

An Analysis Of The Effects of Profitability and Total Assets On Corporate Zakat: A Case Study Of Islamic Commercial Banks In Indonesia

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ABSTRACT

The objective of this study is to examine the impact of profitability, Return on Equity (ROE), and assets on the corporate zakat of Islamic banking institutions in Indonesia. The research employed secondary data and was examined using a quantitative technique, specifically employing a panel data regression model. The data for this study was collected from Islamic Commercial Banks that published zakat funds between the years 2011 and 2021. Net Profit Margin (NPM) serves as a proxy for measuring the profitability of Islamic commercial banks. The findings indicate that the model employed in this study, which incorporates the variables of NPM, ROE, and assets, collectively exerts a statistically significant influence on corporate zakat. However, each element has a distinct impact on corporate performance. The findings of the study indicate that both NPM and assets exhibit a statistically significant impact on the zakat contributions made by companies. However, it is observed that the ROE does not have a significant effect on the zakat contributions made by companies. It can be firmly asserted that there is a positive correlation between a corporation's NPM and assets, and the corresponding increase in the amount of corporate zakat. This has the potential to provide the government with the opportunity to promote the performance of the Islamic banking industry, leading to an increase in their NPM and assets. This, in turn, can contribute to the social effect of the industry through the utilization of zakat.

Keywords: *Islamic Bank, Profitability, Corporate Zakat*

INTRODUCTION

Indonesia is a nation with the largest Muslim population in the world. According to the report by The Royal Islamic Strategic Studies Centre (RISSC) in 2021, the Muslim population in Indonesia reached 231.06 million individuals, equivalent to 86.7% of Indonesia's total population (Kusnandar, 2021). As a country with a Muslim majority, Indonesia holds significant zakat potential. Based on the Indonesian Zakat Outlook published by Puskas Baznas, the zakat potential in Indonesia reached Rp 327.6 trillion in 2020.

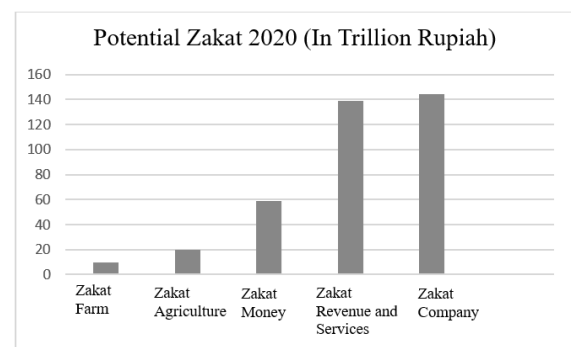


Figure 1. Zakat Potential 2020 Based on Sector

Source: Center for Strategic Studies BAZNAS (2022)

The zakat potential in Indonesia is divided into five sectors. Firstly, the livestock sector has a potential of (Rp 9.52 trillion). Secondly, the agricultural zakat

sector has a potential of (Rp 19.79 trillion). Thirdly, the monetary zakat sector has a potential of (Rp 58.76 trillion). Fourthly, the income and service zakat sector has a potential of (Rp 139.07 trillion). Fifthly, the corporate zakat sector has a potential of (Rp 144.5 trillion). In 2020, the sector with the highest potential was the corporate sector, achieving 144.5 trillion, while the lowest sector was the livestock sector, achieving 9.51 trillion (Strategic Research Center - National Zakat Agency, 2022).

The financial sector plays a significant role in the collection of corporate zakat in Indonesia. The financial sector contributes approximately IDR 28.87 trillion to corporate zakat in Indonesia (Strategic Studies Center of the National Zakat Agency, Institute for Research and Community Service, 2021). Among the 104 financial companies discussed in the Study of Zakat from Indonesian Public Companies, 46 of them are conventional banks and 5 of them are Islamic banks. Globally, Islamic banks are recognized as the most dominant financial institutions in asset distribution. In 2020, the asset distribution of Islamic banking reached 70% with a value of USD 2.349 billion (Thomson Reuters, 2021). Nationally, the growth of Islamic banking in Indonesia demonstrates a positive trend, with an increase in market share from 4.87% in 2015 to 6.74% in 2021. In terms of market share composition, the Islamic financial sector is primarily led by Islamic Commercial Banks, contributing 63.68%, followed by Islamic Business Units at 33.86%, and 2.46% by Islamic Rural Banks (BPRS). This composition contributes to the expansion of Islamic banking in Indonesia, with a total asset value of IDR 693.80 trillion (Financial Services Authority, 2022).

The significant growth of Islamic banking in Indonesia is expected to contribute to the national collection of zakat (Adam & Supriani, 2022). Based

on the social function of Islamic banking as outlined in Law No. 21 of 2008, Article 4, regarding Islamic banking, which regulates Islamic banks to gather social funds for zakat, infaq, and alms (Putra, 2020). In addition to fulfilling their social function, Islamic banks are obligated to carry out corporate zakat. The obligation to perform corporate zakat is based on the zakat regulations stipulated in Law No. 23 of 2011, Article 1, paragraph (5), regarding Zakat Management, which states that "Muzaki is a Muslim or a business entity that is obligated to pay zakat" (Wardani, D. K., 2020).

Islamic banking institutions are required to pay zakat in accordance with the calculation once they have reached the haul and nisab (85 grams of gold). Based on the calculation method, the zakat for a corporate entity is 2.5% of the net capital. The calculation of zakat for Islamic banking companies is determined by their financial reports, where current assets are subtracted from current liabilities and then multiplied by 2.5% (Nabila et al., 2021). To assess the zakat funds and company performance, financial reports are necessary. Financial performance in companies, especially in the banking sector, can depict the financial condition during a specific period. Financial performance is measured using (Harianja et al., 2020).

Zakat-oriented means that high profits serve as an intermediary goal to achieve the ultimate objective of paying zakat for a company. Zakat can serve as motivation for a company that is fundamentally zakat-oriented to pursue high profits (Nur Iman et al., 2022). The orientation towards both high profits and zakat is directly linked to the overall company performance (Mohammed Sarea Adel Sarea, 2012). Companies that pay zakat are those with a total wealth equivalent to at least 85 grams of gold, so companies implementing zakat must improve their performance to reach this

nisab threshold. Company performance can be assessed through financial ratios over a specific period. One ratio that reflects a company's financial performance is the profitability ratio. Profitability ratios that impact the zakat expenditure level include NPM (Net Profit Margin) and ROE (Return on Equity) because these ratios are associated with the company's earnings and the return on capital for investors. Additionally, total assets are also related to a company's ability to pay zakat because when total assets do not meet the nisab requirement, the company cannot pay zakat, and when total assets increase, the zakat paid by the company will follow the growth in assets.

Several studies have shown the influence of company performance on corporate zakat payments. Research on the impact of profitability on zakat in Islamic banks with social reporting as a moderating variable conducted by Wardani yielded findings that profitability has a positive effect on corporate zakat, while Islamic Social Reporting cannot moderate the influence of profitability on corporate zakat (K. Wardani et al., 2020). Furthermore, research conducted by Utari on the factors influencing corporate zakat with a case study of Islamic banks in Indonesia for the period 2015-2017 showed that Return on Equity (ROE) has a positive and significant impact on corporate zakat expenditure in Islamic banks in Indonesia (Utari, 2019). There is also a study conducted by Hidayat & Miftahurrahmah in 2021 that analyzes the impact of profitability on a company's ability to pay zakat. The results of the study show that ROE has a significant positive effect on a company's ability to pay zakat. Furthermore, a study titled "The Influence of Profitability Ratios on Corporate Zakat in Islamic Foreign Exchange Banks" conducted by Putrie and Achira shows that variables like NPM and ROA have a positive and significant impact on corporate zakat,

while the OIROI variable does not significantly affect zakat in Islamic Foreign Exchange Banks (Achira et al., 2019). Companies that are obliged to pay corporate zakat are those owned by Muslims and produce halal products. When a company's assets reach the equivalent of 85 grams of gold within a year, the company is required to pay zakat directly, and the size of the assets affects the company's ability to pay corporate zakat.

Based on the background and previous research, there are still differences in the results regarding the influence of profitability on corporate zakat. Therefore, further research is needed to determine whether profitability affects corporate zakat. This study aims to empirically analyze the impact of Net Profit Margin, Return on Equity, and the assets of Islamic banks in Indonesia on corporate zakat payments. The results of this research are expected to illustrate that banks that are diligent in making corporate zakat payments are oriented toward maintaining their company's performance. This is because, to enhance the ability to pay corporate zakat, a company must improve its overall performance. This research has implications for expanding the literature and providing recommendations for policy-making in zakat institutions and corporate management when it comes to carrying out corporate zakat.

Most of the previous research has focused on a single bank, mainly state-owned banks, with a study period not exceeding five years. This research attempts to fill the existing gap by conducting a study on all Islamic banks that have published corporate zakat payment reports from 2011 to 2021. The research subject is Islamic banking institutions in Indonesia that annually disclose their corporate zakat reports. This choice was made because not all Islamic banks in Indonesia pay corporate zakat.

LITERATURE REVIEW

Corporate Zakat

Linguistically, zakat comes from Arabic zakka-yuzakki which literally means growth, increase or purification. Etymologically, According to Al-Qaradawi (2011), Zakat means cleanliness, growth, and blessings. This implies that zakat is about developing and purifying one's wealth. Therefore, zakat represents a commitment by a Muslim to give a portion of their wealth that has reached the nisab threshold. The zakat payments made by a *muzakki* are then distributed to those who are eligible to receive zakat funds, known as *mustahiq* (Rahma & Radianti, 2022).

Corporate zakat is the result of contemporary *ijtihad* (independent reasoning) in expanding the wealth subject to zakat. Contemporary scholars liken corporate zakat to a subset of trade zakat. This is because a company's activities are inherently connected to trade or commerce (K. Wardani et al., 2020).

The foundation for the obligation to pay corporate zakat is mentioned in the Quran, in Surah Al-Baqarah, verse 267. The obligation to perform corporate zakat is based on the consensus reached by scholars in a meeting held in Kuwait in 1984 and is further supported by zakat regulations in Law No. 23 of 2011, Article 1, Paragraph (5), concerning Zakat Management, which states that "Muzaki is a Muslim or a business entity that is obligated to pay zakat" (Wardani, D. K., 2020). This law is reinforced by the Decision of the Assembly of Ulama's Fatwa Commission of Indonesia No. 7 of 2021 regarding Corporate Zakat, which clarifies that companies that meet the zakat requirements are obligated to pay zakat as a *syakhshiyyah i'tibariyyah*. Therefore, banks are required to pay zakat both as business entities and as representatives of the industry or

shareholders (Nomran & Haron, 2022).

Based on the language, zakat means giving and wealth. Etymologically, zakat means purification and growth. It can be interpreted that zakat is about developing and purifying one's wealth. Therefore, zakat is a commitment by a Muslim to give a portion of their wealth that has reached the nisab, ensuring it is clean and purified. The zakat payments made by the *muzakki* are then distributed to those who are eligible to receive zakat funds, known as *mustahiq* (Rahma & Radianti, 2022).

Corporate zakat is the result of contemporary *ijtihad* in the expansion of wealth subject to zakat. Contemporary Islamic scholars analogize corporate zakat as part of trade zakat. This is because the activities of a company are inherently connected to trade or business transactions (K. Wardani et al., 2020).

The obligation to pay corporate zakat is mentioned in the Quran, in Surah Al-Baqarah, verse 267. The obligation to carry out corporate zakat is based on the consensus of scholars at a meeting held in Kuwait in 1984 and is also grounded in zakat regulations outlined in Law No. 23 of 2011, Article 1, paragraph (5), regarding Zakat Management, which states that "Muzaki is a Muslim or a business entity that is obligated to pay zakat" (Wardani, D. K., 2020). This law is further reinforced by the Decision of the Assembly of Scholars of the Fatwa Commission of Indonesia No. 7 of 2021 regarding Corporate Zakat, which explains that companies that meet the criteria for zakat must pay zakat as a *syakhshiyyah i'tibariyyah* (legal entity). Therefore, banks are required to pay zakat both as a business entity and as representatives of the industry or shareholders (Nomran & Haron, 2022).

Corporate zakat is analogous to trade zakat, and there are five conditions that a company must meet to be obliged to pay corporate zakat (Afandi, 2019). These conditions are as follows:

- 1) The Company is owned by a Muslim
- 2) The business conducted by the company is halal (permissible in Islamic law).
- 3) The company's assets can be valued.
- 4) The company's assets have the potential to grow.
- 5) The wealth of the company is at least equivalent to 85 grams of gold.

A company is required to pay 2.5% zakat if it has been in operation for one year or one zakat period (haul) and has reached the nisab threshold for trade zakat, which is equivalent to 85 grams of gold. The reference for calculating corporate zakat is based on a hadith narrated by Abu'ubaid in the book of Al-Amwal from Maimun bin Mihram, which states, "When it is time to pay zakat, look at the money or goods that you possess and are ready for trade, then evaluate them in terms of money, and deduct the debts you owe from what you own" (Bahari, 2021).

Based on this narrated hadith, corporate zakat is calculated based on net profits after deducting operating expenses but before tax payments and profit distribution (Sekretariat Komisi Fatwa MUI, 2021). Companies can pay zakat to an amil zakat institution or distribute the zakat directly to the *mustahiq* (eligible recipients) (Hidayat & Miftahurrahmah, 2021). Gradual distribution of zakat to the eight asnaf (categories of eligible recipients) can help alleviate poverty by improving the living standards of zakat recipients (Akhyar Adnan & Barizah Abu Bakar, 2009).

Zakat plays a significant role in Islamic banking, one of which is its role in purifying the wealth generated (Qaradawi Yusuf, 1988). Zakat, as a legal obligation in Islam, has the role of safeguarding a company from engaging in harmful activities because zakat

fundamentally arises from the objectives of Islamic law (*maqashid syariah*) (Mustafida et al., 2020). Zakat not only benefits the company but also serves the welfare function of society through the distribution of wealth that occurs in the implementation of zakat (Riani et al., 2022). Zakat functions to purify wealth, thus enabling wealth to grow into valuable assets. In various studies, zakat has also been shown to represent the performance and profitability of a banking institution and can reflect the institution's health (Al-Nasser Mohammed & Muhammed, 2017).

Net Profit Margin (NPM)

The net profit margin (NPM) represents the amount of net profit a company earns from each sale it makes. The NPM ratio is used to measure the net profit after tax and interest expenses as a percentage of sales. If a company's performance results in a substantial net profit, the income received by shareholders will also increase (Andhani Destian, 2019). The magnitude of the NPM achieved reflects the success of the company's growth and development.

When the NPM (Net Profit Margin) increases, it is expected that in the subsequent period, the income will also experience an increase. This happens because the net profit earned by the company is greater than its operational income, giving the company the ability to enhance its net profit (Ginantara, 2015).

Consistent with the research conducted by Achiria et al. (2019), the results show that profitability, as represented by NPM, has a significant positive impact on corporate zakat expenditure. This indicates that as the NPM value increases, the zakat expenditure by the company also tends to increase.

Return On Equity

Return On Equity (ROE) is a ratio that can illustrate a company's ability to generate profits for shareholders based on the capital invested in the company (Utari et al., 2019). ROE is known as the profit-to-equity ratio or asset turnover. The results of the ROE ratio can depict how a company utilizes its resources to gain profit in relation to its equity. The standard evaluation result for ROE in a company is 40%. If the value is above forty percent, its performance is considered good, whereas if it falls below forty percent, the company's performance is deemed less favorable (Veronika et al., 2022). One challenge with the ROE ratio is that an increase in ROE in a company does not necessarily translate to an increase in overall company profitability because there are still many other variables that can influence it. However, ROE can indicate that a company's reputation is improving in the capital market (Nwuba, 2021).

Based on research by Utari et al. (2019), when the return on investment for investors increases, the corporate zakat that companies are required to pay will also increase. The European Central Bank states that ROE is the most frequently used ratio to measure a company's performance because ROE directly assesses the financial return on investment to shareholders, and the ROE ratio allows for comparisons between companies in different sectors (European Central Bank, 2010).

Total Assets in Banking

Assets represent a collection of various properties and wealth owned by a company and utilized to generate income in a specific period or in subsequent periods. Assets are also defined as resources possessed and utilized by a company for economic benefit. In Islamic banking, assets are something capable of producing positive cash flow or economic benefits acquired from past transactions or economic events.

In the context of Islamic banking, the total assets determine the extent of the industry's contribution to the national banking sector. The magnitude of the total assets owned will impact the economic scale of a banking institution and can serve as an indicator of its size. The total assets of a banking institution can be used to gauge its liquidity level (Ariani & Pratiwi, 2022).

The development of Islamic banking assets in Indonesia indicates positive growth, as evidenced by the increase in market share from 4.87% in 2015 to 6.74% in 2021. In terms of market share composition, Islamic banking is predominantly represented by Sharia Commercial Banks, contributing 63.68%, followed by Sharia Business Units at 33.86%, and 2.46% by Islamic Rural Banks (BPRS). This composition contributes to the expansion of Islamic banking in Indonesia, with total assets amounting to 693.80 trillion rupiahs (Financial Services Authority, 2022).

DATA AND METHODOLOGY

Type and Data Source

This research is a quantitative study, which involves investigating a phenomenon by collecting numerical data and then processing it using statistical techniques. The approach used in this research is a descriptive one aimed at providing an explanation of the studied phenomenon.

The type of data in this research is panel data, which combines time series data and cross-sectional data (Gujarati Damodar N & Porter Dawn C, 2006). These data are sourced from the financial reports of Sharia Commercial Banks registered with the Financial Services Authority. To obtain relevant data as the foundation for the analysis process, the data collection technique utilized is the documentation method. Data collection is conducted by recording documents that discuss ROE (Return on Equity), NPM (Net Profit Margin), assets, and corporate

zakat payments for the years 2011–2021.

To analyze the influence of independent variables such as NPM, ROE, and assets on the dependent variable of corporate zakat, this research employs multiple linear regression analysis to examine their effects. To conduct multiple linear regression on panel data, a model

combining time series and cross-sectional data is utilized.

Operational Definition of Research Variables

The dependent variable and independent variables to be analyzed are as follows:

Table 1. Operational Definition of Research Variables

Variable	Category	Indicator	Unit
Corporate Zakat	Dependent	2,5%X net profit (has reached the nisab and haul)	Millions of Rupiah
Net Profit Margin	Independent	Net Profit Margin= (Net profit/Sales)x100%	Percent
Return on Equity	Independent	Return on Equity= (Income after tax/Equity)x 100%	Percent
Total Asset	Independent	Total assets owned by General Sharia Bank	Billions of Rupiah

Source:

Population and Sample

The population in this study consists of Sharia Commercial Banks in Indonesia registered with the Financial Services Authority. From the selected population, several banks were chosen to be the sample. The sampling method employed in this research is purposive sampling,

which means

The sample is selected based on predetermined characteristics to achieve specific objectives. The sample criteria used in this study are Sharia Commercial Banks in Indonesia that consistently produce financial reports displaying the variables NPM, ROE, and zakat payment reports from the year 2011-2021. The banks that meet these criteria are listed in Table 2.

Table 2. Sample List

No	Bank Name
1	Bank Mega Syariah
2	Bank Muamalat
3	Bank Panin Dubai Syariah
4	Bank Jabar Banten Syariah
5	Bank BCA Syariah

Source:

RESULT AND DISCUSSION

General Profile of Islamic Banking in Indonesia

The development of Islamic banking in Indonesia has been influenced by Islamic countries since the 19th century. Based

on the decisions made during the IV MUI (*Majelis Ulama Indonesia*) Workshop in August 1990, a working group was established to design the establishment of Islamic banks in Indonesia. On November 1, 1991, the MUI (*Majelis Ulama Indonesia*) banking working group successfully established PT Bank Muamalat Indonesia Tbk and

began its operations on May 1, 1992. Prior to Bank Muamalat's operational activities on March 25, 1992, the government issued Law No. 7 of 1992 concerning Banking. In the same year, Government Regulation No. 72 of 1992 on Banking Based on the Profit-Sharing Principle was issued. The existence of this law made Bank Muamalat the only bank conducting its business activities based on the profit-sharing principle (Agustin & Armis, 2022).

The legal standing of Islamic banking was further reinforced with the enactment of Law No. 10 of 1998 concerning Banking. This law provided general banks with the opportunity to convert conventional banking systems into Islamic banking systems. Regardless of the ups and downs in the development of Islamic banking, since 1999, Islamic banks have been established, such as Bank Syariah Mandiri in 1999, followed by Bank Mega Syariah in 2004, Bank BRI Syariah in 2008, Bank Syariah Bukopin in 2009, Bank Panin Syariah in 2009, Bank BNI Syariah in 2009, Bank Jabar Banten Syariah in 2010, BCA

Syariah in 2010, Bank Victoria Syariah in 2010, Maybank Syariah Indonesia in 2010, Bank BTPN Syariah in 2014, Bank Aceh Syariah in 2016, Bank BPD Aceh Syariah in 2016, Bank Nusa Tenggara Barat Syariah in 2018, and Bank Syariah Indonesia resulting from the merger of Bank BRI Syariah, Bank BNI Syariah, and Bank Mandiri Syariah in 2020 (Muflihin, 2019).

In this research, the objects of study are Islamic banks that meet specific criteria. These criteria include consistent publication of financial reports containing information on corporate zakat, NPM, ROE, and assets from 2011 to 2021. Out of the 14 Islamic banks in Indonesia, five meet the criteria to become research objects. These banks are Bank Muamalat, Bank Mega Syariah, Bank Panin Dubai Syariah, Bank Jabar Banten Syariah, and Bank BCA Syariah.

Descriptive Statistical Analysis

Based on the data analysis of the variables zakat, NPM, ROE, and assets, the descriptive statistical analysis results are presented in Table 3

Table. 3 Descriptive Statistics

Variable	Y (Zakat)	XI (NPM)	X2 (ROE)	X3 (ASET)
Mean	15.29960	0.158364	0.119273	1.399540
Median	6.326000	0.080000	0.040000	5.717250
Maksimum	82.35500	1.220000	0.870000	10.64233
Minimum	132.0000	0.010000	0.010000	5.559000
Std dev	21.98632	0.241145	0.161450	2.480830.

Source: Data Processing Results in Eviews 12 (2023)

The results of the descriptive analysis of the dependent variable zakat in Sharia Commercial Banks in Indonesia have a standard deviation value of 21.98632, which is higher than the mean value of 15.29960. This indicates that the data distribution for the zakat variable has high variability or diversity. The minimum value for the zakat variable is 132.0000,

which occurred at Bank Jabar Banten Syariah in 2017. The maximum value for the zakat variable is 82.35500, held by Bank BCA Syariah in 2020. The median value for the zakat variable is 6.326000, with Bank Mega Syariah occupying the central position.

The standard deviation of the NPM variable in the descriptive analysis is 0.241145, which is greater than the mean of 0.158364. This means that the data for the NPM variable exhibits high variability.

The maximum NPM value is 1.220000, achieved by Bank Panin Dubai Syariah. The lowest NPM value is 0.01000, recorded at Bank Jabar Banten Syariah in 2015. The median value for the NPM variable is 0.080000.

In the case of the ROE variable, it has a standard deviation of 0.161450, which is higher than the mean ROE of 0.119273. This suggests that the data for the ROE variable has high variability. The maximum ROE value is 0.870000, achieved by Bank Muamalat in 2017. The minimum ROE value is 0.010000, recorded for Bank Muamalat in 2018. The median value for the ROE variable is 0.040000.

The standard deviation of the assets variable is 2.480830, which is higher than the mean of 1.399540. This implies that

the data for the asset variable has high variability. The maximum asset value is 10.64233, achieved by Bank BCA Syariah in 2021. The minimum asset value is 5.559000, recorded for Bank Mega Syariah in 2015. The median value for the assets variable is 5.717250, representing the central asset achievement for Bank Muamalat in 2015.

Model Selection and Estimation Results

In the panel data testing process, the selection of the best model is essential. Several tests are involved in choosing the best model for analyzing the regression equation, such as the Chow Test, Hausman Test, and Multiplier Test. The following table presents the results of the selection of the best panel data regression model:

Table 4. Panel Data Regression Model Selection

No	Model	Indicator	Hypothesis	Result	Decision
1	Chow Test	Reject H0, if P-value <0.05	H0: CEM H1: FEM	0.0000	H0: rejected H1: accepted
2	Hausman Test	Reject H0, if P-value <0.05	H0: REM H1: FEM	0.0967	H0: accepted H1: rejected
3	Lagrange Multiplier Test	Reject H0, if P-value <0.05	H0: CEM H1: REM	0.0000	H0: rejected H1: accepted

Source: Eviews 12 Data Processing Results (2023)

Based on the Chow Test results, which compare the Common Effect Model and Fixed Effect Model, a probability value of 0.000 was obtained. This means that H1 is accepted, and the selected model is FEM (Fixed Effect Model). Subsequently, a Hausman Test was conducted, comparing the Random Effect Model and Fixed Effect Model, resulting in a probability value of 0.0967. This means that H0 is accepted, and the chosen model is REM (Random Effect Model). Finally, the Lagrange Multiplier Test was

performed to select the most suitable model between the CEM (Common Effect Model) and Random Effect Model. In this test, a probability value of 0.000 or <0.05 was obtained, indicating that H1 is accepted. Therefore, the best model to be used in this study is REM.

After the model selection, classical assumption tests were conducted, including tests for Normality, Multicollinearity, Autocorrelation, and Heteroskedasticity. The results of these classical assumption tests indicate that the data passes all classical assumption tests.

Table 4. Classical Assumption Test Results

Test	Indicator	Results
Normality	Prob-value > 0.05	The P-value is 0.105507 > 0.05, meaning the data is normally distributed.
Multicollinearity	Centered VIF < 10	The VIF NPM value is 1.23, the VIF ROE is 1.28, and the VIF assets are 1,047. The VIF values of all variables are not greater than 10, meaning there is no multicollinearity.
Autocorrelation	Chi-Square Prob Value > 0.05	The Chi-Square Prob (2) value is 0.6819 > 0.05, meaning there is no autocorrelation.
Heteroskedastici	Chi-Square Prob Value > 0.05	The Prop Chi-Square (3) value is 0.1479 > 0.05, meaning there is no heteroscedasticity.

Source: Eviews 12 Data Processing Results (2023)

After the model selection process and confirming that the data has passed

the classical assumption tests, here are the results of the regression analysis using the random effect model.

Table 5. Panel Data Regression Results and Tests

Variable	Coefficient	Prob	Description
NPM	16560.80	0.0002	Significant
ROE	-2287.269	0.6902	Not significant
Asset	0.005987	0.0000	Significant

Source: Eviews 12 Data Processing Results (2023)

Based on the panel data regression results, the equation model obtained is as follows:

$Y (\text{Zakat}) = 4570.841 + 16560.80 (\text{NPM}) - 2287.269 (\text{ROE}) + 0.005987 (\text{Aset}) + \varepsilon$

The constant value of 4570.841 indicates that all independent variables are considered equal, meaning that the zakat expenditure of Sharia Commercial Banks in Indonesia is equal to the constant value of 4570.841. The regression coefficient of NPM, 16560.80, shows that an increase of 1 unit in NPM increases zakat expenditure by 16560.80. The regression coefficient of ROE, -2287.269, states that an increase of 1 unit in ROE will decrease zakat expenditure by -2287.269. The regression coefficient of Aset, 0.005987, means that each increase of 1 unit in assets will increase zakat expenditure by 0.005987.

The panel data regression results also indicate the results of the partial F-test used to examine the partial influence of

independent variables on the dependent variable, as follows:

- 1) *Net Profit Margin (NPM)*. Based on the results of the partial test, the probability value of NPM is $0.0002 < (0.05)$, so H_0 is rejected and H_1 is accepted. It can be concluded that NPM has a partial influence on the zakat expenditure of Sharia Commercial Banks in Indonesia.
- 2) *Return on Equity (ROE)*. Based on the partial test results, the probability value of the ROE variable is $0.6902 > (0.05)$, so H_0 is accepted and H_1 is rejected. From these results, it can be concluded that the ROE variable does not have a partial influence on the zakat expenditure of Sharia Commercial Banks in Indonesia.
- 3) *Assets*. Based on the results of the partial test, the probability value of the assets variable is $0.0000 < (0.05)$, so H_0 is rejected and H_1 is accepted. From these results, it can be

concluded that assets have a partial influence on the zakat expenditure of

Sharia Commercial Banks in Indonesia.

Table 6. Results of the F-test and Determination Coefficient (R-Square)

Test	Result
Prob (F-statistic)	0.000000
R-squared	0.765987

Source: Eviews 12 Data Processing Results (2023)

Based on the regression analysis of panel data, the statistical F-test used to examine the simultaneous influence of independent variables on the dependent variable yielded a Prob (F-statistic) value of 0.000 (<0.05). Therefore, H_0 is rejected and H_1 is accepted, indicating that the independent variables can collectively affect the dependent variable. In other words, NPM, ROE, and assets have a simultaneous impact on the corporate zakat variable in Islamic Banks in Indonesia for the period 2011-2021.

The determination test (R-Square) is used to assess the ability of independent variables to explain the variation in the dependent variable. The R-Square value in this study is 0.765987 or 76.59%. This means that the independent variables NPM, ROE, and assets can explain 76.59% of the variation in the corporate zakat variable. The remaining 23.41% of the variation is explained by other variables outside the scope of this research model.

The Influence of Net Profit Margin (NPM) on Corporate Zakat in Islamic Banks in Indonesia

The results of the T-test analysis on the NPM variable indicate a prob value of 0.0002, which is less than 0.05. This result signifies that the NPM variable has a significant positive influence on corporate zakat in Islamic banks in Indonesia. These findings align with the hypothesis that was proposed, suggesting that Net Profit Margin has a significant positive impact on corporate zakat payments in Islamic Banks in Indonesia. These results are consistent

with a study conducted by Achiria et al. (2019), which found a significant positive influence of NPM on zakat payments in Devisa Syariah Bank. Furthermore, this research is also in line with the study by Nada and Wardana (2023), which demonstrated that the NPM variable had a partial influence on corporate zakat in Southeast Asian Islamic banks from 2012 to 2021.

NPM represents a company's ability to generate net profit from all trade. The results of this study indicate that NPM has a significant positive impact on corporate zakat. This suggests that as the NPM of Islamic banking institutions increases, the amount of zakat they contribute also increases. A higher NPM in Islamic banking signifies a greater ability to generate profits, which, in turn, affects the amount of corporate zakat contributed. Profit is a fundamental factor in determining the zakat amount that Islamic banks are obligated to pay.

The Influence of Return on Equity (ROE) on Corporate Zakat in Islamic Banks in Indonesia

The T-test analysis conducted on the ROE variable yielded a Prob value of 0.6902, indicating that it is greater than the conventional significance level of 0.05. The findings of this study suggest that the return on equity (ROE) does not exert a statistically significant impact on the corporate zakat practices of Commercial Islamic Banks in Indonesia. The results of this study are inconsistent with the first presented hypothesis and prior research, which indicated a large positive partial

effect of Return on Equity (ROE) on corporate zakat in Commercial Islamic Banks in Indonesia. Nevertheless, the findings presented in this study align with the research carried out by Yola Yulinda (2022), which yielded the conclusion that the return on equity (ROE) does not exert any significant influence on corporate zakat. The observed disparities in outcomes may be ascribed to discrepancies in the sample population under investigation.

The Return on Equity (ROE) ratio is a metric that assesses a firm's capacity to make profits for its shareholders in relation to the amount of capital invested in the organization. The results of the T-test study suggest that there is no significant relationship between Return on Equity (ROE) and corporate zakat. This implies that there is a negative correlation between the return on equity (ROE) value in Islamic banking and the zakat expenditures of Commercial Islamic Banks in Indonesia.

The Influence of Assets on Corporate Zakat in Islamic Banks in Indonesia

The T-test results for the asset variable indicate a Prob value of 0.0000, which is less than 0.05. This result indicates that assets have a significant positive effect on corporate zakat in Indonesian Commercial Islamic Banks. The findings of this study are consistent with the hypothesis that assets have a significant positive impact on corporate zakat in Indonesian Commercial Islamic Banks. In the calculation of corporate zakat, assets are an important entity because the quantity of assets determines the zakat amount that must be paid by an Islamic bank (Alfani et al., 2022).

Assets encompass various properties and wealth owned by a company and are used to generate income over one or more periods. The results of this study indicate that assets have a significant positive influence on corporate zakat. Therefore, an increase in the value of assets in Islamic banking will also increase the amount of corporate zakat

that needs to be paid. Assets are crucial in determining the amount of corporate zakat to be issued. The magnitude of corporate zakat issued by a company can reflect the size of its assets. Thus, the obligation to pay zakat on the assets owned by a bank can also be used to gauge the development of Islamic banking (Nomran & Haron, 2022).

The Influence of NPM, ROE, and Assets on Corporate Zakat in Islamic Banks in Indonesia

The results of the F-test analysis in this study show a Prob (F-statistic) value of 0.000 (<0.05), indicating that the independent variables NPM, ROE, and Assets collectively have a significant simultaneous influence on the dependent variable, which is corporate zakat expenditures in Islamic Banks in Indonesia. The contribution of the independent variables to explaining the variation in the dependent variable, corporate zakat in Islamic Banks in Indonesia, is 0.76 or 76%, while the remaining 24% is explained by other variables not used in this research. These findings are in line with the hypothesis that was proposed, suggesting that NPM, ROE, and Assets have a significant positive influence on corporate zakat in Islamic Banks in Indonesia.

These results are consistent with previous research conducted by Achiria et al. (2019) and Nada & Wardana (2023), which stated that NPM has a simultaneous influence on corporate zakat. Additionally, research conducted by Hidayat & Miftahurrahmah (2021) indicated that ROE has a simultaneous influence on corporate zakat. The model used in this study differs from previous research by adding a new variable, namely assets. The findings in this study also show that assets have a simultaneous influence on corporate zakat.

CONCLUSION AND RECOMMENDATION

The following conclusions can be derived from the analysis of the research

results:

1. The Net Profit Margin (NPM) has a significant effect on corporate zakat. From 2011 to 2021, an increase in the NPM value will result in a rise in the quantity of corporate zakat paid by Commercial Islamic Banks in Indonesia.
2. The Return on Equity (ROE) has no significant effect on corporate zakat. This indicates that the return on equity had no effect on the amount of corporate zakat paid by Commercial Islamic Banks in Indonesia between 2011 and 2021.
3. Assets significantly influence corporate zakat. This implies that an increase in the value of assets will influence the increase in the zakat amount in Indonesian commercial Islamic banks from 2011 to 2021.

It can be asserted with certainty that there is a positive correlation between a company's NPM and assets and the increase in the amount of zakat it pays. This may afford the government the chance to promote the performance of the Islamic banking industry, resulting in an increase in their NPM and assets. This, in turn, can contribute to the industry's social impact through the use of zakat.

76% of the variance in the dependent variable, corporate zakat in Commercial Islamic Banks in Indonesia, is explained by the independent variables NPM, ROE, and assets. The remaining 24% is explained by variables not considered in this research. It is expected that future researchers will be able to develop additional variables and compare the impact of profitability on corporate zakat in Indonesia and others.

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