The Effect of Zakat Collection, Company Age, and Company's Total Assets on Financial Performance of Sharia Banking in Indonesia 2019-2020

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ABSTRACT

This study aims to determine the relationship of the collection of Zakat, bank age, and total assets to the financial performance of Islamic banking in a sample of several Islamic banks in Indonesia in 2020 using multiple linear logistic regression test in the 2016-2020 period. The results show that company age and total assets of Islamic banks have a positive and significant effect on the spatial performance of Islamic banks. Meanwhile, what happened to the collection of zakat, the data showed that the collection of zakat of Islamic banks did not have a significant positive effect on the financial performance of Islamic banks. It is suspected that the large standard deviation of the zakat variable causes the first hypothesis to be unsupported. The existence of third party funds (DPK) is also suspected of having an effect on the unsupported first hypothesis.

Keywords: Assets, Indonesia, Islamic Banks, ROA, Zakat.

1. Introduction

The history of developments in Islamic banking in Indonesia as a country with the largest Muslim population in the world only at the end of the 20th century had banks that based their management on sharia principles. In the early days of the establishment of the State of Indonesia, banking still adhered to the conventional system or the bank interest system. In 1983, a policy package was issued relating to the provision of flexibility in determining interest rates, including zero interest (zero interest). This continued at least until the October 1988 policy package (pakto 88) was issued as a deregulation policy in the banking sector that allowed the establishment of new banks. Islamic banks are growing rapidly after the revision of Government Regulation No.72 of 1992 to Banking Law no. 10 of 1998 which contains about banks operating with a profit-sharing system. Then, it was updated with Indonesian Bank (BI) Regulation No. 6/24/PBI/2004 which contains Commercial Banks that carry out business activities based on sharia principles (Wulandari et al., 2016).

Islamic Bank operations are in accordance with Islamic sharia principles. Islamic/sharia bank perform well with banking in other systems, namely interest-based banking. The service aspect in sharia banking is a combination of moral and business aspects. In its operations, it always aims to gain profit and be freed from the elements of gambling, garar (unclearness or manipulation), and usury. Therefore, Islamic banks are not free to transact at will, but must integrate moral values with economic actions based on sharia.

Money and wealth are only limited to being an integrated tool to achieve good in society (Wardhana, 2022). Meanwhile, the main foundation of Islamic banking is belief, freedom, honesty, and persistence to achieve success, supported by factors originating from funds, human resources, business partners, and technological developments. Islamic banking is a representation of a new wave of companies whose social function is at least as important as making a profit (Haq et al., 2021).

The existence of Islamic banking social function activities in Indonesia is based on Law no. 21 of 2008 Article 4. Through social functions, it is hoped that it will facilitate the allocation and distribution of social funds needed by the community, especially those in need. Based on data from Bank Indonesia in 2012, the social functions of Islamic banking that have been collected and/or distributed during 2012 (up to October 2012) are: (i) CSR funds of Rp 42.2 billion, (ii) ZISWAF funds of Rp 52.7 billion, (iii) BPRS program linkage Rp 207.2 billion and (iv) BMT program linkage Rp 439.2 billion. The amount of social fund management was driven by the growth in the number of sharia banking.

Understanding the orientation of zakat (zakat oriented), does not mean that companies forget to seek profit from an economic perspective, but the achievement of maximum profit is an intermediate goal and the achievement of zakat is the ultimate goal. Therefore, zakat can also function as a motivator to earn company profits, so basically if a company is zakat-oriented. It is actually oriented to the company's overall performance (Sarea, 2012). This research has a purpose to observe the disclosure of zakat information of Islamic companies in Indonesia. Specifically, the objectives of this research are:

1. Knowing the Effect of Zakat Collection on Islamic Banks in Indonesia on the Financial Performance of Islamic Banking.
2. Knowing the Effect of Levarege of Islamic Banks in Indonesia on the Financial Performance of Islamic Banking.
3. Knowing the Effect of Bank Size (Total Assets) in Islamic Banks in Indonesia on the Financial Performance of Islamic Banking.
4. Knowing the Effect of Collecting Zakat, Age, and Total Assets in Islamic Banks in Indonesia together

2. Literature Review
Zakat Disclosure

The disclosure of zakat information of Yemeni Islamic banks is defined by 1 if Islamic banks are disclosed, or 0 otherwise. Many previous studies used zakat information (Maskuroh, 2019).

H1: Disclosure of Zakat has a significant positive effect on financial performance

Company Age

The age of the bank is estimated to be several years from the time it was founded. In previous investigations, the bank age indicator was generally adopted (Bitar et al., 2018). Some of the previous questions had a positive impact on mandatory reporting, but other studies have shown that mandatory reporting has a detrimental effect.

H2: Company age has a significant positive effect on financial performance

Company Size

Bank size (BSIZE). The size of an Islamic company is described by the logarithm of total assets. Bank size surrogates were widely used by previous. Several previous reviews have shown a significant correlation between business size and voluntary data dissemination. (Intariani & Suryantini, 2020) on their study showed that scale has a beneficial impact on voluntary disclosure of information.

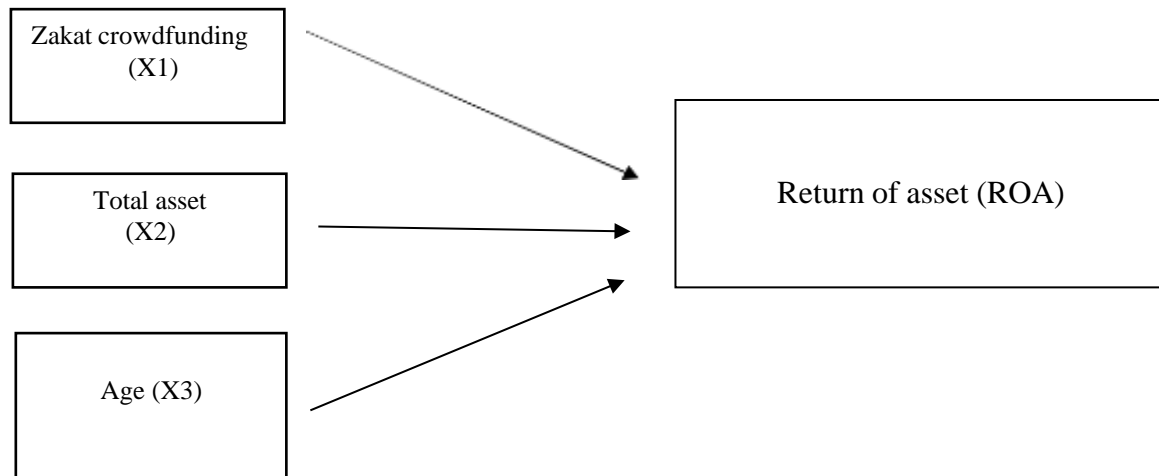H3: Firm size has a significant positive effect on financial performance

Analysis Model

Figure 1. Analysis model

3. Methodology

a. Types of Research

This study used data gathered from the Quarterly Report panel for the 2010-2020 period from 8 eight Islamic Banks obtained through the OJK website on the Statistics data on the performance of Islamic Banking in Indonesia. A consistent transparency index of 3 items, namely: Collection of Zakat, Age, and Bank Size is used to calculate the Zakat Disclosure data, while the quality of bank financial performance is evaluated using ROA. This paper is based on secondary data and uses multiple linear logistic panel data regression analysis. (Andreas Hackethal and Marcus H. And, 2010) stated that panel data does not need to use the classical assumption test.

b. Population and Sample

The population is all Islamic banks in Indonesia registered with the OJK, related to Sharia Banking Statistics for the December 2020 period which was released on the OJK official website, so far there are 14 Sharia Commercial Banks and 34 Sharia Business Units that have been established and spread throughout Indonesia. As of February 1, 2021, the three state-owned Islamic banks, namely BRI Syariah, BNI Syariah and Syariah Mandiri, carried out a merger and changed their name to Bank Syariah Indonesia or BSI and made it the largest Islamic bank in Indonesia. Based on the selection of sample criteria, the total sample in this study was 8 Islamic banks.

c. Variable Operational Definition.

The endogenous variable of this study was financial performance (Y). The performance of Islamic companies is a ratio determined by ROA. Exogenous Variable of this study were thre. First was indicators of collection of Zakat (X1) in several stages. The first stage using a dummy scale (1 and 0), each indicator is given a score to indicate whether the indicators of disclosure by each organization are disclosed or not. Second exogenous was age (X2) which describes the calculation of how long the Islamic bank has been in existence. Which is calculated from the beginning of the year of establishment until 2020. Third exogenous was bank size (X3). The size of an Islamic company is described by the logarithm of total assets. Bank size surrogates have been widely used by previous investigations.

d. Variables and Indicators

Table 1. Research Variables and Indicators

Variable	Indicator	Proxy	sign that Predicted	Data source	Previous research
ENDOGEN (Y)					
Financial performance (Y)	ROA	ROA = Net Asset : Total Asset	±	Annual Reports	Al-Homaidi et al. (2019b)
EXOGEN (X)					
Zakat Collection (X1)	Zakat	If the bank discloses / pays Zakat the Point is 1 and if not the Point is 0	**There is no**	Annual report	Print & Risk (2016)
Age of Bank (X2)	age	Age of Current Bank	±	Annual report	Nurwati et al, (2014)
Size Of Bank (X3)	Asset	Logarithm of Total Assets	±	Annual report	Ekawati (2004), Rasdjo (2007), and Miyajima et al (2003)

e. Data and Data Sources

This study used secondary data from official website of each Islamic bank or on other relevant websites such as the financial authority department of Indonesia (OJK) website (https://cfs.ojk.go.id/cfs). The data analysis method used in this study is a multiple linear logistic regression analysis model. The use of the regression analysis method in hypothesis testing, first tested whether the model meets the classical assumptions or not (Fernandes et al, 2020). In logistic regression, the researcher predicts the dependent variable on a dichotomous scale. The dichotomous scale is a nominal data scale with two categories, for example: Yes (1) and No (0), Good and Bad or High and Low. This OLS method need the residual of the data or error to be normally distributed.

Table 2. Islamic Banks in Indonesia as a Result of Sample Selection

No.	Sharia Bank Name	Founding Year
1.	Bank BCA Syariah	2010-2020
2.	BNI Syariah Bank	2010-2020
3.	BRI sharia bank	2008-2020
4.	Mandiri Syariah Bank	1999-2020
5.	Mega Syariah Bank	2004-2020
6.	Bank Muamalat	1992-2020
7.	Victoria Sharia Bank	2010-2020

8.	Panin Syariah Bank	2009-2020

4. Results and Discussion
a. Results
Multiple Regression Hypothesis Testing (Multiple Regression Model)

The Regression Formula, namely ROA, is a proxy for the Financial Performance of Islamic Banks. Meanwhile, Zakat Disclosure consists of: ZAKAT (X1) = Information on Zakat in Islamic Banking; Age (X2) = Age information of the studied Islamic Bank company, Size (X3) = Logarithm seen in total assets. = Constant term; and = 1.

Dependent Variable: ROA
Method: Panel Least Squares
Date: 11/30/21   Time: 05:03
Sample: 2010 2020
Periods included: 11
Cross-sections included: 8
Total panel (balanced) observations: 88

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ZAKAT	-0.003032	0.007671	-0.395278	0.6936
AGE	-0.000692	0.000346	-1.997601	0.0490
ASSET	0.003978	0.001641	2.424598	0.0175
C	-0.042549	0.022194	-1.917165	0.0586

R-squared	0.069077	Mean dependent var	0.008133
Adjusted R-squared	0.035830	S.D. dependent var	0.017246
S.E. of regression	0.016934	Akaike info criterion	-5.274594
Sum squared resid	0.024088	Schwarz criterion	-5.161987
Log likelihood	236.0821	Hannan-Quinn criter.	-5.229227
F-statistic	2.077672	Durbin-Watson stat	1.698775
Prob(F-statistic)	0.109298		

Figure 2. The Results of the Analysis with Panel Regression

The results of this study indicate that the profit obtained by Islamic banking by using the ROA ratio results in a probability value of 0.6936. It can be said that Zakat has no significant effect on the level of financial performance (ROA) because the probability value is > 0.05 (H1 = rejected).. Because the probability value of age is 0.04 and the size of the bank has a probability value of 0.01, both of which have a probability value of <0.05 (H2 and H3= accepted).

b. Discussion
Disclosure of Zakat Funds on the Performance of Islamic Banks

Judging from the results above, Zakat with a probability value of 0.6936 (> 0.05) has no significant effect on the level of financial performance (ROA) in Islamic banks. However, the results of this study are not in line with the theory. It is suspected that the large standard deviation of the zakat variable causes the first hypothesis to be unsupported. The existence of third party funds (DPK) is also suspected to have an effect on the unsupported first hypothesis.

The results of this study are also not in line with (Alim, 2015) who stated that zakat has a positive and significant influence on company performance. This statement is also supported

by the results of research from (Ab Rahman, 2019) which states that zakat has a significant effect on the financial performance of Islamic banking which is also supported by the existence of third party funds.

The Effect of Bank Age on Financial Performance

In the results of the above study that the age of Islamic banks in Indonesia with a probability value of 0.049 (<0.05) has a positive effect on the financial performance (ROA) of Islamic banks, this can be said to indicate that with increasing age the company also increases the company's ability to generate profits compared to expenses and other related costs incurred during a specified period of time. This ROA ratio shows how banks can convert assets into net income. The higher the value of this ratio indicates the higher ability of the company. The results of this study are in line with research by (Rusydiana & Firmansyah, 2018) where the results of the research show that experience as a sharia general bank affects the performance of ROA, ROE, BOPO, FDR, DPK, and financing. Judging from the ratio of ROA and ROE.

The Influence of Total Bank Assets on Financial Performance

Bank size is seen from how much total assets are owned by an Islamic commercial bank. From the results above, it is stated that the Total Assets of Islamic Banks with a probability value of 0.0175 (<0.05) have a significant positive effect on financial performance (ROA). In theory, if the size of the bank gets bigger, the bank will benefit from the large total assets and will have an impact on the level of profitability of Islamic commercial banks. And if the total assets are small, it will have a small impact on profitability (Puspitasari et al., 2021). From the results of this study it is explained that the variable size of the bank has no significant or negative effect on the profitability of Islamic commercial banks. When viewed from the average size of the bank is at 16%.

5. Conclusion (Times New Roman, bold, 12)

This study aims to explore the disclosure of zakat information of Islamic companies in Indonesia. And want to know the effect of zakat disclosure, age and size of Islamic banks in Indonesia on the financial performance of banks. From the results of the study, it was stated that the size and age of the bank had a very positive effect on the financial performance of Islamic banks in Indonesia. However, the disclosure of Zakat in Indonesia has no significant effect on Islamic financial performance. It is suspected that the disclosure of zakat information in Indonesia has not been paid attention to by Islamic banks in Indonesia so that the information on zakat disclosure has little value and does not affect the financial performance of Islamic banks in Indonesia.

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