



Islamic Corporate Philanthropy in Islamic Banking: Implementation of Zakat Regulation and Sharia Compliance in Indonesia

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Abstract: This study aims to provide empirical evidence on the implementation of zakat management compliance and the influence of sharia corporate philanthropy on the performance of sharia commercial banks in Indonesia. This study uses a mixed method, combining quantitative and qualitative approaches. The collected data were then analyzed quantitatively using descriptive or inferential statistics. The research sample consisted of 12 Islamic banks registered with the OJK, and the secondary data for this study were taken from audited and published annual reports from 2017 to 2023. The data analysis technique used regression and legal interpretation analysis. The results of the study indicate that there is a significant influence of ICP performance and Islamic banks, and that there are examples of banking compliance with applicable laws. The contribution of this study lies in providing empirical evidence that compliance with zakat regulations and the implementation of Islamic corporate philanthropy have a positive impact on the performance of Islamic banking institutions. This study reinforces the argument that zakat is not only a moral or spiritual obligation, but also a strategic instrument in sustainable corporate governance. In addition, this research provides important input for regulators, banking practitioners, and zakat authorities in formulating more integrative and applicable policies, so as to optimize the potential of national zakat through synergy between regulations, institutions, and sharia corporate awareness.

Keywords: social responsibility; Islamic corporate philanthropy; zakat management regulation.

Abstrak: Penelitian ini bertujuan untuk memberikan bukti empiris penerapan kepatuhan pengelolaan zakat dan pengaruh filantropi korporasi syariah terhadap kinerja bank umum syariah di Indonesia. Penelitian ini merupakan metode campuran,

yang menggabungkan pendekatan kuantitatif dan kualitatif. Data yang telah dikumpulkan kemudian dianalisis secara kuantitatif menggunakan statistik deskriptif atau inferensial. Sampel penelitian adalah 12 Bank Syariah yang terdaftar di OJK, data sekunder penelitian ini diambil dari laporan tahunan yang telah diaudit dan dipublikasikan dari tahun 2017-2023. Teknik analisis data menggunakan regresi dan menggunakan analisis interpretasi hukum. Hasil penelitian menunjukkan bahwa terdapat pengaruh yang signifikan antara kinerja ICP dan bank syariah dan terdapat contoh kepatuhan perbankan dalam undang-undang yang dapat diterapkan. Kontribusi penelitian ini terletak pada penyediaan bukti empiris yang menunjukkan bahwa kepatuhan terhadap regulasi zakat dan penerapan filantropi korporasi syariah memiliki dampak positif terhadap kinerja lembaga perbankan syariah. Studi ini memperkuat argumen bahwa zakat bukan hanya sebagai kewajiban moral atau spiritual, tetapi juga sebagai instrumen strategis dalam tata kelola korporasi yang berkelanjutan. Selain itu, penelitian ini memberikan masukan penting bagi regulator, praktisi perbankan, dan otoritas zakat dalam menyusun kebijakan yang lebih integratif dan aplikatif, sehingga dapat mengoptimalkan potensi zakat nasional melalui sinergi antara regulasi, kelembagaan, dan kesadaran korporasi syariah.

Kata Kunci: tanggung jawab sosial; filantropi korporat Islam; regulasi pengelolaan zakat.



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Introduction

In the context of modern countries, the existence of companies and business entities in society is not only business-oriented, but must also have social responsibility.¹ According to Bertens, social responsibility can be understood as the moral responsibility of companies to the communities in which they operate, both the communities and the environment surrounding the company or the wider community.²

The existence of companies in countries that embrace the concept of welfare states must have moral responsibility, because company leaders are actors who bear moral responsibility for the decisions they make in running their companies, whether in economic, social, or environmental aspects.³ However, companies are

¹ Teguh Tresna Puja Asmara et al., "Corporate Social Responsibility and Cooperatives Business Sustainability in Indonesia: Legal Perspective," *Sustainability* 15, no. 7 (2023): 7, <https://doi.org/10.3390/su15075957>.

² K. Bertens, *Etika* (Gramedia Pustaka Utama, 2005), 292; George G. Brenkert and Tom L. Beauchamp, *The Oxford Handbook of Business Ethics* (OUP USA, 2012).

³ Rami Kaplan and Daniel Kinderman, "The Business-Class Case for Corporate Social Responsibility: Mobilization, Diffusion, and Institutionally Transformative Strategy in Venezuela and Britain," *Theory and Society* 48, no. 1 (2019): 131-66, <https://doi.org/10.1007/s11186-019-09340-w>.

strongly motivated by extrinsic (financial) motives when conducting corporate social activities.⁴ This concept is now known as corporate philanthropy.

According to Porter, the real goal of corporate philanthropy is to maximize social value in society. Companies that practice corporate philanthropy will benefit from a good corporate reputation and increased employee loyalty.⁵ The aspect of responsibility in a company places the economic aspect as the most fundamental dimension as well as the main aspect of the company's objectives, because the responsibility of company managers is to seek profits for the company.⁶ The next hierarchy is legal responsibility and ethical responsibility, and the last is philanthropic responsibility.⁷ With various issues in corporate social responsibility activities, companies must carry out corporate philanthropy activities, which are another face of corporate social responsibility, namely by using part of the company's wealth for social change activities.⁸

In the context of Islam, corporate philanthropy is a concrete expression of corporate social responsibility rooted in Islamic values such as zakat, infaq, and shadaqah. These principles are not merely ritual obligations, but an integral part of Islamic business ethics that prioritize social justice and community welfare.⁹ As stated by Nasrullah et al., Islamic CSR that adopts the approach of zakat, infaq, and shadaqah has been proven to improve social welfare.¹⁰ Zakat contributes to economic empowerment and poverty alleviation, while infaq and shadaqah support education, health, and disaster relief programs. As a result, companies that implement Islamic-based CSR gain a better reputation and become agents of sustainable social change.

⁴ Johan Graafland and Corrie Mazereeuw-Van der Duijn Schouten, "Motives for Corporate Social Responsibility," *De Economist* 160, no. 4 (2012): 377-96, <https://doi.org/10.1007/s10645-012-9198-5>.

⁵ Michael E. Porter and Mark R. Kramer, "The Competitive Advantage of Corporate Philanthropy," *Harvard Business Review* 80, no. 12 (2002): 56-69; Kathryn Haynes et al., *Corporate Social Responsibility: A Research Handbook* (Routledge, 2013).

⁶ Anupama Goel, "Corporate Social Responsibility and the Role of Government," in *Facets of Corporate Governance and Corporate Social Responsibility in India*, ed. Harpreet Kaur (Springer, 2021), https://doi.org/10.1007/978-981-33-4076-3_10.

⁷ Archie B. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders," *Business Horizons* 34, no. 4 (1991): 39-48, [https://doi.org/10.1016/0007-6813\(91\)90005-G](https://doi.org/10.1016/0007-6813(91)90005-G).

⁸ Jaakko Siltaloppi et al., "Integrating CSR with Business Strategy: A Tension Management Perspective," *Journal of Business Ethics* 174, no. 3 (2021): 507-27, <https://doi.org/10.1007/s10551-020-04569-3>.

⁹ Hilman Latief, "Islamic Philanthropy and the Private Sector in Indonesia," *Indonesian Journal of Islam and Muslim Societies* 3, no. 2 (2013): 2, <https://doi.org/10.18326/ijims.v3i2.175-201>.

¹⁰ Nasrullah et al., "Corporate Social Responsibility (CSR) in Islam: Perspectives on Community Welfare, Zakat, Infaq, and Shadaqah," *EKSİYAR: Ekonomi Syari'ah Dan Bisnis Islam (e-Journal)* 11, no. 2 (2024): 2, <https://doi.org/10.54956/eksyar.v11i2.648>.

Theoretically and practically, Islam integrates philanthropy as an important part, not a side activity. Corporate philanthropy in Islam is not merely a marketing tool, but a manifestation of spiritual values, with sharia as its ethical foundation. Islam encourages corporations to serve society, not just seek profit. The integration of Islamic values in CSR produces a deeper, more sustainable social impact based on ethical and humanitarian goals.¹¹

Philanthropy and charitable activities in Islam take the form of zakat, which is one of the pillars of Islam. Zakat can be used as an instrument to create economic growth and improve social welfare.¹² However, there are many issues surrounding zakat in Indonesia, one of which is the low level of awareness among individuals who are obliged to pay zakat to fulfill their obligations. The Indonesian government has made many efforts to increase the level of zakat collection in line with its potential through the enactment of Law No. 23 of 2011 Concerning Zakat Management. In the general provisions of the Law, the obligation to pay zakat is imposed on Muslims or can be carried out by business entities.

In the context of this study, the focus on zakat paid by business entities is a manifestation of sharia corporate philanthropy, namely, philanthropic activities carried out by sharia-labeled companies such as sharia banks, sharia insurance companies, sharia mutual funds, and others. As business entities, Islamic banks are required to report their zakat receipts and expenditures as stipulated in Financial Accounting Standards (PSAK) 101. Based on financial reports, the total amount of zakat for the 2016 period issued by nine Islamic commercial banks in Indonesia was IDR 75,103,263,738. This figure signals an increase in the awareness of business entities that pay corporate zakat compared to the awareness of individuals in realizing the teaching of zakat as a means to overcome poverty, which is still considered insufficient and half-hearted. In 2020, there were 6 Islamic commercial banks that paid zakat, and this number decreased in 2021 to only 3 Islamic commercial banks. This was due to the merger of 3 Islamic commercial banks into Bank Syariah Indonesia in 2021.

By 2023, the potential zakat will reach a value of IDR 35 billion, an increase from 2022. However, the amount of zakat realized in the 2016-2023 period is still

¹¹ Arum Khairunnisa et al., "Transformation Towards a Sharia-Based Economy: Theory, Practice and Social Implications," *Rihlah Iqtishad: Jurnal Bisnis Dan Keuangan Islam* 2, no. 1 (2025): 1, <https://doi.org/10.61166/rihlah.v2i1.24>.

¹² Rania Adel Al-Bawwab, "Zakat: Changing the Framework of Giving," *Islamic Economic Studies* 30, no. 2 (2023): 86-103, world, <https://doi.org/10.1108/IES-08-2021-0026>.

below the potential zakat value of Islamic commercial banks. This is evidenced by data showing that in 2022, there was Rp. 52 billion, and in 2023, there was Rp. 108 billion in Islamic commercial bank zakat funds that had not been distributed.¹³ To overcome the gap between the potential zakat and its realization, there needs to be a new understanding of zakat that can provide a multiplier effect in the macroeconomy.¹⁴ However, today's hedonistic and materialistic lifestyle requires determining factors other than the understanding of *muzakki* (those who pay zakat) to raise public awareness of the obligation to pay zakat. The determining factor is the belief of *muzakki* in the form of additional sustainable wealth called *rezeki yang berkah* (blessed sustenance) (material-economic values). According to the Qur'an, the reward of zakat in the form of material-economic value for the *muzakki* is that Allah will replace it 10 times (QS.6: 160) or even 700 times (QS.2: 261).¹⁵

Several studies relevant to this topic have been written by Mariani and Rezki Mawaddah. These studies were conducted to analyze Islamic philanthropy practices and their implications for the socio-economic conditions of society, as well as to evaluate the role of sharia economic regulations in supporting the success of these Islamic philanthropy practices.¹⁶ Amelia Fauzia's research examines the potential and obstacles of social justice philanthropy in Indonesia in the context of two trends, namely Islamization and modernization in the period 2002-2017. According to Amelia, these two trends encourage philanthropic practices but do not necessarily contribute to the development of philanthropy that focuses on social justice values. The development of social justice philanthropy is highly dependent on a stable political and economic situation, support from the state, and the existence of a strong civil society.¹⁷

Other studies on Islamic Corporate Social Responsibility (ICSR) and Islamic banking performance show a variety of focuses and important findings. Research by Dini Rahmayanti et al. examines the relationship between ICSR, environmental performance, and company value. The results show that these two variables have a

¹³ Rosiana Revitaningrum, "Analisis Pengaruh Kinerja Keuangan Terhadap Pengeluaran Zakat Pada Bank Umum Syariah Di Indonesia Periode 2016-2023" (other, Universitas Pendidikan Indonesia, 2024), <https://repository.upi.edu/>.

¹⁴ M. Nur Rianto Al Arif, "Optimalisasi Peran Zakat Dalam Memberdayakan Perekonomian Umat," *Ullul Albab: Jurnal Studi Islam* 14, no. 1 (2013): 1, <https://doi.org/10.18860/ua.v0i0.2320>.

¹⁵ M Quraish Shihab, *Al-Quran Dan Maknanya* (Lentera Hati, 2021).

¹⁶ Mariani and Rezki Mawaddah, "Filantropi Dalam Islam Dan Implikasinya Terhadap Kondisi Sosial-Ekonomi Masyarakat (Perspektif Hukum Ekonomi Syariah)," *Journal of Islamic Economic and Law (JIEL)* 2, no. 1 (2025): 36-42, <https://doi.org/10.59966/jiel.v2i1.1666>.

¹⁷ Amelia Fauzia, "Islamic Philanthropy in Indonesia: Modernization, Islamization, and Social Justice," *Austrian Journal of South-East Asian Studies* 10, no. 2 (2017): 223-36.

significant effect on increasing company value, both in the short and long term, thus confirming the importance of social responsibility and environmental sustainability in corporate strategy.¹⁸

Furthermore, Auliah Eka Putri et al. highlight CSR practices at PT Bank Syariah Indonesia Tbk from the perspective of Islamic business ethics. They found three main forms of CSR: the development of educational and religious facilities, environmentally friendly programs such as Green Banking and BSI Menanam, and fair recruitment policies and quality services for customers. These findings confirm the compatibility of Islamic banking CSR practices with Islamic ethical principles.¹⁹

A study by Asyraf Wajdi Dusuki and Nurdianawati Irwani Abdullah in Malaysia emphasizes that customers' motivation for choosing Islamic banks is not only related to financial reputation and service quality, but also social roles, particularly zakat. The implementation of zakat has been proven to strengthen customer loyalty and enhance the bank's reputation. This study confirms that CSR and Islamic ethical values are strategic factors in building the competitiveness of Islamic banking.²⁰

Meanwhile, research by Roszaini Haniffa and Mohammad Hudaib introduces the *Ethical Identity Index (EII)* to assess the extent to which Islamic banks communicate their social commitments. The results show a gap between the ideal ethical identity and that expressed in annual reports, particularly in the dimensions of social contribution, zakat, and transparency of vision and mission. Only one of the seven banks met the ideal standard, while the rest showed a large gap.²¹

Overall, these studies confirm that the integration of CSR, Islamic ethics, and environmental performance not only impacts the reputation and value of a company but also serves as a strategic instrument in strengthening public trust and customer loyalty in the Islamic banking sector.

¹⁸ Dini Rahmayanti et al., "How Do Islamic Corporate Social Responsibility and Environmental Performance Relate to Company Value?," *Jurnal Ekonomi & Keuangan Islam*, Universitas Islam Indonesia (Islamic University of Indonesia), January 23, 2025, 115–30, <https://doi.org/10.20885/jeki.vol11.iss1.art8>.

¹⁹ Auliah Eka Putri A.M et al., "The Etika Bisnis Islam Dalam Corporate Social Responsibility PT Bank Syariah Indonesia Tbk," *Al-Urban: Jurnal Ekonomi Syariah Dan Filantropi Islam* 5, no. 2 (2021): 2, https://doi.org/10.22236/alurban_vol4/is1pp101-114.

²⁰ Asyraf Wajdi Dusuki and Nurdianawati Irwani Abdullah, "Why Do Malaysian Customers Patronise Islamic Banks?," *International Journal of Bank Marketing* 25, no. 3 (2007): 142–60, <https://doi.org/10.1108/02652320710739850>.

²¹ Roszaini Haniffa and Mohammad Hudaib, "Exploring the Ethical Identity of Islamic Banks via Communication in Annual Reports," *Journal of Business Ethics* 76, no. 1 (2007): 97–116, <https://doi.org/10.1007/s10551-006-9272-5>.

From a regulatory perspective, there are problems with the management of zakat in Indonesia that reflect a lack of synchronization between the various applicable laws. Law No. 23 of 2011 emphasizes zakat as an obligation for Muslims and opens up opportunities for business entities to fulfill it, while Law No. 40 of 2007 Article 74 requires companies to implement social and environmental responsibility (CSR) as operational costs. On the other hand, Law No. 25 of 2007 Article 15 emphasizes that investments must be carried out with good governance and the implementation of social responsibility.

These three regulations actually have the same spirit, namely, integrating social concerns into business activities. However, in practice, Islamic banks face regulatory problems in the form of normative ambiguity regarding the position of corporate zakat – whether it is treated as a separate sharia obligation from CSR or is actually part of CSR itself. This condition is complicated by the governance structure of banks that have not fully integrated social finance functions (zakat, infaq, sadaqah, waqf) with commercial finance. As a result, the level of compliance varies between banks, with some recording zakat as an operating expense without explicit reporting, while others use Islamic Social Reports. This leads to variations in the contribution of zakat to the financial performance and social legitimacy of Islamic banks.

Various studies have pointed out that there is still a significant gap between the potential of zakat and its actual realization, thus requiring strategies to raise public awareness, particularly the belief of muzakki (those who pay zakat) in Allah's promise that zakat is not only a form of worship but also has an impact on stability and future income growth. Until now, some people have viewed zakat as a consumptive allocation that only reduces income, thus causing reluctance to pay it. To that end, this study seeks to provide empirical evidence regarding the importance of compliance with regulations, including Law No. 23 of 2011 concerning Zakat Management, Law No. 40 of 2007 concerning Limited Liability Companies, which emphasizes social and environmental responsibility, and Law No. 25 of 2007 Article 15 concerning corporate investment and governance obligations. The focus of the study is on the compliance of Islamic banking institutions and the influence of Islamic corporate philanthropy on the performance of Islamic commercial banks in Indonesia.²²

²² Sri Herianingrum et al., "Zakat as an Instrument of Poverty Reduction in Indonesia," *Journal of Islamic Accounting and Business Research* 15, no. 4 (2023): 643–60, world, <https://doi.org/10.1108/JIABR-11-2021-0307>.

Table 1. Research Sample Criteria

Sample Determination Criteria						Sum
Number of	Islamic	commercial	banks	registered	with	12
the Bank						
Indonesia/Financial Services Authority for the period 2017-2023						
(-) Not presenting audited financial statements by independent auditors for the period ended December 31 during 2017-2023						3
(-) Not presenting financial statements on zakat and profit Net Positive During 2017-2023						4
Number of Islamic commercial banks sampled						5

Source: Bank of Indonesia/Financial Services Authority, 2023

Based on research sample criteria data sourced from Bank Indonesia and the Financial Services Authority, of the 12 Islamic commercial banks registered with Bank Indonesia/Financial Services Authority for the period 2017–2024, 3 banks were eliminated because they did not submit independently audited financial reports. Furthermore, 4 banks did not report zakat data or experienced negative net profits during the research period, so they were also excluded from the sample. Thus, only 5 Islamic banks remained that met all eligibility criteria, namely having complete financial statements, being independently audited, and consistently presenting zakat information and positive profits. The five commercial Islamic banks that met these criteria were: Bank Muamalat Indonesia (www.bankmuamalat.co.id), BRI Syariah (www.brisyariah.co.id), BNI Syariah (www.bnisyariah.co.id), Bank Syariah Mandiri (www.syariahmandiri.co.id), and Bank Syariah Mega (www.megasyariah.co.id).

This study uses mixed methods,²³ which consist of two main approaches:²⁴ First, quantitative: secondary data was obtained from audited and published annual reports of Islamic banks during the period 2017–2024. The data were analyzed using descriptive statistics and multiple linear regression to examine the relationship between the variables of zakat compliance, ICP, and bank financial performance.

²³ N. J. Dewasiri et al., "Mixed Methods in Finance Research: The Rationale and Research Designs," *International Journal of Qualitative Methods* 17, no. 1 (2018): 1609406918801730, <https://doi.org/10.1177/1609406918801730>.

²⁴ Courtney A. McKim, "The Value of Mixed Methods Research: A Mixed Methods Study," *Journal of Mixed Methods Research* 11, no. 2 (2017): 202–22, <https://doi.org/10.1177/1558689815607096>.

Second, qualitative: legal interpretation analysis was conducted on zakat policies and the implementation of social responsibility in relevant legal documents, both from the perspective of national regulations and religious fatwas. The sampling technique in this study used purposive sampling, which is a technique for determining samples based on specific considerations/criteria.²⁵

This study used a total of 35 observation data obtained from 5 Islamic commercial banks over a period of 7 consecutive years. The data collected included information on corporate zakat and net profit recorded in each bank's annual report. The research variables were divided into two, namely dependent and independent variables.²⁶ The independent variables in this study are the level of zakat compliance and ICP practices, while the dependent variable is financial performance, which is measured through indicators such as Return on Assets (ROA), Return on Equity (ROE), and Net Operating Margin (NOM). The analysis technique used in this study is simple regression to test the quantitative relationship between corporate zakat and the financial performance of Islamic banks. [5] In addition, a legal interpretation approach was also used to assess the relationship between empirical results and applicable regulations. [6] The hypotheses proposed are: H_0 , corporate zakat has no significant effect on Islamic bank performance; and H_a , corporate zakat has a significant effect on Islamic bank performance in Indonesia.

Philanthropy and Corporate Social Responsibility in Islam

Traditionally, the main objective of a company is to maximize profits through effective and efficient resource management. Every company's expenditure is generally oriented towards creating economic added value. However, social developments and global demands have expanded this paradigm.²⁷ There is a growing awareness that companies also have a moral responsibility towards their social environment. This awareness is manifested in the form of corporate philanthropy, namely donations for the social benefit of the community. Etymologically, philanthropy comes from the Greek word *philanthrōpos*, which means love for fellow human beings, so this activity reflects an expression of humanity that goes beyond a mere economic orientation. Today, philanthropy has

²⁵ Sugiyono, *Metode Penelitian Kuantitatif, Kualitatif Dan R & D* (Alfabeta, 2006), 13.

²⁶ Scott F. Turner et al., "Research Design for Mixed Methods: A Triangulation-Based Framework and Roadmap," *Organizational Research Methods* 20, no. 2 (2017): 243–67, <https://doi.org/10.1177/1094428115610808>.

²⁷ Miftahul Huda et al., "Ulema Viewpoints on Corporate Waqf as Legal Entity," *Journal of Legal, Ethical and Regulatory Issues* 24, no. 2 (2021): 1–9.

even developed across national, cultural, and racial boundaries, confirming its role as an important element in modern corporate governance.²⁸

In the business realm, philanthropy is closely related to Corporate Social Responsibility (CSR). CSR represents a company's commitment to all stakeholders, from investors, employees, and consumers to the social community.²⁹ CSR is not merely a voluntary activity, but reflects a long-term sustainability strategy. The literature distinguishes four categories of sustainability business cases: (1) reactive, (2) reputational, (3) responsible, and (4) collaborative. This shows that CSR practices are not uniform but are influenced by ethical motivations, reputation, and political and economic strategies.

According to Seifert, companies' motivations for engaging in philanthropy include improving the welfare of the surrounding community, social obligations, business legitimacy, and the prestige of leadership.³⁰ Furthermore, in the modern context, corporate philanthropy can be understood from two perspectives.³¹ First, economic strategic philanthropy, where donations are seen as an investment to improve financial performance. Second, political strategic philanthropy, where philanthropy is used as an instrument to gain legitimacy, reduce regulatory pressure, or build harmonious relationships with external stakeholders.

In the context of Muslim societies, the relationship between philanthropy and CSR is increasingly complex. The rich Islamic tradition of zakat, infaq, sadaqah, and waqf (Ziswaf) influences the form of corporate philanthropy.³² In Dubai, for example, consumers are beginning to distinguish between modern CSR and traditional Islamic philanthropy. Zakat is seen as a religious obligation, while CSR extends to more inclusive ethical and economic dimensions. This shift is occurring due to increasing prosperity, so that CSR is expected not only to alleviate poverty, but also to create sustainable socio-economic value.

The Sharia economy has an inherent closeness to CSR principles. Sharia principles emphasize justice, transparency, sustainable development, and

²⁸ Bruce Seifert, Sara A. Moris, dan Barbara R. Bartkus, Comparing Big Givers and Small Givers: Financial Correlates of Corporate Philanthropy, *Journal of Business Ethics*, 45: 195-211, 2003.

²⁹ Katia Furlotti and Tatiana Mazza, "Corporate Social Responsibility versus Business Ethics: Analysis of Employee-Related Policies," *Social Responsibility Journal* 20, no. 1 (2022): 20-37, world, <https://doi.org/10.1108/SRJ-06-2022-0232>.

³⁰ Jackie Ambadar, *CSR dalam Praktik di Indonesia*, (Jakarta: PT. Elex Media Komputindo, 2008), 48-49

³¹ Unun Roudlotul Janah and Muchtim Humaidi, *Filantropi Pada Masyarakat Multikultural: Upaya Mewujudkan Kemadirian Ekonomi Dalam Harmoni* (Nata Karya, 2021).

³² Mochammad Harun Rosyid, "The Global Issues of The Islamic Economic System: Study Of Islamic Philanthropy (Ziswaf) as a Strategy For 2023 Recession In Indonesia," *WARAQAT: Jurnal Ilmu-Ilmu Keislaman* 8, no. 2 (2023): 2, <https://doi.org/10.51590/waraqat.v8i2.578>.

community welfare. Therefore, Islamic financial institutions naturally become enablers of CSR practices.³³ Many Islamic banks integrate CSR through corporate zakat, community empowerment programs, and MSME funding. This shows convergence with conventional CSR, while also emphasizing the uniqueness of Sharia-based CSR.³⁴

However, the relationship between religiosity and CSR attitudes is not always linear. Studies in Egypt show that certain dimensions of religiosity are negatively correlated with managers' CSR attitudes, indicating the need for a multidimensional approach.³⁵ Religion, in this case Islam, broadens the moral horizon of business, but its interpretation and implementation vary according to the socio-economic context.

In Islamic banking literature, CSR is seen as an instrument of legitimacy and competitive advantage. Compliance with sharia principles is not only normative, but also creates reputation as intangible capital. Islamic banking CSR practices differ from conventional ones because they are rooted in divine guidance and balanced socio-economic goals. Social responsibility in Islamic banks includes: maintaining Sharia compliance, supporting social development, and ensuring equitable economic distribution.³⁶

One of the main instruments is Ziswaf. Ziswaf funds can serve as a mechanism for socio-economic resilience, especially during crises. For example, in the face of the 2023 recession, the distribution of Ziswaf has the potential to reduce unemployment and poverty through consumptive (basic needs assistance) and productive (MSME development) programs. Islamic history shows that Ziswaf was once a significant source of revenue for financing public services. The current challenges lie in the limitations of data, transparency, and digitalization adaptation in the management of Ziswaf funds.³⁷

Studies on Corporate Social Responsibility (CSR) in the context of Islamic banking show a close relationship between sharia principles, corporate governance,

³³ Aida Hanic and Edib Smolo, "Islamic Approach to Corporate Social Responsibility: An International Model for Islamic Banks," *International Journal of Islamic and Middle Eastern Finance and Management* 16, no. 1 (2022): 175–91, world, <https://doi.org/10.1108/IMEFM-07-2021-0284>.

³⁴ Muhammad Bilal Zafar and Ahmad Azam Sulaiman, "CSR Narrative under Islamic Banking Paradigm," *Social Responsibility Journal* 17, no. 1 (2020): 15–29, world, <https://doi.org/10.1108/SRJ-09-2018-0230>.

³⁵ Chengli Shu et al., "How Do Islamic Values Influence CSR? A Systematic Literature Review of Studies from 1995–2020," *Journal of Business Ethics* 181, no. 2 (2022): 471–94, <https://doi.org/10.1007/s10551-021-04964-4>.

³⁶ Simona Franzoni and Asma Ait Allali, "Principles of Islamic Finance and Principles of Corporate Social Responsibility: What Convergence?," *Sustainability* 10, no. 3 (2018): 3, <https://doi.org/10.3390/su10030637>.

³⁷ Stefan Schaltegger and Roger Burritt, "Business Cases and Corporate Engagement with Sustainability: Differentiating Ethical Motivations," *Journal of Business Ethics* 147, no. 2 (2018): 241–59, <https://doi.org/10.1007/s10551-015-2938-0>.

and social disclosure practices. The concept of Islamic-based CSR is not merely an adoption of the conventional model, but a unique paradigm. It combines divine ethics with modern economic strategies, making Islamic banks not only business entities but also agents of social change.

Preliminary studies by Sayd Farook, M. Kabir Hassan, and Roman Lanis emphasize the importance of both external and internal factors in determining the extent to which Islamic banks implement and report on CSR. Through an analysis of 47 institutions in 14 countries, they found that “relevant public influence” and the governance mechanisms of the Shariah Supervisory Board (SSB) are the main factors driving transparency in disclosure, particularly in relation to zakat and social activities. The regression results also show that socio-political freedom and bank funding structures play an important role in disclosure variations. Thus, the role of the SSB is considered crucial in ensuring ethical compliance while enhancing the credibility of Islamic financial institutions.³⁸

Meanwhile, Zakaria A. Aribi and Simon S. Gao examined the narrative dimension of CSR disclosure in Islamic financial institutions. They highlighted that religious motivation, institutional pressure, and the need for legitimacy greatly influence the form of CSR reporting. The main focus of disclosure is usually related to Sharia Supervisory Board reports, zakat, social contributions, and interest-free loans. This study shows that CSR reporting is not only a regulatory obligation, but also a reflection of the Islamic identity of institutions that needs to be communicated ethically to the public.³⁹

On the other hand, Mohd Shukor Harun et al. specifically examined the determinants of CSR disclosure in Malaysia. Their research findings reveal a positive relationship between the size of the board of directors and the level of CSR disclosure. These findings confirm that, in addition to SSB, the structure of the board also influences the transparency and credibility of social responsibility reports. This is in line with the idea that strong corporate governance is an important instrument for improving the accountability of Islamic banks.⁴⁰

³⁸ Sayd Farook et al., “Determinants of Corporate Social Responsibility Disclosure: The Case of Islamic Banks,” *Journal of Islamic Accounting and Business Research* 2, no. 2 (2011): 114–41, <https://doi.org/10.1108/17590811111170539>.

³⁹ Zakaria Ali Aribi and Simon S. Gao, “Narrative Disclosure of Corporate Social Responsibility in Islamic Financial Institutions,” *Managerial Auditing Journal* 27, no. 2 (2012): 199–222, <https://doi.org/10.1108/02686901211189862>.

⁴⁰ Mohd Shukor Harun et al., “The Determinants of CSR Disclosure: A Study of Malaysian Islamic Banks,” *International Journal of Academic Research in Business and Social Sciences* 9, no. 5 (2019), <https://doi.org/10.6007/ijarbss/v9-i5/5886>.

When compared to the Indonesian context, the literature points in a similar direction. A study by Yolanda Septian et al., Ichwan Sidik & Reskino, reveals that zakat and Islamic CSR (ICSR) have a positive impact on the reputation of Islamic banks, although their influence on financial performance is still mixed.⁴¹ Research by Melia Frastuti et al. also emphasizes the central role of commissioners and directors in the implementation of zakat and ICSR to maintain social legitimacy.⁴² In addition, Setiawan emphasizes the relevance of the *Islamic Social Reporting Index* as a more appropriate measurement tool than conventional CSR indicators, especially in the context of Islamic banking.⁴³

From a regulatory perspective, the implementation of CSR in Islamic banks faces legal ambiguity. Law No. 23 of 2011 concerning Zakat Management, Law No. 40 of 2007 Article 74 on Social Responsibility, and Law No. 25 of 2007 Article 15 on Corporate Governance provide a normative framework. However, their translation into Islamic banking practices still varies. Factors such as internal governance, transparency, and socio-economic integration greatly determine the effectiveness of the implementation of these regulations.

Corporate philanthropy can arise from political or social pressure, or from the moral drive of company leaders. In its altruistic form, philanthropy is carried out to improve the standard of living of the community without expecting financial gain or image enhancement. This practice generates moral capital, namely positive assessments from the community and stakeholders, which serve to protect the company's intangible assets. If it is in line with public ethical values, philanthropy will strengthen the company's reputation.⁴⁴ Therefore, philanthropy is considered paradoxical: it seems to sacrifice resources, but in fact strengthens the image of a caring company.⁴⁵

⁴¹ Yolanda Septian et al., "Zakat, Islamic Corporate Social Responsibility Dan Kinerja Keuangan Bank Umum Syariah Indonesia," *Jurnal Akuntansi Dan Keuangan Islam* 10, no. 1 (2022): 5-30, <https://doi.org/10.35836/jakis.v10i1.274>.

⁴² Melia Frastuti et al., "Peranan Komisaris Dan Direksi Bank Syariah Dalam Pengelolaan Dana Zakat Dan ISR (Islamic Social Responsibility) Di Indonesia," *Akuntansi Dan Manajemen* 14, no. 2 (2019): 95, <https://doi.org/10.30630/jakmenpnp.14.2.178>.

⁴³ Eko Setiawan et al., "Pengaruh Dana Zakat Dan Islamic Corporate Social Responsibility Terhadap Kinerja Keuangan Perbankan Syariah (Pada Bank Devisa Syariah Berdasarkan ISR Index)," *Ultimaccounting Jurnal Ilmu Akuntansi* 14, no. 1 (2022): 1, <https://doi.org/10.31937/akuntansi.v14i1.2628>.

⁴⁴ Bryan S. Dennis et al., "The Nature of Giving: A Theory of Planned Behavior Examination of Corporate Philanthropy," *Business & Society* 48, no. 3 (2009): 360-84, <https://doi.org/10.1177/0007650307305368>.

⁴⁵ Paul C. Godfrey, "The Relationship Between Corporate Philanthropy And Shareholder Wealth: A Risk Management Perspective," *Academy of Management Review* 30, no. 4 (2005): 777-98, <https://doi.org/10.5465/amr.2005.18378878>.

For Islamic banks, reputation has a dual dimension: in addition to business objectives, there are also social objectives to achieve justice, prosperity, sustainability, and poverty alleviation. The annual distribution of zakat is a form of Islamic philanthropy that is not merely an allocation of income, but a means of strengthening reputation, upholding Islamic principles, and building stakeholder trust as long-term moral capital.⁴⁶

The Relationship Between Islamic Corporate Philanthropy and Sharia Bank Performance

In analyzing the relationship between sharia corporate philanthropy – particularly corporate zakat management – and the performance of Islamic banks in Indonesia, a comprehensive theoretical approach is needed. The two main frameworks underlying this study are the Resource-Based View (RBV) and Resource Dependence Theory (RDT). These two theories complement each other in explaining how philanthropy and zakat management can be strategic instruments in building competitive advantage and strengthening the institutional legitimacy of Islamic banks. In addition, this theoretical framework is also supported by normative foundations in the form of positive law in Indonesia, especially related to zakat and corporate social responsibility (CSR).

The Resource-Based View (RBV) theory developed by Barney emphasizes that a company's competitive advantage depends on unique and difficult-to-imitate resources. Corporate philanthropy, including corporate zakat, can create a positive intangible reputation, thereby enhancing the competitive advantage of Islamic banks in the competitive banking industry. This reputation, in turn, can increase customer loyalty, expand the market base, and reduce operational costs through public trust efficiency.⁴⁷

In the context of Islamic banks, zakat and corporate philanthropy activities can be viewed as strategic resources. First, zakat that is distributed transparently and on target can enhance the bank's reputation. This reputation is not merely an image, but a high-value intangible asset because it can increase the trust of customers, investors, and the wider community. Second, corporate philanthropy can generate

⁴⁶ Asyraf Wajdi Dusuki, "Understanding the Objectives of Islamic Banking: A Survey of Stakeholders' Perspectives," *International Journal of Islamic and Middle Eastern Finance and Management* 1, no. 2 (2008): 132–48, <https://doi.org/10.1108/17538390810880982>.

⁴⁷ Jay Barney, "Firm Resources and Sustained Competitive Advantage," *Journal of Management* 17, no. 1 (1991): 99–120, <https://doi.org/10.1177/014920639101700108>.

relational capital in the form of good relationships with the surrounding community, regulators, and other stakeholders.

Meanwhile, Pfeffer & Salancik's Resource Dependence Theory (RDT) suggests that corporate philanthropy can strengthen relationships with the external environment. When Islamic banks distribute zakat for community empowerment programs, this creates new resources, such as improved workforce quality in the surrounding area. Thus, zakat not only functions as a religious obligation but also as a strategic instrument to strengthen the legitimacy and sustainability of the company.⁴⁸

For example, when Islamic banks fund community empowerment programs in certain areas, this has the potential to strengthen social networks and public support. As a result, banks gain additional resources such as the trust of the local community, access to new potential customers, and a positive reputation that increases their attractiveness to investors. Thus, zakat not only has a social impact but also functions as a strategic instrument to reduce banks' dependence on unstable external factors.

This is in line with Law No. 23 of 2011 concerning zakat, which emphasizes that zakat has both religious and socio-economic value in alleviating poverty.⁴⁹ The management of zakat as referred to in this law is explained in the general provisions of Article 1, paragraph 1, which reads: "The management of zakat is the planning, implementation, and coordination of activities in the collection, distribution, and exploitation of zakat." Meanwhile, the definition of zakat is explained in the collection; Zakat is property that must be given by a Muslim or legal business entity to those who are entitled to receive it in accordance with Islamic law.⁵⁰

Article 1, paragraph 2 of the Law also emphasizes that zakat is property or wealth that must be given by a Muslim to those who are entitled to receive zakat. The analogy of corporate zakat as trade zakat was born from an agreement between scholars who attended the first International Zakat Conference held in Kuwait in May 1984. From an economic and legal perspective, corporate activities, as carried out by Islamic commercial banks in general, are equally profit-oriented trade activities.⁵¹

⁴⁸ Jeffrey Pfeffer and Gerald R. Salancik, *The External Control of Organizations: A Resource Dependence Perspective* (Stanford University Press, 2003).

⁴⁹ Herianingrum et al., "Zakat as an Instrument of Poverty Reduction in Indonesia."

⁵⁰ Law No. 23 of 2011 concerning Zakat Management.

⁵¹ Sania Nabillah and Ulfi Kartika Oktaviana, "Pengaruh Zakat, Islamic Corporate Social Responsibility, dan Good Corporate Governance terhadap Kinerja Keuangan Bank Umum Syariah Periode 2014-2020," *Jurnal*

Given the importance and significant benefits of zakat for the welfare of society, penalties are imposed on zakat administrators who do not distribute zakat in accordance with Law Number 23 of 2011, Article 39, with a maximum imprisonment of 5 years and/or a fine of Rp. 500,000,000 (five hundred million rupiah).

This law also establishes principles for zakat management, such as accountability, fairness, and legal certainty. Specifically, companies, including Islamic banks, can issue trade zakat managed by BAZNAS or LAZ, and proof of zakat payment can even be used as an income tax deduction.

This confirms the integration between religious obligations and economic benefits.⁵² From the RBV theory perspective, zakat managed in accordance with Law 23 of 2011 can strengthen the bank's reputation as a law-abiding institution that consistently implements sharia principles. Meanwhile, from the RDT perspective, zakat serves as a means to build trust with the community and regulators, thereby expanding access to social and economic resources.

In addition, Law No. 25 of 2007 concerning Investment also serves as a regulatory basis that requires the application of Good Corporate Governance (GCG) principles and the implementation of corporate social responsibility (CSR) by both domestic and foreign investors.⁵³ In line with this, Law No. 40 of 2007 on Limited Liability Companies, specifically Article 74, explicitly regulates the obligation of companies to carry out social and environmental responsibilities as part of their operational costs.⁵⁴ What is meant by social responsibility in this law is: "Social and environmental responsibility is the Company's commitment to participate in sustainable economic development to improve the quality of life and the environment, both for the Company itself, the local community, and society in general."

Furthermore, Article 74 of this law emphasizes that social responsibility must be budgeted and calculated as a burden on the company, the implementation of which must be carried out with due consideration and fairness. If a limited liability company (PT) does not comply with the applicable legal provisions, it will be subject to sanctions as referred to in the Government Regulation.⁵⁵

Masharif Al-Syariah: *Jurnal Ekonomi dan Perbankan Syariah* 7, no. 2 (2022), <https://doi.org/10.30651/jms.v7i2.12327>.

⁵² Law No. 23 of 2011 concerning Zakat Management

⁵³ Law No. 25 of 2007 Concerning Investment, Article 15

⁵⁴ Law No. 40 of 2007 Concerning Limited Liability Companies, Article 1

⁵⁵ Law No. 40 of 2007 Concerning Limited Liability Companies, Article 74, paragraphs 2 and 3

Sharia values, where CSR can be integrated with the distribution of corporate zakat. In other words, zakat is not only a religious obligation, but also a legal instrument that supports the legitimacy of the company in the eyes of the public and regulators.

Within the RBV framework, the implementation of CSR, including zakat, can strengthen intangible assets in the form of social legitimacy. Meanwhile, within the RDT framework, compliance with this law helps Islamic banks gain support from regulators and the public, while reducing the risk of social conflicts that could disrupt operations.

Thus, corporate zakat from the perspective of Islamic banking is at the intersection of strategic management theory (RBV and RDT) and national legal regulations. Theoretically, zakat can be seen as a strategic resource that strengthens the bank's reputation and legitimacy. Legally, zakat is a state-recognized obligation, even positioned as a form of Islamic CSR integrated into corporate governance. This integration of theory and law shows that the practice of corporate zakat in Islamic banking is not only a normative obligation but also a modern management strategy that strengthens the performance and sustainability of Islamic banks in the long term.

The Influence of Islamic Corporate Philanthropy on the Performance of Sharia Commercial Banks

Based on an analysis of annual data from Islamic banks, this study shows the dynamics of Islamic corporate philanthropy, corporate zakat funds, and the performance of Islamic banks in Indonesia for the period 2017–2023. The percentage of philanthropy tends to fluctuate, with an average contribution that is relatively small compared to total assets. The amount of corporate zakat funds also varies between banks, reflecting differences in institutional strategies and commitments. Meanwhile, bank performance (measured by ROA) shows an unstable trend, influenced by macroeconomic conditions and internal management. Descriptive statistics show a significant gap between the minimum and maximum values, both in philanthropy and performance, which emphasizes the importance of strengthening governance and optimizing the social role of Islamic banks. The following table explains each aspect:

Table 2. Islamic Corporate Philanthropy Percentage

Bank Name	2017	2018	2019	2020	2021	2022	2023
Bank Muamalat	0.01562	0.01862	0.02172	0.00709	0.00933	0.00402	0.00389
Bank Syariah Mandiri	0.04607	0.06243	0.04281	0.00480	0.01586	0.01649	0.01678
Bank Syariah Mega	0.04933	0.10463	0.07097	0.10399	0.09273	0.06888	0.04313
BRI Syariah	0.02008	0.02782	0.04297	0.04706	0.02247	0.03760	0.03814
BNI Syariah	0.03599	0.03746	0.04175	0.03367	0.03908	0.03948	0.03632
Average	0.03342	0.05019	0.04404	0.03932	0.03589	0.03329	0.02765

Source: Data processed, 2024

Table 3. Amount of Corporate Zakat Funds

Name Bank	2017	2018	2019	2020	2021	2022	2023
Bank Muamalat	4.406	6.840	9.735	3.753	4.500	1.862	2.012
Bank Syariah Mandiri	19.177	28.131	22.662	2.815	9.592	11.146	12.488
Bank Syariah Mega	1.847	6.326	5.121	5.979	4.289	3.775	2.472
BRI Syariah	1.801	2.965	5.541	6.934	4.001	7.228	8.559
BNI Syariah	2.579	3.169	4.538	5.524	7.701	9.329	10.245

Source: Data processed, 2024

Table 4. Performance ROA of Sharia Commercial Banks

Bank Name	2017	2018	2019	2020	2021	2022	2023
Bank Muamalat	0.84244	0.86817	0.87002	0.09160	0.13029	0.14432	0.04233
Bank Syariah Mandiri	1.13221	1.48571	1.01811	0.10722	0.41151	0.41280	0.41525
Bank Syariah Mega	0.96801	2.26457	2.04535	0.24702	0.21986	1.80481	1.03145
BRI Syariah	0.10405	0.72318	0.74458	0.03233	0.50613	0.61476	0.32048
BNI Syariah	0.78369	0.95715	0.79860	0.83752	0.99282	0.97963	0.88071

Average 0.76608 1.25976 1.09533 0.26314 0.45212 0.79126 0.53804

Source: Data processed, 2024

Table 5. Descriptive Statistics of Independent and Dependent Variables

Statistics	Islamic Corporate Philanthropy		Kinerja Bank Umum Syariah	
Descriptive	Sum	Persentase	Sum	Persentase
Minimal	1,801 Billion	0,003 %	6,577 Billion	0,032%
Maximal	2,813 Billion	0,104%	805,609 Billion	2,264%
Average	7,115 Billion	0,037%	199,442 Billion	0,737%
Standard Deviation	5,889 Billion	0,026%	190,339 Billion	0,551%

Source: Data processed, 2024

Based on the data in the tables above, it can be explained that the t-test results for the variable of Islamic corporate philanthropy have a *t-count* value of 3.768 with a significance of 0.001. This value is greater than the *t-table* ($3.768 > 2.032$) with a significance value of 0.001, which is less than 0.05. This indicates that the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted. This means that Islamic corporate philanthropy has a significant effect on the performance of Islamic Commercial Banks in Indonesia. The regression coefficient value of -11.580 indicates a real relationship, although the direction of the effect needs to be understood more deeply through empirical data.

Empirically, Islamic corporate philanthropy affects the performance of Islamic Commercial Banks because banks with higher corporate zakat expenditures tend to show better financial performance. Based on average data throughout the 2017–2024 observation period, Bank Syariah Mega had the highest percentage of philanthropy, namely 0.08% of total net assets, followed by the highest performance based on *Return on Assets* (ROA) of 1.23%. This confirms the correlation between the amount of zakat expenditure and financial performance. Similarly, Bank Syariah Mandiri, which recorded the highest nominal zakat expenditure, averaging IDR 15.1 billion, also had the highest net profit throughout the observation period, namely IDR 437

billion. This fact reinforces that corporate zakat has a positive implication on bank asset growth and profitability.

The acceptance of this hypothesis shows that corporate zakat paid by Islamic banks brings blessings in the form of increased assets and income. Theologically, this is in line with Allah's promise in the Qur'an that zakat paid will be replaced many times over, tenfold (QS. 6:160) or even seven hundredfold (QS. 2:261). This principle of blessing is understood as a multiplier effect on the future profits of Islamic banks. In other words, zakat does not reduce net profit, but rather expands economic growth opportunities and maintains business continuity.⁵⁶

The results of this study are in line with RBV Theory, which states that corporate donations in the form of social programs can increase revenue. For Islamic banks, corporate zakat enhances their reputation as institutions that comply with sharia, are committed to Islamic principles, and care about society. This reputation becomes a valuable intangible resource, as it strengthens the competitive advantage of Islamic banks amid fierce competition in the national banking industry.⁵⁷

In addition, these findings are also relevant to RDT, which emphasizes that philanthropy can reduce company costs.⁵⁸ For example, distributing zakat for educational scholarships will improve the quality of human resources. In the long term, Islamic banks can recruit the best graduates who are beneficiaries of zakat for their staffing needs. This reduces recruitment and training costs while ensuring the availability of human resources that meet industry needs.⁵⁹

These findings are consistent with Simpson & Kohers' research on the banking industry in the United States with a sample of 385 banks in the period 1993–1994, which found a positive relationship between social performance and financial performance.⁶⁰ Similarly, research by Wang et al. with panel data from 817 companies in the period 1987–1999 shows a correlation between corporate philanthropy and company performance.⁶¹ Thus, the results of this study reinforce

⁵⁶ Shihab, *Al-Quran Dan Maknanya*.

⁵⁷ Barney, "Firm Resources and Sustained Competitive Advantage," 99.

⁵⁸ Pfeffer and Salancik, *The External Control of Organizations*.

⁵⁹ Bruce Seifert et al., "Having, Giving, and Getting: Slack Resources, Corporate Philanthropy, and Firm Financial Performance," *Business & Society* 43, no. 2 (2004): 135–61, <https://doi.org/10.1177/0007650304263919>.

⁶⁰ W. Gary Simpson and Theodor Kohers, "The Link Between Corporate Social and Financial Performance: Evidence from the Banking Industry," *Journal of Business Ethics* 35, no. 2 (2002): 97–109, <https://doi.org/10.1023/A:1013082525900>.

⁶¹ Heli Wang et al., "Too Little or Too Much? Untangling the Relationship Between Corporate Philanthropy and Firm Financial Performance," *Organization Science* 19, no. 1 (2008): 143–59, <https://doi.org/10.1287/orsc.1070.0271>.

the international literature on the reciprocal relationship between social responsibility, particularly corporate zakat, and financial performance.

From a descriptive statistical perspective, the data shows that the highest percentage of philanthropy was achieved by Bank Syariah Mega in 2018 at 0.104% and the highest ROA performance in the same year reached 2.264%. Meanwhile, in nominal terms, the largest corporate zakat was issued by Bank Syariah Mandiri, with an average of IDR 15.1 billion, which was in line with its highest profit achievement of IDR 437 billion. This data reinforces the empirical evidence that the greater the bank's concern through zakat, the greater the profits that can be achieved.

However, this study also notes variations between banks. For example, Bank Muamalat showed a downward trend in philanthropic contributions from 0.021% in 2019 to 0.003% in 2023, which is in line with the decline in ROA performance from 0.870% in 2019 to 0.042% in 2023. This phenomenon further strengthens the relationship between low philanthropic awareness and weakening bank performance, as presented in the following table.

Table 6. The Relationship Between Corporate Zakat and Sharia Bank Performance

Sharia Banks	Percentage/Corporate Zakat	Performance (ROA/Profit)	Description
Mega Sharia	Highest 0.08% (2017–2024), peak 0.104% (2018)	Highest ROA 2.264% (2018), average 1.23%	Consistently shows that high zakat is followed by high financial performance.
Mandiri Sharia	The highest corporate zakat nominal value of IDR 15.1 billion	Highest average net profit of IDR 437 billion	The amount of zakat is directly proportional to the achievement of the largest net profit.
Muamalat	Zakat decreased from 0.021% (2019) → 0.003% (2023)	ROA decreased from 0.870% (2019) → 0.042% (2023)	The decline in zakat was followed by a weakening of financial performance.
Other Sharia	Low to moderate variation	Stable or low fluctuation performance	No strong correlation, influenced by external and managerial factors.

Source: modification by author, 2025

Thus, it can be concluded that corporate zakat not only functions as a sharia obligation but also as a corporate strategy that can enhance reputation, reduce costs, strengthen competitive advantage, and support the sustainability of Islamic banks. The theoretical implications reinforce the validity of RBV and Resource Dependence

theories in the context of Islamic banking. Meanwhile, the practical implications show that optimal corporate zakat management has the potential to become an important instrument in improving the financial performance of Islamic banks in Indonesia.

Zakat, Sharia Corporate Philanthropy, and Sharia Commercial Bank Performance: Regulatory Compliance Analysis and Strategic Implications

Corporate zakat has become an important issue in the development of contemporary Islamic economic law, particularly in the Islamic banking sector. Contemporary scholars agree that the legal basis for corporate zakat can be established through the method of *qiyas*, which is to analogize corporate zakat to trade zakat. Therefore, the pattern of calculating corporate zakat is generally the same as trade zakat, which is imposed on assets or goods of value, have reached *nishab* and have been traded for a full year. In the context of Islamic commercial banks, zakat can be calculated through annual income statements, with a mathematical formula of 2.5% of net income after taxes. This provision is in line with the principles of Islamic accounting as stipulated in PSAK No. 109 concerning the accounting of zakat, infaq, and sadaqah. Thus, corporate zakat obligations are not merely a moral aspect, but also part of transparent Islamic financial management.

From the perspective of positive law in Indonesia, corporate zakat can be placed within the framework of corporate social responsibility (CSR). A systematic legal interpretation shows the interconnection between Article 74 of Law No. 40 of 2007 concerning Limited Liability Companies, Article 15 of Law No. 25 of 2007 concerning Investment, and Article 3 of Law No. 23 of 2011 concerning Zakat Management. These three regulations are interrelated, even though they originate from different fields of law, because they both emphasize the goals of public welfare and poverty alleviation. Article 74 of Law No. 40 of 2007 does not explicitly mention zakat as a form of CSR, but zakat can be included in the category of social responsibility, especially for companies whose businesses involve the utilization of resources and the wider community. This relationship is further strengthened by Government Regulation No. 47 of 2012 concerning Social and Environmental Responsibility, which affirms the moral and social obligation of companies to create harmonious relationships with the community. In fact, if this obligation is not fulfilled, companies may be subject to sanctions as stipulated in Article 7 of Government Regulation 47 of 2012.

When viewed through a systematic interpretation, these three laws do not contradict each other, but rather reinforce each other. The legal principles contained therein form an interrelated unity (*samenhangende eenheid*). For example, Article 3 of Law No. 23 of 2011 emphasizes that the purpose of zakat management is to increase the benefits of zakat to realize community welfare and alleviate poverty. This is in line with the mandate of Article 74 of Law No. 40 of 2007 concerning CSR and Article 15 of Law No. 25 of 2007 concerning corporate social responsibility. Thus, corporate zakat paid by Islamic banks can be understood as both a legal implementation and a philanthropic practice that has social benefits.

In practice, quantitative analysis shows that there is a positive influence between sharia corporate philanthropy—including corporate zakat—and the performance of sharia banks. Research results on five sharia commercial banks during the 2017–2023 period prove that all banks comply with the provisions of the legislation related to zakat management. This can be seen from the existence of a special zakat item in the income statement and the zakat fund source and use report. Furthermore, all banks have also been proven to have allocated zakat as part of their operating costs, which demonstrates their compliance with CSR obligations as stipulated in Law No. 40 of 2007 and Government Regulation No. 47 of 2012.

Of the five banks studied, Bank Mega Syariah was recorded as the largest contributor to sharia corporate philanthropy, both in terms of the percentage of zakat and the nominal amount of zakat funds distributed. Bank Syariah Mandiri ranked second, while Bank Muamalat Indonesia was in the lowest position. This condition is directly proportional to the financial performance of each bank, where Bank Mega Syariah has the highest Return on Assets (ROA) and Bank Muamalat Indonesia has the lowest. This fact reinforces the argument that the higher the profits and assets owned by a bank, the greater the zakat that can be paid. Conversely, a decline in profits or weakening financial performance will have an impact on a decrease in the value of zakat distributed.

Thus, corporate zakat in the context of Islamic banking has two important dimensions. First, as a religious and moral obligation based on sharia principles, analogous to trade zakat. Second, as a positive legal instrument attached to corporate social responsibility (CSR) obligations. These two dimensions converge on a common goal, namely, to realize the welfare of society through a more equitable distribution of wealth. Therefore, corporate zakat not only has an impact on the spiritual and social legitimacy of Islamic banks but also contributes to improving

financial performance, institutional image, and public trust in the Islamic financial system as a whole.

Corporate zakat in Islamic commercial banks has a strong legal basis through qiyas with trade zakat and is reinforced by national regulations related to corporate social responsibility. The results of the analysis show a positive relationship between Islamic corporate philanthropy, as manifested through zakat payments, and bank performance as proxied by ROA. The five Islamic banks studied (2017–2023) consistently fulfilled their zakat obligations in accordance with Law No. 40 of 2007 and PSAK 109. Bank Mega Syariah was found to have the highest level of philanthropy and performance, while Bank Muamalat Indonesia had the lowest. This confirms that the greater the profit, the higher the zakat contribution, and the better the bank's performance.

The relationship between zakat compliance and Islamic bank performance is one of the important findings in this study. Regression analysis shows a positive and significant relationship between zakat management compliance and bank financial performance. This means that the higher the level of bank compliance in paying and reporting zakat in accordance with the provisions of Law No. 23 of 2011, the better the financial performance achieved. This finding confirms that zakat is not only understood as an individual or institutional religious obligation, but also has a strategic function in building reputation, increasing public trust, and strengthening customer loyalty. Zakat that is managed transparently also becomes an indicator of good corporate governance, thereby impacting long-term financial stability.

In addition to zakat, the practice of Islamic Corporate Philanthropy (ICP), which includes zakat, infaq, sadaqah, and waqf, has been proven to have a positive impact on bank performance. Sharia banks that actively distribute religious social funds through community empowerment programs tend to have more stable performance and are more resistant to economic turmoil. ICP also strengthens the social brand of Islamic banks, which in turn attracts investors, business partners, and Muslim consumers who prioritize ethical values when choosing financial services. Thus, ICP is not only a form of normative compliance but also a reputation strategy that contributes to the competitiveness of banks in the global financial industry.

However, the implementation of compliance with zakat regulations in Islamic banks still faces challenges. This study identifies a gap between legal provisions and actual practices in the field. Despite clear legal foundations, not all Islamic banks demonstrate optimal compliance. Some banks still record zakat as an operating expense without explicit reporting, and some even leave the responsibility of zakat

to individual customers. This raises doubts about the consistency of regulatory implementation and reduces the social legitimacy of banks. Conversely, there are also best practices from certain banks, such as BSI, BCA Syariah, and BTPN Syariah, which implement transparent and integrative zakat reporting through the Islamic Social Report. Such practices show that zakat governance can be optimized to provide a double impact: spiritual compliance and sound corporate performance.

Zakat in the Islamic financial system not only fulfills spiritual obligations but is also part of the architecture of Islamic business ethics. When zakat is managed strategically, it functions as an instrument of wealth redistribution that is legitimate in Islam, a tool for the bank's reputation and legitimacy in the eyes of the public, and a parameter of social performance in the triple bottom line model (people, planet, profit). Unlike CSR in the conventional capitalist system, which is voluntary, ICP in Islam has a binding normative-religious dimension. This is what makes zakat and Islamic corporate philanthropy more powerful in shaping the social ethos of institutions and creating competitive differentiation for Islamic banks.

From a policy perspective, these findings have important implications. First, for regulators and zakat authorities such as OJK, BAZNAS, and KNEKS, the results of this study can be used as a basis for strengthening integrative policies, for example, by requiring companies to report zakat in their annual reports, encouraging the integration of CSR and ICP reporting in the Islamic financial system, and developing more accountable corporate zakat reporting guidelines. Second, for banking practitioners, it is important to internalize the value of zakat as part of corporate culture, build a transparent reporting system, and develop strategic corporate philanthropy programs. Banks that consistently implement ICP will be more trusted by customers, especially Muslims who are increasingly critical of sustainability and business ethics. Third, for academics and researchers, this study opens up opportunities for further research, whether in the form of comparative studies between countries on zakat and ICP practices in the banking industry, the development of sharia company performance measurement models that include zakat indicators, or analysis of the role of ICP in sustainability strategies and reputation risk mitigation.

This means that zakat and Islamic Corporate Philanthropy have a strategic position in strengthening the ethical, social, and financial foundations of Islamic banks. Zakat compliance not only supports financial stability but also serves as an instrument of social legitimacy that strengthens the long-term sustainability of banks. Ultimately, the synergy between regulation, compliance implementation,

and Islamic corporate philanthropy strategies will be key to building a competitive, equitable, and sustainable Islamic banking industry.⁶²

Table 7. The Relationship Between Zakat, ICP, and Sharia Bank Performance

	Key Findings	Implications
Relationship between Zakat Compliance and Bank Performance	Zakat compliance has a significant positive effect on bank financial performance. Zakat transparency enhances reputation, trust, and customer loyalty.	Zakat is an indicator of good sharia governance and supports the sustainability of the bank's business.
The Influence of Islamic Corporate Philanthropy (ICP)	ICP (zakat, infaq, sadaqah, waqf) strengthens bank stability and resilience to crises. ICP enhances the social brand of Islamic banks.	It attracts Muslim investors and consumers who care about ethics, distinguishing Islamic banks from conventional banks.
Implementation & Regulation	There is a gap between legal regulations and practice. Not all banks report zakat properly. Best practices: BSI, BCA Syariah, BTPN Syariah.	Clearer guidelines for zakat reporting are needed; integration of ICP & CSR in Islamic bank annual reports.
Zakat as a Governance Instrument	Zakat functions as a means of wealth redistribution, a reputation instrument, and a social performance parameter (triple bottom line).	Strengthens the social legitimacy of Islamic banks; affirms the Islamic ethos in modern finance.
Practical Implications	1. Regulators: Mandate zakat reporting, ICP-CSR integration, and accountable guidelines. 2. Banks: Internalize zakat, transparent reporting systems, and strategic philanthropy programs. 3. Academics: Comparative research, integration of zakat into performance models, and sustainability studies.	Zakat & ICP are not only obligations, but also strategies for sustainability, risk management, and the reputation of Islamic banks.

Source: modification by author, 2025

The repositioning of zakat in the context of Islamic banking has undergone a fundamental shift from a mere spiritual obligation to a strategic corporate

⁶² Panca Setyo Prihatin et al., "Evaluation of the Implementation of Corporate Social Responsibility (CSR) Policies in Dumai City, Riau Province, Indonesia," *Jurnal Ilmiah Peuradeun* 12, no. 1 (2024): 273-92, <https://doi.org/10.26811/peuradeun.v12i1.972>.

instrument.⁶³ Zakat is no longer understood solely as a personal act of worship between a servant and God, but as an integral part of corporate governance that promotes social values, ethics, and sustainability. This change is in line with the concept of *Islamic Corporate Social Responsibility* (ICSR), which places zakat as a normative obligation—not an optional activity as in conventional CSR. Within the framework of *maqāṣid al-sharī'ah*, compliance with zakat touches on the dimensions of *ḥifẓ al-māl* (protection of wealth) and *ḥifẓ al-dīn* (protection of religion), so that regulatory compliance also has moral and spiritual significance. Sharia banks that have successfully internalized the value of zakat into their governance have proven to have stronger social legitimacy and can demonstrate managerial capabilities oriented towards sustainability.⁶⁴

Furthermore, the repositioning of zakat is expanded through the concept of *Islamic Corporate Philanthropy* (ICP), which includes infaq, sadaqah, and cash waqf. ICP expands the scope of corporate philanthropy from merely distributing zakat to making real efforts to build society. Programs such as scholarships, MSME empowerment, and public facility development are concrete forms of integrating Sharia norms with modern institutional norms.⁶⁵ From the perspective of legitimacy theory, the consistency of measurable ICP distribution strengthens the social acceptance of institutions, increases customer loyalty, and broadens the basis of public trust. At this point, Boaventura de Sousa Santos' concept of *interlegality* finds its relevance, as ICP practices create hybrid laws that bring together Islamic law and contemporary regulations. This model is not only accepted by the community but also recognized by regulators as a form of social responsibility specific to Islamic banks.

However, research shows significant variations in zakat compliance among Islamic commercial banks. The lack of consistency in zakat reporting and ICP practices has led to fragmentation in governance. Some banks report zakat in detail in their Islamic Social Reports, while others simply record it as an operating expense without transparency regarding the beneficiaries. This disparity highlights the absence of standardised zakat reporting in terms of format, frequency, and

⁶³ Lu He and Minghui Jiang, "How Does Philanthropy Influence Innovation Management Systems? A Moderated Mediation Model with a Social Exchange Perspective," *Systems* 10, no. 6 (2022): 206, <https://doi.org/10.3390/systems10060206>.

⁶⁴ Abdurrohman Kasdi, "Actualizations of Maqashid Al-Shariah in Modern Life: Maqashid al-Shariah Theory As a Method of the Development of Islamic Laws and Shariah Economics," *Justicia Islamica* 16, no. 2 (2019): 2, <https://doi.org/10.21154/justicia.v16i2.1666>.

⁶⁵ Godfrey, "The Relationship Between Corporate Philanthropy And Shareholder Wealth."

accountability. This situation is exacerbated by weak coordination between zakat authorities (BAZNAS/Laznas), fiscal regulators, and the OJK. As a result, the national zakat ecosystem remains fragmented, unable to generate the synergy needed to promote zakat as a systemic and consistent instrument of Islamic economics.

In a global context, zakat and ICP are closely related to the Sustainable Development Goals (SDGs). Sharia banking philanthropy programs contribute substantially to the goals of poverty alleviation, education, and economic empowerment. The integration of zakat and ICP programs into sustainability reports demonstrates the seriousness of sharia banks in supporting national and global sustainable development. In fact, packaging zakat within the ESG (*Environmental, Social, and Governance*) framework has the potential to attract *ethical investors* who emphasize sustainability and ethical values. This proves that zakat can be an instrument that bridges Islamic spirituality with modern investment standards.

In addition to its social contribution, zakat also has a systemic impact on the resilience of financial institutions. Banks that consistently distribute zakat and ICP tend to be more resilient in the face of crises because they enjoy higher public trust. Productive zakat, for example, in the form of microfinance, has a multiplier effect on the local economy, thereby supporting the bank's liquidity stability. Thus, zakat can be viewed not only as an obligation that reduces assets, but also as a long-term social investment that strengthens the bank's relationship with its customer community.

However, a number of challenges still hinder the optimization of zakat and ICP. First, the absence of binding zakat reporting standards means that transparency and accountability remain weak. Second, synergy between the OJK, BAZNAS, and DSN-MUI is still minimal, so that zakat governance is not yet fully integrated. Third, managerial awareness is still limited; some bank leaders view zakat as merely an administrative obligation, not a corporate strategy. In addition, there is legal uncertainty regarding the status of corporate zakat and the limitations of banks in acting as *amil*. These challenges have an impact on how Islamic banks, particularly Bank Syariah Indonesia (BSI), fulfill *maqāsid al-sharī'ah* as well as sustainable development targets.

To that end, several recommendations are proposed. *First*, OJK and BAZNAS need to formulate corporate zakat reporting standards that are integrated into banks' annual reports. *Second*, regulators can provide fiscal incentives and public

recognition for banks that comply with zakat. *Third*, academic research needs to develop a model for measuring the social contribution of zakat that is linked to financial indicators. With these steps, zakat and ICP will not only maintain social legitimacy but also strengthen the long-term performance of Islamic banks.

The findings of this study underscore that zakat and Islamic Corporate Philanthropy (ICP) are not merely spiritual obligations, but strategic instruments for the sustainability of Islamic banks. However, implementation at the industry level still faces serious fragmentation. Some banks have reported zakat transparently through the Islamic Social Report, while others only record zakat as an operating expense without clear accountability. This condition creates a gap between the normative ideal of sharia and corporate practice.

Zakat has a dual function: wealth redistribution and social legitimacy. This makes it stronger than conventional CSR, which is voluntary in nature. Unfortunately, there are no standard norms and strict regulatory obligations, so zakat practices still tend to depend on the internal awareness of banks. On the other hand, ICP has been proven to strengthen the resilience of banks in facing crises, in line with the triple bottom line (people, planet, profit) and support for SDGs. Therefore, reconstructive efforts are needed in the dimensions of regulation and governance. If regulation and governance are not strengthened, the contribution of zakat risks becoming merely symbolic, without a significant impact on the economy of the ummah. Therefore, synergy between regulators, BAZNAS, DSN-MUI, and the industry is urgent so that zakat is truly integrated into the framework of sustainable Islamic financial governance.

Conclusion

This study empirically confirms that corporate sharia philanthropy, particularly corporate zakat, has a significant positive effect on the performance of sharia commercial banks in Indonesia during the period 2017–2023. An analysis of five banks shows that the greater the zakat allocation, the better the financial performance as reflected in ROA. This is evidenced by Bank Mega Syariah's position as the largest zakat contributor and the highest performer, while Bank Muamalat ranks lowest in both categories. There are three main reasons why zakat improves bank performance. First, zakat has a spiritual and economic multiplier effect, as emphasized in QS. 6:160 and QS. 2:261. Second, zakat compliance strengthens the bank's reputation as a sharia-compliant business entity, thereby becoming an intangible asset that enhances competitive advantage. Third, zakat and CSR

strengthen social legitimacy, build public and investor trust, and ensure business sustainability. Although all sample banks have complied with Law No. 40 of 2007 and reported zakat in their annual reports, the practice is still influenced by the quality of governance and regulatory constraints. The integration between CSR and sharia philanthropy continues to grow, but still faces challenges of legal uncertainty and operational mechanisms. Thus, zakat and sharia corporate philanthropy are not only spiritually valuable but also strategic instruments in governance, financial performance improvement, and strengthening the social legitimacy of sharia banking in Indonesia. The recommendations proposed by the researchers are as follows: Islamic banks need to increase the percentage of corporate zakat to boost profitability, while future researchers are advised to expand the sample, enrich the variables, and develop a more comprehensive model to explain the relationship between Islamic philanthropy, governance, and bank performance.

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