

Case Article

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Do profitability and firm size as moderating variables determine zakat payment?

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ABSTRACT

Purpose: This paper aims to determine the effect of profitability proxies by Return on Asset (ROA) and Return on Equity (ROE) on zakat payments and firm size as moderating variables in the Islamic Commercial Banks period 2016-2020.

Methods: This research employs a descriptive quantitative approach. The population in this research is obtained using a purposive sampling method at Islamic Commercial Banks in Indonesia, registered with the Financial Services Authority (OJK), during the period 2016-2020, and based on predetermined criteria, resulting in a sample of 9 banks. The total number of observations in this research is 45, which is used in the research hypothesis test employing the multiple linear regression analysis technique with the EVIEWS 12 application tool.

Findings: The results of this study indicate that, partially, Return on Asset (ROA) and Return on Equity (ROE) have a positive effect on company zakat payments. Firm size is unable to moderate the impact of Return on Assets (ROA) on company zakat payments. Still, it can moderate the effect of Return on Equity (ROE) on the company's zakat payments.

Practical implications: The findings of this research are expected to provide the company with complementary materials and valuable insights. Readers are expected to find the results of this research beneficial and can utilize them for the benefit of the reader.

Originality: This research has tremendous value. Islamic banking is expected to apply sharia principles in operational activities, in the case of this study, namely, the payment of zakat.

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Abstrak

Tujuan: Penelitian ini bertujuan untuk menentukan pengaruh proksi profitabilitas berupa Return on Asset (ROA) dan Return on Equity (ROE) terhadap pembayaran zakat dan ukuran perusahaan sebagai variabel moderator pada periode 2016-2020 di Bank Syariah Komersial.

Metode: Penelitian ini menggunakan pendekatan kuantitatif deskriptif. Populasi dalam penelitian ini diperoleh melalui metode sampling purposif di Bank Syariah Komersial di Indonesia yang terdaftar di Otoritas Jasa Keuangan (OJK) selama periode 2016-2020, berdasarkan kriteria yang telah ditentukan, sehingga menghasilkan sampel sebanyak 9 bank. Jumlah observasi total dalam penelitian ini adalah 45, yang digunakan dalam pengujian hipotesis penelitian dengan teknik analisis regresi linier berganda menggunakan aplikasi EVIEWS 12.

Temuan: Hasil penelitian ini menunjukkan bahwa, secara parsial, Return on Asset (ROA) dan Return on Equity (ROE) memiliki pengaruh positif terhadap pembayaran zakat perusahaan. Ukuran perusahaan tidak dapat memoderasi pengaruh Return on Assets (ROA) terhadap pembayaran zakat perusahaan. Namun, ukuran perusahaan dapat memoderasi pengaruh Return on Equity (ROE) terhadap pembayaran zakat perusahaan.

Implikasi praktis: Temuan penelitian ini diharapkan dapat memberikan bahan pelengkap dan wawasan berharga bagi perusahaan. Pembaca diharapkan dapat menemukan hasil penelitian ini bermanfaat dan dapat memanfaatkannya untuk kepentingan pembaca.

Keaslian: Penelitian ini memiliki nilai yang sangat besar. Perbankan Islam diharapkan dapat menerapkan prinsip syariah dalam kegiatan operasionalnya, dalam hal ini, yaitu pembayaran zakat.

Kata kunci: Return on Asset, Return on Equity, Ukuran Perusahaan, dan Zakat.

1. Introduction

According to kumparan.com (2020), the potential for zakat in Indonesia reaches Rp. 12.27 trillion, this is estimated to be an increase of around 20% compared to the previous period of Rp. 10.23 trillion. The chairman of LazisNu, Achmad Sudrajat, said that zakat in Indonesia has enormous potential, reaching Rp. 327.6 trillion, but literacy remains unevenly distributed among people. The potential zakat consists of the agricultural zakat of Rp. 19.79 trillion, livestock zakat of Rp. 9.51 trillion, zakat of deposits of Rp. 58.76 trillion, zakat on income and services of Rp 139.07 trillion, zakat on companies Tbk, including BUMN, reaches Rp. 100 trillion.

Based on the 2020 annual report of Islamic commercial banks, it shows that Rp. 240,730,158,000 zakat realization gains from a 2.5% rate of potential zakat of Rp. 292,631,651,059. Based on the table above, it shows that Rp. 51,901,493,059 zakat funds have not been disclosed. This indicates that the collection of corporate zakat in Indonesia remains low.

Islamic banking is a financial institution that operates in the field of sharia-based financial services. A devout Muslim must channel some of their income funds in the form of zakat, in accordance with Islamic law and applicable regulations, to provide positive value and great benefits for the company's survival—a sharia-based banking company (Widiastuti, 2018).

Over the last five years, the profitability of Islamic Commercial Banks (ICBs) has experienced significant fluctuations. The annual report of Islamic Commercial Banks showed a significant increase in 2019, namely at 1.73%. Whereas in the previous year, the profitability of BUS reached 0.27%. However, in 2020, the profitability of BUS decreased, namely to 1.40%.

Zakat and profit have a close relationship, which is a result of a company's financial performance, serving as a measuring tool for stakeholders in assessing a business entity (Eliana et al., 2020). High profits can reflect an equitable distribution of zakat; it is necessary to understand how the profit level of a business entity can be measured through profitability ratios from financial statement analysis. The application of calculating profitability ratios is based on linking the items in the profit and loss account with the balance sheet, which reflects the company's ability to generate profits (Mashuri, 2016).

2. Theoretical Framework & Hypotheses

According to Apriyanti (2018:26), some Sharia researchers have begun to introduce the term Islamic Enterprise Theory. With this concept, the purpose of financial statements is to achieve success by following the instructions (conformity with Sharia). Another term, namely Sharia Enterprise Theory, explained by Iwan Triyuwono, is that the company's assets show various interested parties, including the rights that must be issued to people with low incomes (zakat) and temporary syirkah funds.

According to terminology, zakat refers to the expenditure of property specifically to those who are entitled to receive it under certain conditions. This means that people who have reached the nisab and the conditions for their zakat (muzakki) are obliged to give it to people experiencing poverty and those who are entitled to receive it (mustahiq). Law number 23 of 2011 explains that zakat is a property that must be issued by a Muslim or business entity to be given to those who are entitled to receive it in accordance with Islamic law.

The types of profitability ratios used in this study are ROA and ROE.

ROA is a ratio that shows the results (return) on the amount of assets used in the company. ROA serves to measure the effectiveness of the company in generating profits by utilizing its assets. The ROA ratio is also often used to assess bank performance in general. The greater the ROA owned by a company, the more efficient the use of assets owned by the company in obtaining increased profits. The return on equity is a ratio that measures net profit after tax in relation to the owner's capital. This ratio indicates the efficiency of utilizing one's own capital. The higher the ROE ratio, the more effectively the company utilizes its equity to generate profits (Umiyati dan Baiquni, 2019). The higher the level of profitability and the continuous profitability, the better the company's performance, and the survival of the company will be guaranteed (Fazriani dan Mais, 2019)

Company size is a determination of the size of the company. The size of the company is measured by its assets; the larger the company's assets, the more resources it can utilize to generate profits. Conversely, the smaller the company's assets, the smaller the profits generated are (Widiastuti, 2018).

The effect of profitability ROA on the company's zakat payment

Profitability (ROA) is related to the company's zakat payments. The higher the profitability resulting from the increase in the company's assets owned by the bank, the better the company's economic ability to generate profits and the healthier its financial position. This certainly affects the ability of banks to pay corporate zakat. As the company's economic capacity increases, it is balanced with concern, responsibility, and guided by Sharia principles to pay corporate zakat. The results of this study indicate a positive relationship between ROA and zakat payments for Islamic commercial banks.

The effect of profitability ROE) on the company's zakat payment

Profitability (ROE) is related to the company's zakat payment. The higher the profitability resulting from the increase in the company's capital owned by the bank, the better the company's economic ability to manage its operating activities, thereby generating profits, and the healthier the company's financial position. This certainly affects the bank's ability to pay corporate zakat. As the company's economic capacity increases, it is balanced with concern, responsibility, and guided by Sharia principles to pay corporate zakat. The results of this study indicate that the Return on Equity (ROE) influences zakat payments for Islamic commercial banks.

The effect of profitability ROA on the company's zakat payments and company size as a moderator variable

To increase the value of the company's zakat so that the increase in assets exceeds the specified nishab, a large-scale operation is needed. The greater the number of assets owned by the bank, the higher the profits obtained will be, making it possible for banks to fulfill their obligations in paying company zakat. In this study, the size of the company is measured by examining its total assets, which tend to increase annually. The increase in assets, coupled with the improved performance of banks in carrying out their operating activities, led to an increase in the profitability (ROA) of banks. The increase in the company's zakat payments is likely due to its growing size.

The effect of profitability ROE on the company's zakat payments and company size as a moderator variable

To increase the value of the company's zakat so that the increase in assets exceeds the specified nishab, a large-scale operation is needed. The greater the amount of capital owned by the bank, the higher the profits obtained will be, making it possible for the bank to fulfill its obligations in paying corporate zakat. In this study, the size of the company is measured by examining its total assets, which tend to increase annually. The increase in capital resulting from the expansion of assets is complemented by the bank's effective capital management, which enables it to carry out its operational activities with increased profitability (ROE). It is believed that the increase in the company's zakat payments is due to its growing size.

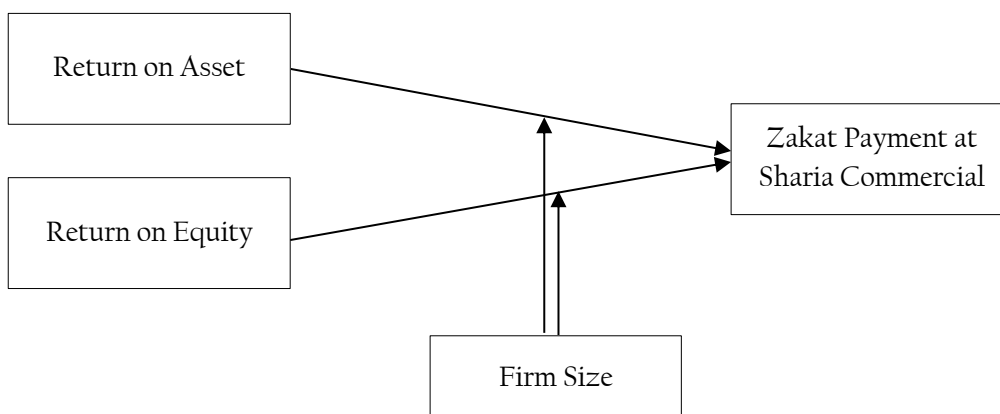


Figure 1. Conceptual framework

3. Methods

This research employed a descriptive quantitative approach. The population comprised all Islamic Commercial Banks registered with the Financial Services Authority (OJK) in Indonesia from 2016 to 2020. The sampling technique employed was purposive sampling, a method that selects sample members based on specific considerations and criteria (Hendryadi et al., 2019). Based on the predetermined criteria, a sample of 9 banks was selected. With a five-year observation period, the total number of observations in this study was 45. The hypothesis was tested using a multiple linear regression analysis technique, which is used to measure the effect of two or more independent variables on a dependent variable (Hendryadi et al., 2019). This analysis was processed with the EViews 12 application tool.

4. Results and Discussion

The study employs multiple regression with Moderated Regression Analysis (MRA) to investigate the relationship between profitability and zakat expenditure, with company size serving as a moderating variable. Moderated Regression Analysis (MRA) is a special analysis of linear multiple regression where the regression equation contains elements of interaction (multiplication of two or more independent variables). In this study, the processing of moderating regression analysis was carried out by comparing three regression equations to determine the type of moderator variables as follows:

$$Zaki,t = \beta_0 + ROAi,t + ROEi,t + Sizei,t + SIZE*ROAi,t + SIZE*ROEi,t + \epsilon$$

Tabel 1. T-test Result and Moderation Test Result

Variable	Coefficient	t-Statistic	Prob.
ROA	9.546271	3.745922	0.0006
ROE	1.654505	4.582545	0.0000
FIRM SIZE	0.423891	9.880677	0.0000
C	-3.482544	-2.655652	0.0112
M1	-1.023116	-0.385137	0.7020
M2	1.272796	3.985300	0.0003

Source: Eviews 12

The results of this study indicate a positive relationship between Return on Assets (ROA) and zakat payments for Islamic commercial banks. This is evidenced by regression analysis, which shows a t-statistic of ROA > t-table (3.745922 > 1.68288) and a probability value of ROA < 5% significance (0.0006 < 0.05). So ROA has a positive influence on the company's zakat payments. ROA has a positive influence on the company's zakat payments, resulting from good financial performance, which enables banks to issue zakat in accordance with religious and legal provisions. A high ROA has an impact on increasing profit before tax in Islamic commercial banks, and the company's ability to pay zakat will increase.

The results of this study indicate that the Return on Equity (ROE) influences zakat payments for Islamic commercial banks. This is evidenced by regression analysis, which shows a t-statistic of ROE > t-table (4.582545 > 1.68288) and a probability value of ROE < 5% significance

($0.0000 < 0.05$). So ROE has a positive influence on the zakat payment of Islamic commercial bank companies. ROE has a positive impact on the company's zakat payments due to its good financial performance, which is generated by operating activities, leading banks to issue zakat according to religious and legal provisions. A high ROE will have an impact on increasing profit before tax for Islamic commercial banks, and the company's ability to pay zakat will also increase.

The results of this study indicate that company size does not moderate the effect of ROA on the company's zakat payments. The test results indicate an adverse interaction effect between ROA and company size on the company's zakat payments. Thus, the size of the company can weaken the relationship between profitability (ROA) and the company's zakat payments. Based on the results of the moderation test, $M1 > 0.05$, the obtained result was $0.7021 > 0.05$. So the size of the company cannot moderate the effect of ROA on the company's zakat payments.

The results of this study indicate that company size moderates the effect of ROE on the company's zakat payments. The test results indicate a positive relationship between the ROE interaction and company size, as well as the company's zakat payments. Thus, the size of the company can strengthen the relationship between profitability (ROE) and the company's zakat payments. Based on the results of the moderation test ($M2 < 0.05$), the obtained results were $0.0003 < 0.05$. The size of the company can moderate the effect of ROE on the company's zakat payments. Based on the analysis above, the results align with the legal basis of the Islamic religion regarding the obligation to pay zakat on companies, as stated in the words of Allah SWT. As follows:

"Verily, zakat is only for the needy, the poor, the amil zakat, those who are softened in their hearts (converts), for (freeing) enslaved people, for (freeing) people who are in debt, for the way of Allah, and for people who are on their way, as an obligation from God. Allah is All-Knowing, All-Wise." (Surah At-Taubah: 60)

5. Conclusion

The results of this study indicate that partially, Return on Asset (ROA) and Return on Equity (ROE) have a positive effect on company zakat payments. Firm size is unable to moderate the impact of Return on Assets (ROA) on company zakat payments. Still, it can moderate the effect of Return on Equity (ROE) on the company's zakat payments.

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