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Zakat and Islamic Corporate Social Responsibility: Do These Effect the Performance of Sharia Banks?

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Abstract

The less than optimal regulation of zakat companies in sharia banking in Indonesia has been salient to the background of this research. This study aims to examine the influence of zakat and Islamic corporate social responsibility (ICSR) to the reputation and performance of companies. Sample data was selectively gathered from 10 sharia banks in Indonesia from 2011 to 2014. Normality test and logistic regression are used to test the effect of zakat on company reputation, the influence of ICSR on company reputation, the influence of zakat on company performance, and the influence of ICSR on corporate performance. The results show that zakat has a positive influence on and is significant to a company's reputation, that ICSR has a positive influence on and is significant to a company's reputation, that zakat has a positive influence and significant impact on the performance of a company, and that ICSR has a positive relation, but no significant effect on company performance. These findings indicate the importance of paying zakat and ICSR as a business strategy for the sharia banking market in Indonesia today.

Keywords : *zakat, Islamic corporate social responsibility, company performance*

The debate about Islamic Corporate Social Responsibility (ICSR) apparently began with discussion among scholars (Fitria and Hartanti 2010; Arshad et al., 2012; Wet and Joseph, 2013; Khursid et al., 2014) on performance and social performance in the institutional environment of companies. According to Khursid et al. (2014), Islamic CSR is a concept of corporate social responsibility in the dimension of Islamic economics,

law, ethics and philanthropy based on the Koran and the hadith. One concept of Islamic CSR is zakat which is currently being developed by companies. Indonesia has been practicing the concept of zakat companies, as seen in the Islamic banking sector, and in reference to Law No. 23/2011 on the management of zakat. In the regulation [in Article 1 (2)], it is stated that zakat is a treasure that must be issued by a Muslim or a business entity to be given to those who deserve it in accordance with Islamic law. According to the regulations in Indonesia, the amount of zakat, which is cut from 2.5% of the balance sheet or profit of companies, may become an incentive that would reduce the taxable income of the company, as stated in article 22 of Law No.23/2011 and Article 23 paragraph (2). Unfortunately, the implementation of the zakat company has yet not been optimized in Islamic banking in Indonesia. Islamic banks with their shariah characteristics, however, are very close to this policy, and are pioneering the company zakat movement.

Studies about charity and its correlation to company performance and reputation have not been widely discussed, and less so in association with signaling theory (Drever et al., 2007). A company's zakat distribution and disclosure will be a positive signal to the community, and attract sympathy and stakeholder support. Moreover, if done consistently and continuously, this initiative may assist companies in fostering a good corporate image over time. Previous studies have tested the effects of ICSR on the reputation and performance of companies (Arshad et al., 2012), and the effect of charity on company performance (Amirah and Raharjo, 2014), but the writer has not found any studies that examine the effect of zakat and ICSR on the reputation and performance of a company.

Supposedly, zakat and ICSR are interrelated, particularly in the case that the ICSR in zakat funds is managed and utilized through the company's CSR activities. If this is the case, company reputation and performance

are also interrelated, since company reputation will create a competitive advantage that may lead to sustained and enhanced performance. Thus, a company with a good reputation tends to have better performance. Louisot and Rayner (2010) state that the reputation of stakeholders influences the loyalty with lower capital costs, which can ultimately improve efficiency and optimize performance achievement. This paper attempts to fill the gap in past research by focusing on the influence of academic and ICSR zakat on the reputation and performance of companies. The main question this paper asks is whether zakat and ICSR have a positive and significant effect on the reputation and performance of companies.

This study aims to examine the probability of a company having a good reputation and performance based on factor predictor views of zakat and ICSR company. The study population is those Islamic banks in Indonesia which published full annual reports in the period 2011 to 2014. This study used a sample of 10 Islamic banks in Indonesia. Samples were obtained by downloading the annual reports of these companies as secondary data from the page of the bank concerned, as well as the statistics on Indonesian Islamic banking on a page of the Financial Services Authority (FSA) with the online source (www.ojk.go.id) as an additional reference. By using the sample selection techniques under consideration, the sample was selected based on three criteria. First, the sample banks are registered as Islamic commercial banks officially on Bank Indonesia (BI) and the FSA websites. Second, the sample banks issued and published full annual reports in. And third, the sample banks are Islamic commercial banks that pay or do not pay zakat, and which disclose or not disclose ICSR.

There are two dependent variables in this study. They are the reputation and performance of the company which is a non-metric variable with nominal measurement scale. Meanwhile, the two independent

variables of zakat and company ICSR are a mixture of non-metric (zakat) and metric (ICSR) variables, with a nominal measurement scale (zakat) and the ratio (ICSR). Reputation is measured by comparing the percentage of third party funds (DPK) maintained by banks with total third party funds managed by the entire Joint BUS and UUS. Then the percentage of market share in deposits is compared with the average third-party funds managed by each bank and UUS. The result is a bank with a managed DPK above the market average which will be categorized as a bank with a good reputation (code 1), while banks with depositor funds under management below market average will be categorized as a bank with a bad reputation (code 0).

$$\text{REP} = \frac{\text{DPK Bank}}{\text{Total DPK in the market}} \quad \text{vs} \quad \frac{100\%}{\text{Total BUS and UUS}}$$

Performance is measured using Return On Equity (ROE) data, which was used as a proxy measure in two previous studies (Arshad et al., 2012; Amirah and Raharjo, 2014). Performance (ROE) was measured by the percentage of profit before zakat and tax of the current year divided by total equity of the previous year, and compared with the average ROE of the entire bank. The result is that Islamic banks with ROE above average would be categorized as banks with a good performance (code 1), while Islamic banks with below average ROE results would be categorized as banks with a poor performance (coded 0).

$$\text{ROE} = \frac{\text{Profit before zakat and taxation}_t}{\text{Total equity}_{t-1}} \quad \text{vs} \quad \frac{\sum \text{ROE}}{\sum \text{Bank}}$$

The zakat is measured using data on zakat paid by the company, which is generally in Islamic banks' zakat companies disclosed in the income statement. Zakat is calculated on the portion of 2.5% of profit before tax for the year. Companies that pay zakat will be coded dummy 1 (one), and those that do not pay zakat will be given a dummy code of 0 (zero). ICSR is measured using a content analysis method. The disclosure index used is the index of disclosure of ISR built by Haniffa (2002) and Othman et al. (2009). Content analysis was conducted on 40 items of disclosure contained in the companies' annual reports. The items disclosed will be coded 1 (one) and items that are not disclosed will be coded 0 (zero). Items that are disclosed are then accumulated and seen as a percentage of items disclosed on the whole item. According to Othman et al. (2009), there are six themes of ICSR disclosures within the framework of ISR, namely: finance and investment; products and services; employees; community; environment; and governance.

$$\text{ICSR} = \frac{\text{Item disclosed}}{\text{The total number of disclosure items}} \times 100\%$$

The method of analysis uses binary logistic regression analysis or logistic regression. Logistic regression is a regression model with the dependent variable in the form of a dummy. This model divides the dependent variable into two categories: good or bad, successful or not successful, winning or not winning, and so on. This involves encoding of the limited dependent variable to distinguish variables that entered the reception area and variables that enter the region of rejection, with the number "1" for the category of admission, and "0" for the category of rejection.

Logistic regression is almost the same as discriminant analysis, where the dependent variable in the form of codes is used to categorize two different groups. The difference, in the discriminant analysis code is only used on the dependent variable, and the independent variables consist entirely of metric data (interval or ratio scale). Meanwhile, in the logistic regression, in addition to being used on the dependent variable, the code can also be used on the independent variable. So, logistic regression allows independent variable mix between categorical variables (nonmetric) and the continuous variables (metric).

Logistic regression is also similar to multiple regression. Multiple regression can only be used for normal distribution of data, or in other words regression can be used only if the assumption of multivariate normal distribution are met. The use of logistic regression actually aims to test whether the probability of the dependent variable can be predicted by the independent variables (Ghozali, 2006, p. 261). In this case, the researchers tested whether the probability of reputation and good corporate performance can be predicted by zakat paid and ICSR disclosure by the company. Variables that can be tested with logistic regression are variables that do not meet the assumptions of normality, both of the dependent variable and the independent variables. By logistic regression, distributed data that are not normal do not need special treatment, but are simply changed into a dummy variable with the coding "1" and "0".

This paper develops two hypothetical model as follows; *model 1*: effect of zakat and ICSR on Corporate Reputation. Islamic banks, as financial intermediaries principled on sharia, have a great responsibility towards society to distribute revenue equally, uphold justice in the economy and efficiently mobilize capital (Wet and Joseph, 2013). One way to distribute income fairly and equitably is to pay and distribute zakat. Khursid et al. (2014) claim that zakat is one of the points that needs to be

considered and implemented by companies as a philanthropic practice in terms of the advanced elements of sharia in their CSR.

In practice, some of the major Islamic banks in Indonesia have carried out charity as one of their business values and practices. Besides for the fulfillment of the obligations from the religious perspective, paying zakat is also a way for Islamic banks to maintain their corporate image, so as to create a good reputation for the company in the eyes of stakeholders. According to signaling theory (Drever et al., 2007), zakat paid, managed, distributed and reported to the company as part of their CSR, will be a positive signal to society, one which may help the company gain the sympathy and support of stakeholders. According Drever et al. (2007), the more informative the disclosure the greater the value to the company through financial statement disclosure. The demand for company transparency and accountability today is not only shown by financial statements, but also through social responsibility, and therefore a lot of companies use their social accountability report as a way to increase the value, and maintain the reputation, of the company. From this explanations, this study proposes the following hypotheses: (H1) zakat has a significant positive influence on a company's reputation and (H2) ICSR has a positive and significant effect on a company's reputation.

Model 2: effect of zakat and ICSR on the performance of the company. Based on the theories studied in formulating the hypothesis, as previously stated, zakat ICSR is associated with the company, because zakat generally paid into a zakat fund and managed by Islamic banks to be used as the company's CSR. Meanwhile, the disclosure of charity activities and CSR initiatives based on signaling theory would be a positive signal to the community, and have a positive impact on the company's reputation. According Louisot and Rayner (2010), reputation is an intangible asset that the company currently has in the ability to create future value for

the company. Louisot and Rayner (2010) also found that reputation has an impact on the decisions of stakeholders in building a long term relationship with the company, as well as in lowering the cost of capital. The other important influence of reputation is its impact on maintaining shareholders and motivating employees. Thus, a good corporate reputation will help maintain the liquidity of the company's capital and improve employee performance, and is likely to impact company performance. Based on this argument, the researchers have formulated the second model research hypothesis as follows (H3) zakat has a positive and significant impact on the performance of companies and (H4) ICSR has a positive and significant impact on the performance of companies.

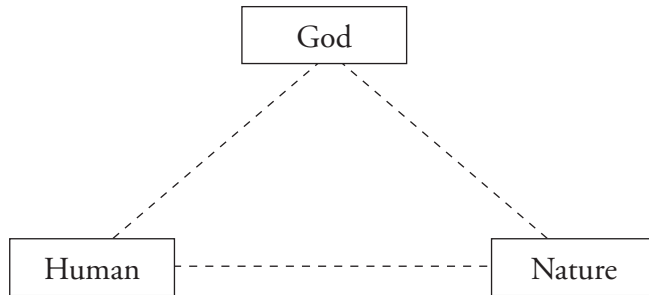
Companies and ICSR

Departing from the method and the above hypothesis, this paper also makes Signalling theory and Sharia Enterprise Theory, central to the Islamic concept of Corporate Social Responsibility, as well as to guidance in formulating a research perspective. Signalling theory is used to explain the purpose of the disclosure of CSR for the company. A signal (sign) is a warning, symbol, or writing, which is publicly displayed to provide information or promote something with the aim of conveying a message or a sign of the symbol or text (Scholastic Dictionary, 2011). This theory states that the disclosure of more information and openness provides a signal or promotes something about a company, so that people will judge a company as better than other companies. According Drever et al. (2007), signaling theory views that informative disclosure may take the company to a better value. Failure to provide disclosure will identify the company as an average company, or the same as other companies (Hakansson, 1983) including those that do not perform disclosure (Drever et al., 2007). Large companies are motivated to disclose their CSR initiatives by the

expectation that they will receive a good response which will therefore lead to improved company value in the market.

This paper will also use Sharia Enterprise Theory to understand company stakeholders from the perspective of Islam. This theory states that company stakeholders include not only humans, but also the natural surroundings, and God. Humans are finally responsible to God for all their activity in the world (Triyuwono, 2007). Therefore, the urgency of CSR in the perspective of this theory is a form of human responsibility granted by the Lord, so that later people can return to their Lord in a state of *fitrah*. According Khursid et al. (2014), humans will bear the responsibility for their deeds in the end as in the Qur'an in surah Al-Israa (17, verse 13-14), "And each man had We decreed for his deeds (as permanent necklace) on his neck. And we remove him on the day he encountered an book open. Read your book, suffice it yourself at this time as t. "

Figure 1
Stakeholder according to Shari'a Enterprise Theory (SET)



Source: Processed by the author

In the context of the development of Islamic civilization and the related concept of philanthropy and charity, zakat is a wealth management instrument in Islam which has a significant role because it encourages the distribution of property to people in need. These treasures are generally

obtained from wealthy Muslims whose property has reached *haul* and *nisab*. In arabic language, zakat means clean, growing, blessings, and is commendable (Qaradawi, 1969). This is because the goal is to clean the property tithe in which there are the rights of others. Zakat is also believed to cultivate the treasure itself, so it does not diminish wealth but actually increases it and can be advantageous and a so-called blessing. Zakat is one of the characteristics of Islam as summarized in five pillars of Islam, therefore, zakat acts are commendable.

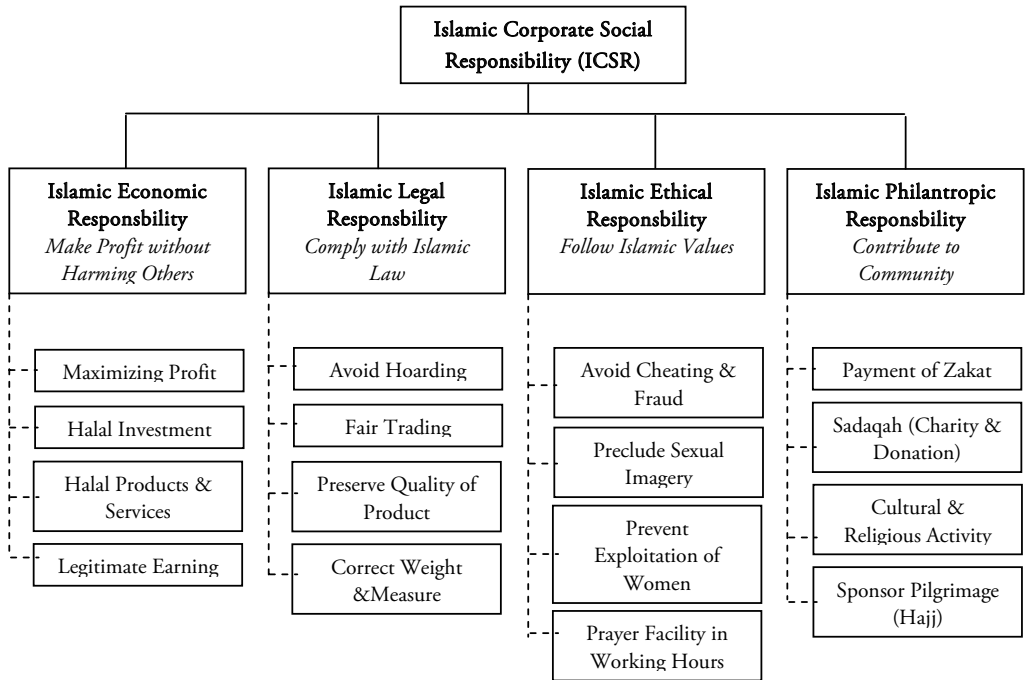
Yusuf Qaradawi in Harahap (2001, p. 307) states that a person who has a wealth of trade has been one year and measured according to *nisab* (standar measurement) in the end of that year, it shall issue a zakat of 2.5% calculated on the capital gains (zakat imposed on the basis of growth), not on profits alone. Fixed assets are not obligated to tithe unless the assets generate profits or revenue. If so, the zakat on the amount of fixed assets is 10% of the net proceeds after deducting the costs incurred. But if the net result is unlikely to be known, then the zakat charged is 5% over the entire result. Related to the counting of company zakat, Bazis DKI calculates the zakat of current assets in accordance with the annual balance sheet, that is, cash in the cash and in the bank, securities, and inventories, reduced by obligations that must be paid to the provisions *nisab* 98 grams of pure gold and rate of zakat of 2.5%. In this calculation, fixed assets and long-term debt are not taken into account. Bank Muamalat Indonesia calculates company zakat as 2.5% of the company profit before tax (profit calculated according to accounting principles).

It will also utilize the Islamic perspective of Corporate Social Responsibility (ICSR) developed from the conventional CSR. There are teachings in Islam on the concept of charity/ philanthropy which are identical to those of conventional philanthropy. This is evident from the teachings to tithe, charity, feeding the poor, behaving well, and giving loans

to people in need without expecting reward (*qard*). Williams and Zinkin (2010) state that there is no difference between the teachings of Islam on CSR and the principles echoed in the UN Global Contract (human rights, labor, environment and anti-corruption), however, the teachings of Islam can be said to be more advanced as they presented a codification of ethics and outlined clear mechanisms for ethical behaviour long before the modern concept of CSR was formulated.

Research on Islamic CSR has been carried out by Khursid et al. (2014). Their research tries to build a new dimension of CSR from the Islamic perspective, to improve the concept of CSR put forth by Carroll (1979) which includes economic, legal, ethical, and philanthropic dimensions. Khursid et al. propose that Islamic CSR include the economic, legal, ethical and philanthropic dimensions of Islam (Figure 2).

Figure 2
Islamic CSR Model (ICSR)



Source: Khursid *et al.* (2014)

This paper focuses on company reputation and performance. Referring to the Oxford Student’s Dictionary of English (2001), reputation is the opinion about something or someone based on the judgment of the people in general. Reputation can also mean a character based on a general assessment (Scholastic Dictionary, 2011). Reputable companies are deemed such as a result of public judgment of the company over time (Fombrun and Shanley, 1990, p. 235). Reputation refers to stakeholder perceptions on every aspect of the organization (Louisot and Rayner, 2010). Reputation is assessed based on the judgement of whether there is alignment between what the company is saying about itself and what

others see (Harpur, 2002). Qualitative research can be used to measure reputation through questionnaires or interviews, and those opinions can then be used as a means of measurement. Qualitatively, the company can interview respondents, both from internal stakeholders (e.g. employees, management) and external stakeholders (e.g. customers, suppliers, etc.).

Quantitative measurement of reputation can also be done as an alternative to the qualitative (questionnaire) measurement which is more time consuming to implement. In this case, the researchers were able to use another measure, namely the achievement of the company based on the market, since reputation significantly influences the company market value according (Louisot and Rayner, 2010, p. 2). Reputation relates to company performance. In banking, performance is measured using a composite index. The index more or less measures the bank's financial performance, and non-financial aspects, such as measures of profitability, the ability to manage risks, the ability to maintain capital, the quality of management / governance, and so on. These details are contained in the regulations issued by Bank Indonesia (2007) and the FSA (2014).

Based on Bank Indonesia Regulation No. 9/1 / PBI / 2007 concerning the Rating System for Commercial Banks Based on Sharia Principles, Article 3, the rating of Islamic banks consists of six components, namely: capital, assets, management, earnings, liquidity and sensitivity to market risk, or often abbreviated as CAMELS. Meanwhile, according to the FSA rules (2014), the rules only consist of four components, namely risk profile, good corporate governance, earnings, and capital (Article 6 POJK No. 8 / POJK.03 / 2014). By utilizing the above perspective, this study was conducted using a sample of 10 Islamic banks of the total of 12 Islamic banks in Indonesia. Each sample was in the range of the respective period of 4 years. The research was conducted by examining two separate models, namely model 1 "Influence of Zakat and ICSR on Corporate

Reputation”, and model 2 “Influence of Zakat and ICSR on Corporate Performance”. Analysis of the models is made using the results of logistic regression to assess the feasibility stage of the models, the accuracy of the prediction, the coefficient of determination, and the magnitude of the effect (significance) of independent variables on the dependent variable tested.

Effect of Zakat and CSR to Corporate Reputation

Table 1

Feasibility Model

Hosmer and Lemeshow Test

Step	Chi-square	Df	Sig.
1	9.290	8	.318

Source: Output SPSS

The first model examines the effect of zakat and ICSR on the company's reputation. Based on the test results of the Hosmer and Lemeshow Goodness of Fit Test (Table 1), the model is said to be fit because it has a sig. $0.318 > 0.05$. Therefore, the model can be used for further analysis to the stage of prediction accuracy.

Table 2
Accuracy of Prediction Model

Classification Table^a

Observed			Predicted		
			REP		Percentage Correct
			.00	1.00	
Step 1	REP	.00	19	2	90.5
		1.00	2	17	89.5
	Overall Percentage				90.0

Source: Output SPSS

The accuracy of the predictions of the model is seen by analyzing the classification table on the results of logistic regression. Based on the above classification table (Table 2), the accuracy of prediction of the first model is 90%. That is, the significant value which will be obtained will have a prediction accuracy of 90%.

Table 3
Coefficient of Determination

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	26.265 ^a	.517	.690

Source: Output SPSS

Next is a look at the coefficient of determination of the model, that is, what percentage of the independent variables are able to explain the dependent variable. The coefficient of determination on the logistic regression can be seen in Table 3 showing Cox & Snell R Square and Nagelkerke R Square. The value used is the value of Nagelkerke R Square.

Based on Nagelkerke R Square (Table 3), the coefficient of determination is 0.690 or 69%. That is, as much as 69% variance from a reputable company can be explained by the zakat paid and disclosed company ICSR.

Table 4
Significance Model

		Variables in the Equation					
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	ZAK(1)	3.383	1.043	10.516	1	.001	29.445
	ICSR	.113	.051	4.916	1	.027	1.119
	Constant	-9.233	3.461	7.118	1	.008	.000

Source: Output SPSS

Based on the value of Beta (B) in Table 4, zakat has a positive relationship with the company's reputation for having a positive value. Based on the value of significance (sig.) zakat has a significant effect on the company's reputation, because sig. is less than 0.05 (sig. 0.001 < 0.05). Therefore, the study accepts H1 that zakat has a positive and significant effect on the company's reputation. These results provide new contributions related to research on a company's charity and reputation, and at the time of this research the researchers had found no reference in past research to suggest the influence of zakat on a company's reputation.

Based on the value of Beta (B) in Table 4, ICSR has a positive relationship with the company's reputation for having a positive value. Based on the value of significance (sig.), ICSR has a significant effect on the company's reputation, because the sig. is less than 0.05 (sig. 0.027 < 0.05). Therefore, the study accepts H2 that ICSR has a significant effect on a company's reputation. The results of this study supports the findings of Arshad et al. (2012), that the disclosure of ICSR has a positive and significant effect on a company's reputation.

Effect of Zakat and CSR on Corporate Performance

Table 5
Feasibility Model

Hosmer and Lemeshow Test

Step	Chi-square	Df	Sig.
1	9.097	8	.334

Source: Output SPSS

The second model tests the effect of zakat and ICSR on company performance. Based on the test results of the Hosmer and Lemeshow Goodness of Fit Test (Table 5), the model is declared fit, because it has a sig. greater than 0.05 (sig. 0.334 > 0.05).

Table 6
Accuracy of Prediction Model

Classification Table^a

Observed			Predicted		
			ROE		Percentage Correct
			.00	1.00	
Step 1	ROE	.00	16	6	72.7
		1.00	5	13	72.2
Overall Percentage					72.5

Source: Output SPSS

The accuracy of the model in predicting the effect of independent variables on the dependent variable is seen through the classification table on the results of logistic regression. Based on the classification table (Table 6), the accuracy of prediction of the second model is 72.5%. That is, the significant value that will be derived from this model will have a predictive value of 72.5% accuracy.

Table 7
Coefficient of Determination

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	43.585 ^a	.249	.333

Source: Output SPSS

The coefficient of determination of the logistic regression equation is seen through the Nagelkerke R Square value. Value Cox & Snell R Square was not used because the maximum value is less than one, so it is difficult to interpret (Ghozali, 2006, p. 269). Nagelkerke is a refinement of the value of Cox & Snell which already had a value between zero and one, by dividing the value of Cox & Snell to the maximum value. Based on the value Nagelkerke R Square, the coefficient of determination of the second model is equal to 0.333 or 33.3%. That is, only 33.3% of the variance of company performance can be explained by the zakat paid and ICSR disclosed by the company.

Table 8
Significance Model

Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a ZAK(1)	1.622	.774	4.387	1	.036	5.061
ICSR	.053	.034	2.475	1	.116	1.055
Constant	-4.537	2.170	4.374	1	.036	.011

Source: Output SPSS

Based on the value of Beta (B) in Table 8 above, zakat has a positive relationship to company performance, evidenced in the value of Beta (B)

which is positive. Based on the value of significance (sig.), charity also has a significant effect on a company's performance, evidenced in the significance value less than 0.05 (sig. 0.036 <0.05). Therefore, this study confirmed H3 that zakat has a positive and significant effect on company performance. The results of this study support Amirah and Raharjo (2014) who found that charity has a positive and significant effect on company performance.

Based on the value of Beta (B) in Table 8 on the previous page, ICSR has a positive relationship to company performance, evidenced in the value of Beta (B) which is positive. However, based on the value of significance (sig.), ICSR does not have a significant effect on the performance of a company, because it has a significance that is not smaller than 0.05 (sig. 0.116 > 0.05). Therefore, this study rejects H4 that ICSR has a positive and significant effect on the performance of the company. These results do not support the research of Arshad et al. (2012) which states that ICSR has a positive and significant effect on the performance of the company. Hill et al. (2007) in Sutedi (2015) state that benefit from an investment of CSR in order to create value for the company takes a long time. Hill et al. (2007) in their study concluded that global companies that do CSR do not experience significant increase in value of shares within a period of three and five years. However, in the long term (10 years) companies that commit to do so increased their stock price significantly and beat their competitors in the market. Based on their findings, it is clear that the benefits of CSR on company performance require a relatively long time period to be actualized.

Conclusion

This research was conducted among a population of Islamic banks in Indonesia. Of the total of 12 existing Islamic banks, 10 were taken as samples for this study. The study was conducted using logistic regression (binary logistic regression). Based on the test results there are four conclusions; first, charity has a positive and significant effect on company reputation; second, ICSR has a positive and significant effect on company reputation; third, charity has a positive and significant effect on the performance of companies, and; fourth, ICSR is positive, but does not have a significant impact on corporate performance.

The results are consistent with the theory that more informative disclosure leads to the improved market value of a company in relation to its competitors. Therefore, this study proves that disclosure of annual reports by Islamic banks in Indonesia is done above and beyond what people expect will have an impact on the profits of the company in maintaining its position in the market.

This study is also consistent with the theory expressed by Louisot and Rayner (2010) that a good corporate reputation is able to raise company performance and market value. Companies can maintain shareholders, recruit and retain talented employees, build partnerships, improve media coverage, and lower the cost of capital. Therefore, it can be concluded that a superior reputation will also affect the performance of companies that excel.

The first implication of this research relates to the regulations on tax and zakat. As it stands, the current tax regulations do not provide sufficient incentives to companies that pay zakat, so company charity initiatives are not implemented evenly in the Islamic banking industry in Indonesia. Secondly, the implications of this research are directed to the Sharia Supervisory Board (DPS) in Indonesia emphasizing the

need to begin implementing the practice of zakat on the Islamic banks it supervises, as a concrete strategy to assist banks to improve their operational performance on an ongoing basis and in compliance with Islamic principles. So, therefore, it would be a strategic move to support banks, as well as encourage the practice of tithing by companies that do not yet do so.

The limitation in this study is that the first study was conducted using a logistic regression method, where the use of a dummy on the dependent variable habit makes it vulnerable to the objectivity of the researcher. Second, the study was conducted over a range of less than five years, whereas a better significance may be shown over the longer term as it takes time to prove a significant influence on company performance. Third, the study was conducted exclusively in the Islamic banking industry in Indonesia. And fourth, this study uses less varied variables and methods of measurement than previous studies, and further research is needed to determine the variables and methods of measurement most relevant to existing conditions. Therefore, the researchers in this study suggest that further research first use other test methods to test the effect of zakat and ICSR on the reputation and performance of the company. Second, it be conducted over a longer period to obtain a more accurate significance. Third, it incorporate testing of other industries. And fourth, it use more recent variables and other methods of measurement to enrich the related references on the influence of ICSR and zakat on the reputation and performance of companies.

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