation method. The GLS technique can overcome the autocorrelation of time series and correlation between observations (cross-section). The GLS method produces an estimator to meet the best linear unbiased estimation (BLUE) properties which is a treatment method to overcome violations of the assumptions of homoscedasticity and autocorrelation (Kosmaryati, et at. 2019). So the classical assumption test carried out is only a normality test and a multicollinearity test.

a) Normality Test

Table 5 Normality Test Results

<i>Jarque-Bera</i>	1.376762
<i>Probability</i>	0.502389

Source: Secondary data (processed from Eviews 10), 2024

Based on table 5 shows that the *jarque-bera value* is 1.376762 and the probability value is 0.502389. These results indicate that the probability value > 0.05 . so it can be concluded that the residuals are normally distributed. Thus it can be concluded that the assumption of normality is fulfilled

b) Multikolinierarity Test**Table 6 Multicollinearity Test Results**

	ROA	ROE
ROA	1	0.848801032712964
ROE	0.848801032712964	1

Source: processed from Eviews 10, 2024, 2024

From Table 6, it can be seen that the correlation matrix value between variables X1 and X2 is 0.848801032712964 < 0.90. It can be concluded that the model does not experience multicollinearity problems.

4) Panel Data Regression Test

Based on the best model selection test for panel data regression, *random effect* model is the best model to use. The following are the results of testing the effect of profitability ratios, namely ROA and ROE on corporate zakat at Islamic Commercial Banks in Indonesia using the *random effect* model regression model.

Table 7 Panel Data Test Results (*Random Effect Model*)

Variables	Coefficient	Std. Error
C	4.596863	1.021855
ROA	-1.637150	0.693116
ROE	1.565214	0.570932

Source: processed from Eviews 10, 2024, 2024

Based on the results of the *random effect* regression estimation model shown in table 7, the following regression equation can be obtained:

$$Y = 4.596863 - 1.637150.X1 + 1.565214.X2 + e$$

The regression equation above can be described as follows:

1. The constant of 4.596863 states that if the independent variables (ROA and ROE) are considered constant, then the average dependent variable (Corporate Zakat) is 4909.146 units.
2. The ROA regression coefficient (X1) of -1.637150 states that every increase of 1 unit of ROA value, it will reduce the Company's Zakat expenditure by -1.637150 units.
3. The ROE regression coefficient (X2) of 1.565214 states that every increase of 1 unit of ROE value, it will increase the Company's Zakat expenditure by 1.565214 units.

5) Hypothesis Test**a) Test Coefficient of Determination (R^2)****Table 8 Test Results of the Coefficient of Determination (R^2)**

Adjusted R-squared	0.160096
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Source: processed from eviews 10, 2024

Based on the analysis results in table 8, it can be seen that the *Adjusted R-squared* value is 0.160096 or 16%, which means that the relationship between the independent variable and the dependent variable is 16%. So it can be concluded that ROA and ROE can explain the company's zakat variable by 16%. While the remaining 84% is explained by other variables not examined in this study.

b) t-Test

Table 9 t-Test Results

Variables	t-Statistic	Probability
C	4.498547	0.0001
ROA	-2.362015	0.0256
ROE	2.741509	0.0107

Source: processed from eviews 10, 2024

Based on the analysis results in table 9, the regression model can be concluded as follows:

1. The ROA variable has a t-count value of 2.362015 while the t table value is 2.045229611. So that the t-count value > t table with a probability value of 0.0256 < 0.05. These results indicate that the ROA variable has a statistically significant effect on zakat.
2. The ROE variable has a t-count value of 2.741509 while the t table value is 2.045229611. So that the value of t-count > t table with a probability value of 0.0107 < 0.05. These results indicate that the ROA variable has a statistically significant effect on zakat.

c) f-Test

Table 10 F Test Results

Prob(F-statistic)	0.036153
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Source: processed from eviews 10, 2024

The F test was conducted to determine how the influence of the independent variables on the dependent variable simultaneously. The explanation of the F test based on Table 10 shows that the probability value (*F Statistic*) is 0.036153 < 0.05. These results indicate that the independent variables, namely ROA and ROE simultaneously have a significant effect on the dependent variable, namely zakat.

B. Discussion

The purpose of this study was to determine the effect of ROA and ROE on zakat spending. The sample used is 8 Islamic Commercial Banks in 2020-2023 in Indonesia, totaling 32 observation data.

1) Effect of *Return On Assets (ROA)* on Corporate Zakat Expenditure

Based on table 7, the ROA regression coefficient of -1.637150 with a negative coefficient direction states that, every one unit increase in the ROA ratio will reduce the bank's zakat rate by -1.637150 units. The significant level of the ROA variable has a t-count value of 2.362015 greater than the t table value of 2.04523. And the probability value is 0.0256 < 0.05,

which means that the ROA variable can be said to have a statistically significant effect on the company's zakat expenditure. This means that H1 is accepted which states that Return On Asset (ROA) has a significant effect on corporate zakat spending on Islamic Commercial Banks in Indonesia in 2020-2023.

Return on Assets (ROA) is an indicator that measures how efficiently a company uses its assets to generate profits. In simple terms, ROA shows the company's ability to manage and utilize its assets to generate profits. When a company has a high ROA, it means that the company is able to generate more profit from its assets. In the context of zakat, the profit earned by the company becomes the basis for calculating zakat obligation. Therefore, if a company's ROA is high, it shows that the company has greater profits after managing its assets efficiently. With greater profits, the company has a better financial ability to pay zakat. So, the higher the company's ROA, the greater the profit generated, and automatically the zakat to be paid will also be greater. This illustrates the importance of asset utilization management in determining the company's ability to fulfill its zakat obligations.

This research is in line with Triuwono's theory (Iwan, 2015), which states that an increase in a company's profit will partly be allocated to fulfill its obligations, namely issuing corporate zakat. If the company's profits increase, of course it will affect the increase in zakat paid by the company. The results of this study are also in accordance with the results of research conducted by Siti Resu Nurlianingsih in 2021 (Siti, 2021), where the results of her research show that ROA has a positive influence on the level of corporate zakat spending ability at PT. Bank Muamalat Indonesia.

2) Effect of *Return On Equity* (ROE) on Corporate Zakat Expenditure

Meanwhile, based on table 7, the ROE regression coefficient of 1.565214 with a positive coefficient direction states that, every one unit increase in the ROE ratio will increase the bank's zakat rate by 1.565214 units. The significant level of ROE variable shows the t-count value of 2.741509 is greater than the t table value of 2.04523. With a probability value of $0.0107 < 0.05$, it means that the ROE variable (X2) can be said statistically there is a significant influence on zakat expenditure. So this means that H2 is accepted which states that *Return On Equity* (ROE) has a significant effect on corporate zakat spending on Islamic Commercial Banks in Indonesia in 2020-2023.

Return on Equity (ROE) measures how well a company generates profits from investments made by shareholders. A high ROE indicates that the company is able to manage shareholders' equity very well, resulting in significant profits. In the context of zakat, the net profit generated by the company is a key element in the calculation of zakat. This profit is obtained after the company has fulfilled all operational obligations and paid dividends to shareholders. In other words, a high ROE reflects the company's ability to generate large profits after fulfilling all its financial obligations. This profit is then used as a reference in the calculation of corporate zakat. If ROE is high, it means that the company generates more net profit, which in turn increases the amount of zakat that must be paid. So, a high ROE indicates the company's ability to provide a good return on the capital invested by shareholders, while ensuring that there is enough profit that can be used to fulfill zakat obligations. Thus, a high ROE contributes directly to the amount of zakat to be paid, reflecting the company's success in managing equity to generate significant profits.

This research is in line with Triyuwono's theory (Iwan, 2015), which states that an increase in a company's profit will partly be allocated to fulfill its obligations, namely issuing corporate zakat. If the company's profits increase, of course it will affect the increase in zakat paid by the company. The results of this study are in accordance with the results of research conducted by M. Zidny Nafi' Hasbi and Mohammad Amin in 2021 (Nafi'Hasbi, et al., 2021), where the results showed that ROE has a positive influence on the level of zakat spending ability of foreign exchange Islamic banks.

3) Effect of *Return On Asset* (ROA) and *Return On Equity* (ROE) on Corporate Zakat Expenditure

Based on the results of the coefficient of determination test analysis, it shows that the relationship between the independent variable and the dependent variable is 16% and the remaining 84% is explained by other variables not examined in this study.

Based on the results of the F test, the profitability ratio variable measured by ROA (X1) and ROE (X2) together (simultaneously) has a significant effect on corporate zakat. Where the probability value (F Statistic) shows $0.036153 < 0.05$. This means that H3 is accepted which states that Return On Asset (ROA) and *Return On Equity* (ROE) have a significant effect on corporate zakat spending on Islamic Commercial Banks in Indonesia in 2020-2023.

The results of this study are also in line with research conducted by Rian Rian Maulana (Rian, 2020) The results showed that ROA and ROE simultaneously had a significant effect on the zakat of Islamic Commercial Banks Operating in Banda Aceh.

4. CONCLUSION

Based on the results of the research discussed in the previous chapter, it can be concluded as follows: a) *Return On Asset* has a significant effect on corporate zakat spending on Islamic Commercial Banks in Indonesia in 2020-2023. b) *Return On Asset* has a significant effect on corporate zakat spending on Islamic Commercial Banks in Indonesia in 2020-2023. c) *Return On Asset* and *Return On Equity* together have a significant effect on corporate zakat at Islamic Commercial Banks in Indonesia in 2020-2023. ROA and ROE can explain the corporate zakat variable by 16%. While the remaining 84% is explained by other variables not examined in this study. d) Since the results show that the effect of Return On Assets (ROA) and Return On Equity (ROE) on the dependent variable is only 16%, it can be concluded that there are still 84% other factors that affect zakat expenditure that have not been included in the regression model. Therefore, for further research it is recommended to add other independent variables that can affect the amount of corporate zakat expenditure, such as profitability ratios that have not been discussed in this study, liquidity ratios, solvency ratios, and other financial ratios.

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