Tasharruf: Journal Economics and Business of Islam Vol. 8, No. 2 (2023): 119-138
Website: http://journal.iain-manado.ac.id/index.php/TJEBI/index
ISSN 2528-0325 (online) ISSN 2528-0317 (print)

THE IMPACT OF DISCLOSURE OF ISLAMIC CORPORATE GOVERNANCE AND ISLAMIC CORPORATE SOCIAL RESPONSIBILITY ON ISLAMICITY PERFORMANCE INDEX

Miftahul Jannah Febrianti
Faculty of Economics and Business, Universitas Ahmad Dahlan, Yogyakarta, Indonesia, Jl. Kapas No. 9, Semaki, Umbulharjo, Yogyakarta, DIY, 55166
E-mail: mifta.febrianti121@gmail.com

Annisa Fithria*
Faculty of Economics and Business, Universitas Ahmad Dahlan, Yogyakarta, Indonesia, Jl. Kapas No. 9, Semaki, Umbulharjo, Yogyakarta, DIY, 55166
E-mail: annisa.fithria@act.uad.ac.id
**corresponding author*

ABSTRACT

This study aims to investigate the effects of Islamic Corporate Governance (ICG) and Islamic Corporate Social Responsibility (ICSR) on the financial performance of Islamic Commercial Banks based on the Islamicity Performance Index. The independent variables in this study encompass ICG and ICSR, while the dependent variable is the Islamicity Performance Index, measured by Profit Sharing Ratio (PSR), Zakat Performance Ratio (ZPR), Equitable Distribution Ratio (EDR), and Islamic Income (II). The sampling technique employed is purposive sampling. The sample consists of 60 annual reports from Islamic Commercial Banks during 2017-2022. Hypothesis testing utilizing panel data regression demonstrates that ICG only affects ZPR, while it does not have an impact on PSR, EDR, and II. Additionally, the outcomes indicate that ICSR influences PSR and EDR, but it does not affect ZPR and II. This indicates that the disclosure of ICG influences the Islamicity Performance Index based on the ZPR indicator, while the disclosure of ICSR affects the Islamicity Performance Index based on the PSR and EDR indicators.

Keywords: Islamicity Performance Index; Islamic Corporate Governance; Islamic Corporate Social Responsibility.

ABSTRAK

Penelitian ini bertujuan untuk menginvestigasi pengaruh dari Islamic Corporate Governance (ICG) dan Islamic Corporate Social Responsibility (ICSR) terhadap kinerja keuangan Bank Umum Syariah berdasarkan Islamicity Performance Index. Variabel independen dalam penelitian ini mencakup ICG dan ICSR, sementara variabel dependennya adalah Islamicity Performance Index, yang diukur dengan Profit Sharing Ratio (PSR), Zakat Performance Ratio (ZPR), Equitable Distribution Ratio (EDR), dan Islamic Income (II). Teknik pengambilan sampel yang digunakan adalah purposive sampling. Sampel terdiri dari 60 laporan tahunan dari Bank Umum Syariah selama 2017-2022. Pengujian hipotesis dengan menggunakan regresi data panel menunjukkan bahwa ICG hanya berpengaruh pada ZPR, sementara tidak berdampak pada PSR, EDR, dan II. Selain itu, hasil penelitian menunjukkan bahwa ICSR memengaruhi PSR dan EDR, tetapi tidak berpengaruh pada ZPR dan II. Ini menunjukkan bahwa pengungkapan ICG memengaruhi Islamicity Performance Index berdasarkan indikator ZPR, sementara pengungkapan ICSR mempengaruhi Islamicity Performance Index berdasarkan indikator PSR dan EDR.

Kata Kunci: Islamicity Performance Index; Islamic Corporate Governance; Islamic Corporate Social Responsibility.

INTRODUCTION

The development of Islamic banking in Indonesia is very rapid as proven by Bank Muamalat Indonesia, the first Islamic principle-based bank that managed to endure the 1998 monetary crisis in Indonesia. Performance measurement in Islamic banks differs from conventional banks. Hence, the application of the Islamicity Performance Index, which integrates Sharia principles, is required for the comprehensive performance evaluation of Islamic banks (Hayati & Ramadhani, 2021).

The Islamicity Performance Index, proposed by Ibrahim et al. (2004), is a Sharia-based financial performance measurement tool. It employs seven measurement variables intended to assess the financial performance of Islamic Commercial Banks from both materialistic and spiritual perspectives, encompassing aspects of legitimacy, fairness, and purification (t*azkiyah*) (Dewanata, Hamidah, & Ahmad, 2016). This index features 7 ratios: Profit Sharing Ratio, Zakat Performance Ratio, Directors-Employees Welfare Ratio, Equitable Distribution Ratio, Islamic Investment, Islamic Income, and AAOIFI Index (Endah & Meilani, 2015).

Due to limitations, not all ratios within the Islamicity Performance Index can be calculated. This study employs only four ratios: Profit Sharing Ratio, Zakat Performance Ratio, Equitable Distribution Ratio, and Islamic Income. The AAOIFI ratio isn't selected as it doesn't contribute to the overall performance measurement. The Islamic Investment ratio isn't chosen due to tracking challenges in the annual reports of Islamic banks. The welfare ratio is omitted due to its qualitative nature (Prasetya & Mutmainah, 2011). Despite these limitations, the chosen ratios are considered to adequately represent the intended principles of legitimacy, fairness, and purification.

One of the variables influencing Islamic bank performance is Islamic Corporate Governance (ICG) (Endah & Meilani, 2015; Salamah & Kusumaningtias, 2019). Islamic Corporate Governance is a method of managing the operations of a business to create sustainable economic value for shareholders or responsible parties (Rahayu, 2021). According to FCGI, corporate governance acts as a control mechanism over the relationships among various stakeholders involved in a company's operations, including stakeholders, management, employees, creditors, government, and other stakeholders. This underscores the importance of Islamic Corporate Governance in establishing a system and governance procedures to protect stakeholders' rights and interests while adhering to Sharia principles (Iqbal & Mirakhor, 2004).

The implementation of Good Corporate Governance in Islamic Commercial Banks (BUS) includes five principles: Transparency, Accountability, Responsibility, Fairness, and Independence (Sudarmanto et al., 2021). The addition of Sharia principles (Shariah compliance) distinguishes corporate governance for Islamic banks from conventional ones (Maulydina et al., 2020). Implementing Sharia principles can reduce fraudulent practices arising from personal interests.

Salamah & Kusumaningtias (2019) established a link between the application of Corporate Governance and the Islamicity Performance Index using proxies like Profit Sharing Ratio (PSR) and Zakat Performance Ratio (ZPR). In contrast, Maulydina et al. (2020) found Corporate Governance only affects the Zakat Performance Ratio (ZPR). This study builds upon Maulydina et al. (2020), expanding the analysis to include the impact of Islamic Corporate Social Responsibility (ICSR) in conjunction with Corporate Governance on the Islamicity Performance Index.

Islamic Corporate Social Responsibility (ICSR) is a social disclosure index in companies adhering to Islamic principles (Othman et al., 2009). Companies must implement social responsibility as a way to protect and participate in their role in society (Indriastuti & Najihah, 2020). Involving religion in Corporate Social Responsibility positively affects ethical and moral aspects. Placing Allah SWT as the highest authority in all activities and seeking Allah's approval is the ultimate goal of Islamic belief. Humanity and the environment are interconnected in fostering good responsibility after placing Allah as the main authority (Shariah Enterprise Theory).

Given the varying and even contradictory results of previous studies on the influence of ICSR and ICG disclosure on the Islamicity Performance Index, this research aims to test the effects of Islamic Corporate Governance and Islamic Corporate Social Responsibility disclosure on the Islamicity Performance Index in Indonesian Islamic Commercial Banks. This study extends the work of Maulydina et al. (2020) titled "The Effect of Corporate Governance on the Islamicity Performance Index," which utilized Corporate Governance as an independent variable and financial performance was measured by PRS, ZPR, EDR, and II. This study introduces an additional independent variable, Islamic Corporate Social Responsibility (ICSR). The sample for analysis is composed of Indonesian Islamic Commercial Banks registered with the Financial Services Authority from 2017 to 2022.

This study contributes to the existing literature by examining the relationship between Islamic Corporate Governance, Islamic Corporate Social Responsibility, and the Islamicity Performance Index in the context of Indonesian Islamic Commercial Banks. The findings offer insights into the specific variables that significantly influence the financial performance of Islamic banks, thereby providing guidance for practitioners, policymakers, and stakeholders in enhancing the performance and sustainability of Islamic banking institutions.

Islamic Corporate Governance (ICG) is a system designed to regulate and control companies in conducting their business to enhance success and accountability based on Islamic law (Sutedi, 2011). The application of Good Corporate Governance (GCG) aims to improve business financial performance and minimize risks arising from management decisions driven by personal interests (Dewayanto, 2010).

Islamic Corporate Governance impacts a company's performance based on the Islamicity Performance Index (Ananda & Erinos, 2020). This research demonstrates that the performance of Islamic Commercial Banks can be enhanced through the implementation of corporate governance. Entities comprising shareholders, boards of commissioners and directors, Sharia supervisory boards, and committees play significant roles in the execution of Islamic Corporate Governance. The application of Islamic Corporate Governance can yield positive impacts on performance.

Salamah & Kusumaningtias (2019) stated that the application of Corporate Governance affects the Islamicity Performance Index through proxies like Profit Sharing Ratio and Zakat Performance Ratio in Islamic Commercial Banks. This indicates that banks are more likely to succeed in achieving their goals when transitioning from interest-based methods to profit-sharing methods according to Sharia principles. The effective implementation of Corporate Governance leads to better adherence to paying zakat by Islamic banks, thereby positively affecting the Zakat Performance Ratio.

In contrast, the research by Maulydina et al. (2020) indicated that corporate governance only influences the Islamicity Performance Index through the Zakat Performance Ratio proxy. The Islamic banking sector's willingness to pay zakat increases alongside improvements in corporate governance. The principle of amanah (trustworthiness) in Islamic Corporate Governance encourages individuals to fulfill their obligation to pay zakat as commanded by Allah. Based on the above, the hypotheses proposed in this study are as follows:

H_1: Islamic Corporate Governance has an influence on Profit Sharing Ratio.

H_2: Islamic Corporate Governance has an influence on Zakat Performance Ratio.

H_3: Islamic Corporate Governance has an influence on Equitable Distribution Ratio.

H_4: Islamic Corporate Governance has an influence on Islamic Income.

Islamic Corporate Social Responsibility (ICSR) refers to the social responsibility of organizations or companies conducting their business based on Sharia principles (Sofyani et al., 2012). According to Shariah Enterprise Theory (SET), accountability is not solely to the company owners but also to God, the environment, and the protection of stakeholder interests. The disclosure of Islamic Corporate Social Responsibility information aims to garner public attention, building a positive company image and enhancing performance.

The concept of Islamic Corporate Social Responsibility (ICSR) encompasses justice, zakat payment, benefit, responsibility, and goal achievement (Wahyuddin, 2016). However, it is crucial to emphasize that all of these must be pursued through activities free of usury (riba). Business is not solely for profit-seeking but can be a means to promote maslahah (benefit). Ratios within the Islamicity Performance Index are highly relevant for measuring aspects of Islamic Corporate Social Responsibility. This is supported by Lailaulfa's research (2020) that states Islamic Corporate Social Responsibility (ICSR) influences the financial performance of Islamic banks based on the Islamicity Performance Index.

Ananda & Erinos (2020) also assert that Islamic Corporate Social Responsibility has a significant negative impact on performance, including the Islamicity Performance Index, ROA, and ROE. Consequently, the performance of Islamic Commercial Banks will proportionally decrease as ICSR disclosure increases. In this study, ICSR may affect performance indicators known as Profit Sharing Ratio (PSR). This is due to the fact that Islamic Commercial Banks with high ICSR may incur higher costs, consequently reducing net profit and, in turn, decreasing profit-sharing. Based on the above, the hypotheses proposed in this study are as follows:

H_5: Islamic Corporate Social Responsibility influences Profit Sharing Ratio.

H_6: Islamic Corporate Social Responsibility influences Zakat Performance Ratio.

H_7: Islamic Corporate Social Responsibility influences Equitable Distribution Ratio.

H_8: Islamic Corporate Social Responsibility influences Islamic Income.

RESEARCH METHOD

This study uses quantitative methods, namely by testing the relationship between variables, which are then measured using research instruments so that the total data can be analyzed using statistical procedures. This quantitative method is used to determine whether ICG and ICSR influence the financial performance of Islamic Commercial Banks based on Islamicity.

Population, Sample, and Sampling Technique

The population in this study comprises Islamic banks in Indonesia listed with the Financial Services Authority (OJK) for the period 2017-2022. The chosen sampling technique is purposive sampling, a method of selecting samples based on specific criteria. The criteria set for the sample in this study are: (1) Islamic Commercial Banks registered with OJK during the period 2017-2022; (2) Islamic Commercial Banks issuing annual reports containing information related to the dependent and independent variables in this study.

Data, Data Sources, and Data Collection Technique

The data used in the study are documentary. The data source employed is secondary data in the form of annual financial reports of Islamic Commercial Banks obtained from the official websites of each respective bank. Documentation techniques are employed to collect and analyze the annual financial reports, corporate social responsibility reports, and corporate governance reports from Islamic Commercial Banks registered with OJK for the years 2017-2022.

Research Variables and Operational Definitions

Dependent variables are those variables that are explained by or influenced by independent variables (Indriantoro & Supomo, 2018). The dependent variable in this study is the performance of Islamic Commercial Banks. The performance of Islamic Commercial Banks is measured using the Islamicity Performance Index. The ratios within the Islamicity Performance Index, developed by Ibrahim et al. (2004) are as follows:

1. **Profit Sharing Ratio (PSR)**

This ratio aims to measure the extent to which Islamic banks achieve their material goals of distributive and social justice through fund allocation to productive sectors using the profit-sharing scheme. This measurement is based on research by Ibrahim et al. (2004). The formula used to calculate PSR is:

$$\text{PSR} = \frac{\textit{Mudharabah + Musyarakah}}{\textit{Total Financing}}$$

2. **Zakat Performance Ratio (ZPR)**

The Zakat Performance Ratio measures the proportion of zakat expenditures to net assets by the bank (Ibrahim et al., 2004). The formula used to calculate ZPR is:

$$\text{ZPR} = \frac{Zakat}{Total\ Assets}$$

3. Equitable Distribution Ratio (EDR)

The Equitable Distribution Ratio measures the percentage of income distributed to various stakeholders, which can be observed from the amount spent on donations, employee expenses, and other fields (Ibrahim et al., 2004). The formula used to calculate EDR is:

$$\text{EDR} = \frac{Average\ Stakeholder\ Income}{Total\ Net\ Income}$$

4. Islamic Income (II)

This ratio is a form of prohibition of ribawi transactions in muamalat. Essentially, Islamic banks are required to generate legitimate income by disclosing relevant information and avoiding prohibited activities according to Islamic principles (Ibrahim et al., 2004). The formula used to calculate II is:

$$\text{II} = \frac{Halal\ Income}{Halal\ Income + Nonhalal\ Income}$$

Independent variables are those variables that explain or influence other variables (Indriantoro & Supomo, 2018). The independent variables in this study are:

5. Islamic Corporate Governance (ICG)

The Islamic Corporate Governance disclosure index in this study is proposed by Kurniawan (2016), referring to the corporate governance standards issued by IFBS for international Islamic financial institutions. The Islamic Corporate Governance (ICG) score is evaluated through a scoring approach with the following criteria: (a) Score 0 if no relevant disclosure items are present; and (b) Score 1 if relevant disclosure items are present.

The Corporate Governance Disclosure Index (CDGI) is calculated using the following formula:

$$CDGI = \frac{total\ disclosed\ ICG\ items}{disclosed\ ICG\ items} \text{ x } 100\%$$

6. Islamic Corporate Social Responsibility (ICSR)

The measurement used for the Islamic Corporate Social Responsibility (ICSR) variable is the Islamic Social Responsibility (ISR) index. To measure ICSR in this study, the scale proposed by (Khurshid, 2014) is used, based on data extracted from the annual reports of Islamic banks. Each disclosed item is given a score according to the data collected. The scoring criteria for ICSR items are: (a) Score 0 if no relevant disclosure items are present; and (b) Score 1 if relevant disclosure items are present.

The ICSR score is calculated using the formula below:

$$ICSR = \frac{Number\ of\ disclosed\ items}{Total\ ICSR\ items} x\ 100\%$$

Data Analysis Technique

In this study, the analysis technique used is panel data regression analysis. Panel data combines time series data and cross-sectional data. The basic panel data regression equation used in this study is:

$$[\textit{Islamicity Performance Index}]_{it} = \alpha + \beta_1[\mathrm{ICG}]_{it} + \beta_2[\mathrm{ICSR}]_{it} + \varepsilon_{it} \text{ .... (1)}$$

The Islamicity Performance Index is measured using four proxies: Profit Sharing Ratio (PSR), Zakat Performance Ratio (ZPR), Equitable Distribution Ratio (EDR), and Islamic Income (II). Therefore, the panel data regression equations are derived as follows:

$$[PSR]_{it} = \alpha + \beta_1[\mathrm{ICG}]_{it} + \beta_2[\mathrm{ICSR}]_{it} + \varepsilon_{it} \text{ .... (2)}$$

$$[ZPR]_{it} = \alpha + \beta_1[\mathrm{ICG}]_{it} + \beta_2[\mathrm{ICSR}]_{it} + \varepsilon_{it} \text{ .... (3)}$$

$$[EDR]_{it} = \alpha + \beta_1[\mathrm{ICG}]_{it} + \beta_2[\mathrm{ICSR}]_{it} + \varepsilon_{it} \text{ .... (4)}$$

$$[II]_{it} = \alpha + \beta_1[\mathrm{ICG}]_{it} + \beta_2[\mathrm{ICSR}]_{it} + \varepsilon_{it} \text{ .... (5)}$$

RESULT AND DISCUSSION

Research Sample

Islamic commercial banks in Indonesia registered with the Financial Services Authority (OJK) during the period 2017-2022 constitute the population for this study. The sampling technique used is purposive sampling, which involves selecting companies that meet predetermined criteria. The stages of sample selection are illustrated in Table 1.

According to Table 1, the total number of samples to be studied is 60 annual reports from Islamic Commercial Banks. The research period covers 6 years, namely 2017-2022. This study uses unbalanced panel data. Unbalanced panel data refers to a situation where cross-section units have an unequal number of time series observations, so the observations for each Islamic Commercial Bank can be seen in Table 2.

Table 1. Research Sample

No	Sample Criteria	Total
1	Islamic Commercial Banks registered with OJK during the period 2017-2022	78
2	Islamic Commercial Banks that do not provide information related to the dependent and independent variables in this study	(18)
	Total sample size within the research period	60

Source: Secondary data processed, 2023

Table 2. List of Samples

No	Code	Bank Name	Total
1	BAS	PT. Bank Aceh Syariah	6
2	BNTBS	PT. BPD Nusa Tenggara Barat Syariah	4
3	BMI	PT. Bank Muamalat Indonesia	6
4	BRI	PT. Bank BRI Syariah *)	4
5	BJBS	PT. Bank Jabar Banten Syariah	6
6	BNIS	PT. Bank BNI Syariah *)	4
7	BSM	PT. Bank Syariah Mandiri *)	4
8	BMS	PT. Bank Mega Syariah	6
9	BPDS	PT. Bank Panin Dubai Syariah	6
10	BSB	PT. Bank Syariah Bukopin	6
11	BCAS	PT. BCA Syariah	6
12	BSI	PT. Bank Syariah Indonesia	2

Source: Secondary data processed, 2023
Note: *) Merger

Descriptive statistics provide explanations or visual representations of the dependent variables, namely PSR, ZPR, EDR, and II, as well as the independent variables consisting of ICG and Islamic ICSR. It includes the maximum, minimum, mean, and standard deviation values for all variables.

Table 3. Descriptive Statistics

Variable	N	Mean	Std. Dev.	Min	Max
PSR	60	0.484686	0.264605	0.019351	0.989077
ZPR	60	0.001361	0.001938	0.00000	0.009001
EDR	60	0.073418	0.037087	0.019729	0.178094
II	60	0.999004	0.001394	0.991124	0.999984
ICG	60	0.767760	0.058462	0.606557	0.868852
ICSR	60	0.622093	0.100290	0.395349	0.790698

Source: Secondary data processed, 2023

The Chow Test is conducted to determine whether the Fixed Effect Model or Common Effect Model is more appropriate for estimating panel data. The decision is made based on the F probability value: if F < 0.05%, Ho is rejected, and the Fixed Effect Model is chosen. Conversely, if F > 0.05%, Ho is accepted, and the Common Effect Model is chosen.

The Hausman Test is conducted to determine whether the Fixed Effect Model or Random Effect Model is more appropriate for estimating panel data. The decision is made based on the F probability value: if F < 0.05%, Ho is rejected, and the Fixed Effect Model is chosen. Conversely, if F > 0.05%, Ho is accepted, and the Random Effect Model is chosen.

The Lagrange Multiplier (LM) Test is conducted to determine whether the Random Effect Model or Common Effect Model is more appropriate for estimating panel data. The decision is made based on the F probability value: if F < 0.05%, Ho is rejected, and the Random Effect Model is chosen. Conversely, if F > 0.05%, Ho is accepted, and the Common Effect Model is chosen. The results of the model selection for panel data regression estimation after conducting the Chow Test, Hausman Test, and LM Test are presented in Table 4.

Table 4. Model Selection for Panel Data Regression Estimation

Dependent Variables	Prob.			Model Fit
	Chow Test	Hausman Test	LM Test	
PSR	0.0000	0.0058	-	*Fixed Effect Model*
ZPR	0.0000	0.0341	-	*Fixed Effect Model*
EDR	0.0000	0.0216	-	*Fixed Effect Model*
II	0.0466	0.5542	0.1126	*Common Effect Model*

Source: Secondary data processed, 2023

The appropriate panel data regression model for analyzing the Profit-Sharing Ratio (PSR) is the Fixed Effect Model, based on the results of the Chow Test and Hausman Test. The results of the regression using the Fixed Effect Model are displayed in Table 5.

Table 5. Panel Data Regression Results

Independent Variables	Dependent Variables	Coefficient	Std. Error	Prob.	Description
ICG	PSR	0.214132	0.183149	0.2484	H1 Not Supported
	ZPR	0.455083	0.169840	0.0102	H2 Supported
	EDR	0.005219	0.042409	0.9026	H3 Not Supported
	II	-0.00133	0.00206	0.5203	H4 Not Supported
ICSR	PSR	0.624208	0.262821	0.0218	H5 Supported
	ZPR	0.112404	0.106520	0.2968	H6 Not Supported
	EDR	-0.456555	0.169383	0.0098	H7 Supported
	II	-0.00267	0.00185	0.1531	H8 Not Supported

Source: Secondary data processed, 2023

Influence of Islamic Corporate Governance on Profit Sharing Ratio (PSR)

The results of the panel data regression analysis in Table 5 indicate that Islamic Corporate Governance does not have an influence on the Profit-Sharing Ratio. Therefore, it can be concluded that H1 is not supported. The Profit-Sharing Ratio metric is derived from the comparison between *mudharabah* and *musharakah* financing and the total financing carried out by the Islamic bank. The total *mudharabah* and *musharakah* financing for the sampled Islamic banks during the period 2017-2022 amounted to Rp30,073,103,183,000, with a total financing of Rp496,985,968,245,000. The difference between total *mudharabah* and *musharakah* financing and total financing suggests that Islamic banks allocate a relatively smaller portion of their financing towards profit sharing. This relatively low financing, according to Yousfi (2013) may be attributed to moral hazard issues within *musharakah* arrangements. Additionally, Bacha (1997) explains that *mudharabah* encounters agency issues in a risk-return framework that remains weak. These factors may lead the corporate governance of Islamic banks to prioritize other financing options over profit sharing. This alignment with stakeholder theory necessitates management to balance banking behavior's interests. The limited potential for profit-sharing causes Islamic Corporate Governance not to influence the Profit-Sharing Ratio. This finding aligns with Maulydina et al.'s (2020) study, which found that Islamic Corporate Governance does not impact the Profit Sharing Ratio.

Influence of Islamic Corporate Governance on Zakat Performance Ratio (ZPR)

The results of the panel data regression analysis in Table 5 show that Islamic Corporate Governance has a positive and significant influence on the Zakat Performance Ratio. Therefore, it can be concluded that H2 is supported. This suggests that the better the Islamic Corporate Governance practices of an Islamic bank, the more attention the bank pays to fulfilling its zakat obligations. The principle of trust in Islamic Corporate Governance encourages banks to fulfill their zakat obligation as commanded by Allah SWT, who is the ultimate ruler of the universe and its contents, including the entrusted wealth to humanity, and requires its proper management. The payment of zakat is governed by regulations such as Law No. 38 of 1999 and Law No. 21 of 2011 regarding zakat management. As a Sharia-compliant financial institution, Islamic banks are obliged to pay zakat. This zakat payment demonstrates the bank's adherence to Islamic principles and its social responsibility.

These findings are also in line with agency theory, which asserts that management (agents) are entrusted by stakeholders (principals) to run the company according to its objectives (Jensen & Meckling, 1976). By paying zakat, an Islamic bank can assure stakeholders of its compliance with Sharia regulations and its social responsibility, beyond mere profit-seeking. This aligns with the research by Salamah and Kusumaningtias (2019), indicating the influence of Corporate Governance on the Zakat Performance Ratio.

Influence of Islamic Corporate Governance on Equitable Distribution Ratio (EDR)

The results of the panel data regression analysis in Table 5 indicate that Islamic Corporate Governance does not influence the Equitable Distribution Ratio. Therefore, it can be concluded that H3 is not supported. The Equitable Distribution Ratio measures the extent of income distribution by Islamic banks among their stakeholders, which include the public, bank employees, the government, and shareholders. Distribution includes donations and zakat for the public, salary distributions for employees, tax distribution for the government, and dividend distribution for shareholders.

The lack of influence of Islamic Corporate Governance on Equitable Distribution Ratio could be attributed to tax payments to the government, which are based on the company's earnings and the tax rate stipulated in tax laws, rather than management decisions. Additionally, the distribution of dividends to shareholders is subject to decisions made during the General Meeting of Shareholders (GMS). Endah & Meilani (2015) suggest that while social issues are considered by Islamic banks, distributions to the public through *Qard (*interest-free loans) and donations tend to be relatively small and tend to prioritize employee distributions. This is supported by data showing that Islamic banks allocate only 0.25% of total revenue to qard and 20.07% to employee distributions. This is similar to the findings of Salamah & Kusumaningtias (2019), indicating that Islamic Corporate Governance does not have an influence on the Equitable Distribution Ratio.

Influence of Islamic Corporate Governance on Islamic Income (II)

The results of the panel data regression analysis in Table 5 indicate that Islamic Corporate Governance does not influence Islamic Income. Therefore, it can be concluded that H4 is not supported. The Islamic Income measure compares halal income with the total income received by the Islamic bank, including both halal and non-halal income.

The substantial halal income, amounting to Rp195,406,358,330,000, compared to the non-halal income of Rp196,111,491,000 received by the Islamic banks during the period 2017-2022, shows that Islamic banks receive considerable halal income compared to non-halal income. Non-halal income usually arises in unavoidable circumstances (Harkaneri & Reflisa, 2018). Non-halal income is later treated as charitable funds to be donated to other institutions. Islamic banks have disclosed non-halal transactions in their financial statements, along with additional notes on charitable fund reporting in line with AAOIFI and Indonesian PSAK standards. (Khasanah, 2021) states that the charitable funds in Islamic banks originate from fines imposed on financing clients and Giro account fees, reported in the Notes to the Financial Statements (CALK). This aligns with the stakeholder theory, requiring disclosure of information on the sustainability of a company, including non-halal income received by Islamic banks.

However, the effective implementation of Islamic Corporate Governance cannot guarantee that Islamic banks are entirely free from non-halal income containing usury elements. Non-halal income can arise from interest earned from conventional banks, as Islamic banks often maintain accounts with conventional banks. Additionally, delays in financing payments by clients who have received financing result in compensation to control the client, adding to the bank's income. This finding is consistent with Silfi's, (2017) research, which states that corporate governance does not impact Islamic income.

Influence of Islamic Corporate Social Responsibility on Profit Sharing Ratio (PSR)

The results of the panel data regression analysis in Table 5 indicate that Islamic Corporate Social Responsibility has a positive and significant influence on the Profit-Sharing Ratio. Therefore, it can be concluded that H5 is supported. This suggests that higher levels of Islamic Corporate Social Responsibility disclosure by Islamic banks increase their participation in profit-sharing financing. The Profit-Sharing Ratio metric is derived from the comparison between *Mudarabah* and *Musharakah* financing and the total financing carried out by the Islamic bank.

These findings align with existing theories that suggest companies have a social contract with society to conduct their activities based on principles of fairness Satupa & Hanafi (2019) also assert that Islamic Social Reporting is important for the reputation and performance of Sharia-compliant financial institutions. Effective Islamic Social Reporting enhances the perception that Islamic financial institutions can be trusted by the Muslim community to channel their funds. This, in turn, enhances the institution's image and performance and portrays Islamic values as the foundation of Sharia-based companies (Hadinata, 2017). This would foster community trust, ultimately leading to increased *Mudarabah* and *Musharakah* financing levels in Islamic banks, consequently driving profit sharing.

Companies with good environmental performance experience positive responses from investors reflected in increasing stock prices from period to period, while poor environmental performance raises investor doubts and results in decreasing stock prices over the years (Almilia & Wijayanto, 2007). These findings are consistent with Sidik's (2016) research, which shows that Islamic Corporate Social Responsibility positively influences the performance of Islamic banks.

Influence of Islamic Corporate Social Responsibility on Zakat Performance Ratio (ZPR)

The results of the panel data regression analysis in Table 5 indicate that Islamic Corporate Social Responsibility does not have an influence on the Zakat Performance Ratio. Therefore, it can be concluded that H6 is not supported. The Zakat Performance Ratio metric compares the amount of zakat paid to the total net assets held by the Islamic bank. Generally, zakat funds paid by Islamic banks are treated and disclosed as part of the company's social responsibility efforts (Sidik, 2016). The disclosure of zakat activities and CSR initiatives, based on the signaling theory, serves as a positive signal to the public.

From both a religious and legal perspective in this country, companies that meet the criteria are obligated to pay zakat, in addition to the zakat obligations of the directors, commissioners, and employees (Hadi, 2016). However, it must be acknowledged that the zakat obligation for companies that are considered legal entities is still subject to differences of opinion among contemporary scholars due to the absence of formal recognition of legal entities like companies in classical Islamic jurisprudence. This is why Islamic Corporate Social Responsibility does not influence the Zakat Performance Ratio, as some Islamic banks do not pay Zakat internally; rather, they manage zakat from employees and the community. Some Islamic banks, such as Bank Syariah Bukopin, do not report the use of Zakat, *infaq*, and *sadaqah* funds separately, as these banks do not directly engage in distributing Zakat, *infaq*, and *sadaqah*.. Therefore, there is no disclosure of zakat in the corporate social responsibility reports of Islamic banks.

Influence of Islamic Corporate Social Responsibility on Equitable Distribution Ratio (EDR)

The results of the panel data regression analysis in Table 5 indicate that Islamic Corporate Social Responsibility has a negative and significant influence on the Equitable Distribution Ratio. Therefore, it can be concluded that H7 is supported. This suggests that increased disclosure of Islamic Corporate Social Responsibility (ICSR) by Islamic banks leads to a decrease in the Equitable Distribution Ratio. The Equitable Distribution Ratio measures how much income Islamic banks distribute to their stakeholders. The calculation includes *Qard* and donation amounts, employee salary expenses, dividends, and net income divided by net income, which is total revenue minus zakat and taxes. One factor that affects the EDR is a company's net income.

The negative and significant influence of ICSR on the Equitable Distribution Ratio can be attributed to higher expenses incurred by Islamic banks with high ICSR, leading to reduced net income. CSR initiatives tend to increase periodic costs or expenses and lead to lower profit performance (Lako, 2014). Nasution (2018) also states that higher ICSR disclosure in the annual reports of Islamic banks leads to lower profits for those banks. Although initially there is an increase in costs and a decrease in profits, the long-term implementation of ICSR will bring benefits in the form of improved performance for the Islamic bank itself (Lako, 2014). These findings align with Ananda & Erinos's (2020) research, which shows that Islamic Corporate Social Responsibility (ICSR) negatively affects the performance of Islamic banks based on Profit Sharing Ratio, Zakat Performance Ratio, Equitable Distribution Ratio, ROA, and ROE.

Influence of Islamic Corporate Social Responsibility on Islamic Income (II)

The results of the panel data regression analysis in Table 5 indicate that Islamic Corporate Social Responsibility does not influence Islamic Income. Therefore, it can be concluded that H8 is not supported. The Islamic Income measure compares halal income with the total income received by the Islamic bank, including both halal and non-halal income.

The reason Islamic Corporate Social Responsibility does not influence Islamic Income is that it operates within a social system of wealth distribution based on lifestyle and human relationships among Muslims and between Muslims and non-Muslims (Wahyuddin, 2016). Its purpose is to achieve economic equity in society. Additionally, the implementation of corporate social responsibility is expected to enhance the reputation of the Islamic bank in the eyes of the public. From its understanding and purpose, it can be concluded that this form of social responsibility does not influence the income received by Islamic banks, whether halal or non-halal.

The implementation of Islamic Corporate Social Responsibility does not automatically shield Islamic banks from non-halal income-containing usury elements. This is because non-halal income arises from interest earned from conventional banks, and Islamic banks often have accounts with conventional banks. Additionally, the delay in financing payments by clients who have received financing leads to compensation payments for controlling the clients. The implementation of corporate social responsibility cannot reduce interest income or the number of clients who delay or default on payments.

CONCLUSION

Based on the conducted data analysis, it can be concluded that the disclosure of Islamic Corporate Governance (ICG) influences the Zakat Performance Ratio (ZPR), but the disclosure of ICG does not affect the Profit-Sharing Ratio (PSR), Equitable Distribution Ratio (EDR), and Islamic Income (II). On the other hand, Islamic Corporate Social Responsibility (ICSR) affects PSR and EDR, but it does not affect ZPR and II. This indicates that the disclosure of ICG influences the Islamicity Performance Index based on the ZPR indicator, while the disclosure of ICSR affects the Islamicity Performance Index based on the PSR and EDR indicators.

Further research is expected to add other independent variables that are considered to have a greater impact on the performance of Islamic Commercial Banks, such as financing risk, bank health ratios, capital structure, Intellectual Capital, and others. Subsequent researchers can build upon the direction of hypotheses using the findings from this study as a reference. Further research can also consider other communication channels such as company websites, standalone sustainability reports, newspapers, and internal magazines used to communicate the company's activities. Additionally, future studies can expand the research sample by including Islamic banking institutions in other Islamic countries such as Qatar, Saudi Arabia, Malaysia, the United Arab Emirates, and Turkey.

REFERENCES

Alfijri, N. K., & Priyadi, M. P. (2022). Islamic Corporate Social Responsibility (ICSR), Zakat Dan Islamic Corporate Governance (ICG) Terhadap Kinerja Keuangan. *Jurnal Ilmu Dan Riset Akuntansi*, *11*(4), 1–22.

http://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/download/4408/4414

Almilia, L. S., & Wijayanto, D. (2007). *Pengaruh Environmental Performance Dan Environmental Disclosure Terhadap Economic Performance Oleh : Luciana Spica Almilia dan Dwi Wijayanto STIE Perbanas Surabaya*. *November*, 7–9.

Ananda, C. Z., & Erinos. (2020). *Pengaruh islamic corporate governance dan islamic corporate social responsibility terhadap kinerja perbankan syariah*. *2*(1), 2065–2082.

Bacha, O. (1997). *Adapting Mudharabah Financing to Contemporary Realities: A Proposed Financing Structure. The Journal Of Accounting, Commerce and Finance*.

Dewanata, P., Hamidah, H., & Ahmad, G. N. (2016). the Effect of Intellectual Capital and Islamicity Performance Index To the Performance of Islamic Bank in Indonesia 2010-2014 Periods. *JRMSI - Jurnal Riset Manajemen Sains Indonesia*, *7*(2), 259–278. https://doi.org/10.21009/jrmsi.007.2.04

Dewayanto, T. (2010). *Governance Terhadap Kinerja Perbankan Nasional Studi pada Perusahaan Perbankan yang Terdaftar di Bursa Efek Indonesia Periode 2006-2008*. *5*(2), 104–123.

Endah, S., & Meilani, R. (2015). *Hubungan Penerapan Good Governance Business Syariah Terhadap Islamicity Financial Performance Index Bank*. 182–197.

Hadi, A. C. (2016). Corporate Social Responsibility dan Zakat Perusahaan dalam Perspektif Hukum Ekonomi Islam. *AHKAM : Jurnal Ilmu Syariah*, *16*(2), 229–240. https://doi.org/10.15408/ajis.v16i2.4453

Hadinata, S. (2017). *Kontribusi Audit Internal Terhadap Managemen Risiko*. *4988*, 53–73.

Haniffa, R. (2002). Social Responsibility Disclosure: An Islamic Perspective. In *Indonesian Management & Accounting Research* (Vol. 1, Issue 2, pp. 128–146).

Harkaneri, H., & Reflisa, H. (2018). Pendapatan Non Halal Sebagai Sumber dan Penggunaan Qardhul Hasan dalam Perspektif Islam. *Syarikat: Jurnal Rumpun Ekonomi Syariah*, *(2).3394*, 102–110. https://doi.org/10.25299/syarikat.2018

Hayati, S. R., & Ramadhani, M. H. (2021). Analisis Kinerja Keuangan Bank Umum Syariah. *Jurnal Ilmiah Ekonomi Manajemen: Jurnal Ilmiah Multi Science*, *12*(2), 71–85. https://doi.org/10.52657/jiem.v12i2.1589

Ibrahim, S. H. B. M., Wirman, A., Alrazi, B., Nor, M. N. B. M., & Pramono, S. (2004). *Alternative Disclosure & Performance Measures For Islamic Banks*. 1–37.

Indriantoro, N., & Supomo, B. (2018). *Metodologi Penelitian Bisnis : Untuk Akuntansi dan Manajemen* (Pertama). Yogyakarta : BPFE.

Indriastuti, M., & Najihah, N. (2020). Improving Financial Performance Through Islamic Corporate Social Responsibility and Islamic Corporate Governance. *Jurnal Riset Akuntansi Dan Bisnis Airlangga*, *5*(1), 818. https://doi.org/10.31093/jraba.v5i1.206

Iqbal, Z., & Mirakhor, A. (2004). *Stakeholders Model Of Governance In Islamic Economic System*. *11*(2).

Jensen, M. C., & Meckling, W. H. (1976). *Theory Of The Firm : Managerial Behavior , Agency Costs And Ownership Structure I . Introduction and summary In this paper WC draw on recent progress in the theory of (1) property rights , firm . In addition to tying together elements of the theory of e*. *3*, 305–360.

Khasanah, N. A. (2021). Pengaruh Intellectual Capital Dan Islamicity Performance Index Terhadap Kinerja Keuangan Perbankan Syariah Di Indonesia Jurnal Nominal / Volume V Nomor 1 / Tahun 2016 Pendahuluan Seiring dengan perkembangan t. *Nominal*, *V*(6), 2.

Khurshid, M. A. (2014). *Developing an Islamic corporate social responsibility model (ICSR)*. *August*. https://doi.org/10.1108/CR-01-2013-0004

Kurniawan, H. (2016). Pengaruh Intellectual Capital, Islamic Corporate Governance, Islamic Social Responsibility, Islamic Ethical Identity,Dan Zakat Terhadap Kinerja Keuangan Bank Syariah. *Tesis*, *7*(6), 2016. http://www.ncbi.nlm.nih.gov/pubmed/26849997%0Ahttp://doi.wiley.com/10.1111/jne.12374

Lailaulfa, I. (2020). *Analisis Pengaruh Islamic Corporate Governance (ICG) , Islamic Corporate Social Responsibility (ICSR), Dan Intellectual Capital (IC) Terhadap Kinerja Keuangan Bank Umum Syariah Di Indonesia Berdasarkan Islamicity Performance Index Periode 2015-2019*. *Ic*.

Lako, A. (2014). *Dekonstruksi CSR dan Reformasi Paradigma Bisnis dan Akuntansi*. Jakarta: Erlangga Maradita.

Maulydina, A., Soedibyo, D., & Kusumaningtias, R. (2020). Pengaruh Corporate Governance Terhadap Islamicity Performance Index. *At-Tijaroh : Jurnal Ilmu Manajemen Dan Bisnis Islam*, *6*, 217–229.

Nasution, A. A. (2018). *Pengaruh Sharia Compliance, Islamic Corporate Governance dan*

Islamic Social Reporting terhadap Kinerja Keuangan dengan Ukuran Perusahaan sebagai Moderating pada Bank Syariah. Universitas Sumatera Utara.

Othman, R., Thani, A. M., & Ghani, E. K. (2009). *Determinants of Islamic Social Reporting Among Top Shari ' a-Approved Companies in Bursa Determinants of Islamic Social Reporting Among Top Shariah -Approved Companies in Bursa Malaysia*. *12*(May), 4–20.

Prasetya, D. N., & Mutmainah, S. (2011). *Analisis Pengaruh Intellectual Capital Terhadap Islamicity Financial Performance Index Bank Syariah Di Indonesia*. 1–28.

Rahayu, L. (2021). *Pengaruh Islamic Corporate Governance (Icg) , Islamic Corporate Social Responsibility (Icsr) Dan Zakat Terhadap Kinerja Keuangan Selama Covid-19 (Studi Empiris pada Bank Syariah Indonesia yang Terdaftar di Otoritas Jasa Keuangan 2019-2020) SKRIPSI*. *19*.

Salamah, S. A., & Kusumaningtias, R. (2019). Pengaruh Corporate Governance Dan Manajemen Risiko Terhadap Islamicity Performance Index Pada Bank Umum Syariah Tahun 2014-2018. *AKUNESA: Jurnal Akuntansi Unesa*, *8*(1), 38–47. http://jurnalmahasiswa.unesa.ac.id/index.php/jurnal-akuntansi/

Satupa, & Hanafi, R. (2019). *Dampak Islamic Corporate Governance , Islamic Social Reporting Pada Kinerja Keuangan Bank Syariah di Indonesia*. *8*(2), 155–165.

Sidik, I. (2016). *Pengaruh Zakat dan ICSR terhadap Reputasi dan Kinerja*. *23*, 1–21.

Silfia, Z. (2017). Pengaruh Corporate Governance Terhadap Islamicity Performance Index Pada Bank Umum Syariah dan Unit Usaha Syariah di Indonesia. Silfia, Z. (2017). Pengaruh Corporate Governance Terhadap Islamicity Performance Index Pada Bank Umum Syariah dan Unit Usaha Sy. *Universitas Negeri Surabaya.*

Sofyani, H., Ihyaul, U., Syam, D., & Wahjuni, S. (2012). *Islamic Social Reporting Index Sebagai Model Pengukuran Kinerja Sosial Perbankan Syariah (Studi Komparasi Indonesia Dan Malaysia)*. *4*(1), 36–46.

Sudarmanto, E., Susantu, E., Revida, E., Pelu, M. F. A., Purba, S., Astuti, Purba, B., Silalahi, M., Anggusti, M., Sipayung, D. P., & Krisnawati, A. (2021). Good Corporate Governance: In *A Theory of the Firm*. Yayasan Kita Menulis. https://doi.org/10.2307/j.ctv22d4ztc.5

Sutedi, A. (2011). *Good Corporate Governance*. Sinar Grafika.

Wahid, N. N., Firmansyah, I., & Fadillah, A. R. (2018). Analisis Kinerja Bank Syariah Dengan Maqashid Syariah Index (MSI) Dan Profitabilitas. *Jurnal Akuntansi*, *13*(1), 3.

Wahyuddin. (2016). *Islamic Corporate Social Responsibility (ICSR);Kajian Teoritis*. 23–37.

Yousfi, O. (2013). Does PLS Solve Moral Hazard Problems ? Journal of Islamic Economic