Neo Journal of Economy and Social Humanities (NEJESH) **ISSN: 2828-6480**
Volume 5, Issue 2, 2026.
pp. 295-307 http://dx.doi.org/10.56403/nejesh.v5i2.423

The Effect of Islamic Social Reporting (ISR) and Corporate Zakat Disclosure on the Profitability of Sharia Commercial Banks in Indonesia in 2019-2024

Tria Mauliana [1], Madnasir [2], Ahmad Hazas Syarif [3]
[1,2,3] Faculty of Islamic Economics and Business, UIN Raden Intan Lampung, Bandar Lampung, Indonesia

Article Information

Article History
Received, March 12, 2026
Revised, April 1, 2026
Accepted, April 11, 2026
Published, July 9, 2026

Corresponding Author:
Tria Mauliana, Faculty of Islamic Economics and business, UIN Raden Intan Lampung, Bandar Lampung, Indonesia.
Email:
triamauliana0@gmail.com

ABSTRACT

This study aims to analyze the impact of Islamic Social Reporting (ISR) and corporate zakat disclosure on the profitability of Islamic Commercial Banks in Indonesia from 2019 to 2024. This study adopts a quantitative approach with a causal associative research type. The data used is secondary data obtained from the annual reports and sustainability reports of Islamic Commercial Banks registered with the Financial services Authority (OJK). The sampling technique was carried out using purposive sampling, resulting in 6 banks with a total of 36 observations. The research findings indicate that ISR has a negative and significant impact on profitability as measured by Return on Assets (ROA). Corporate zakat disclosure also shows a negative and significant impact on profitability. However, at the same time, ISR and corporate zakat disclosure have a significant effect on the profitability of Islamic Commercial Banks. These findings indicate that sharia-based social reporting practices and zakat transparency are important factors in supporting the accountability of Islamic financial institutions, even though in the short term they can put pressure on financial performance.

Keywords: Islamic Social Reporting, Zakat Disclosure, Profitability, Sharia Commercial Banks

1. INTRODUCTION

The Islamic financial sector in Indonesia shows substantial development, especially in the field of sharia-based financial institutions. According to the Financial Services Authority (OJK) report in 2024, the total assets of Islamic commercial banks have reached a value of Rp937.48 trillion,with an increase of 11.9% compared to the previous period (OJK, 2024). The increase in the value of assets and the number of customers reflects the wider adoption by the public of the sharia-based financial system as an ethical and stable option. Nonetheless, this asset expansion has not been fully aligned with the bank's capacity to achieve optimum profitability. Based on OJK Sharia banking statistics, the Return on Assets (ROA) of Sharia commercial banks during the 2019-2024 period tends to fluctuate and is relatively lower when compared to conventional financial institutions (Nisa & Reswara, 2024).

This phenomenon raises questions related to non-financial factors, such as the quality of Islamic Social Reporting (ISR) and corporate zakat transparency, which are estimated to also affect the level of profitability of Islamic banks. In the context of sustainability, ISR and zakat reporting are crucial elements that describe the social, spiritual, and moral commitment of Sharia financial institutions to the community (Batubara, Lestari, & Amri, 2023). ISR represents the evolution of social reporting that not only reflects public expectations of the role of companies in the economy, but also related to aspects of spirituality (Widyanti, 2020). Meanwhile, corporate zakat disclosure involves the presentation of data in an annual report outlining the zakat obligations distributed, their calculation methodology, as well as the zakat-receiving entity (Bela et al., 2024).

The Fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) emphasizes the importance of transparency in the management of social funds, including zakat, infaq, and alms. Sharia financial institutions are required not to solely view zakat as a financial obligation, but also to disclose it openly in financial statements (Septian, Eliza, & Bahtiar, 2022). This provision describes the spiritual and social responsibility of the institution towards society. Through clear disclosure of zakat, the bank can strengthen public confidence as well as demonstrate its commitment to the principles of maqasyid al-Sharia, which emphasizes aspects of justice and general welfare (Yumna et al., 2025).

Conceptually, zakat is perceived as one of the components in Islamic Social Reporting (ISR). However, in this study, Zakat disclosure is separated from ISR considering that zakat has more specific, measurable, and mandatory characteristics, while ISR represents the disclosure of Islamic social responsibility more thoroughly and tends to be voluntary (voluntary disclosure). The separation of these variables was carried out to obtain a deeper understanding of the influence of ISR as a broad social reporting and zakat as a special Sharia obligation on the profitability of Sharia commercial banks (Haron, Barre, & Othman, 2021). This study aims to examine in more depth the specific impact of each disclosure practice on the profitability of Islamic banks, by treating the two as separate variables.

Empirical conditions in the field indicate that the implementation of Islamic Social Reporting (ISR) and the disclosure of zakat by Sharia commercial banks (BUS) in Indonesia still faces a number of obstacles. These reporting practices still vary among banks and have not been implemented consistently and comprehensively. Both elements are often perceived as purely administrative obligations, without being integrated into a strategic approach to improve the performance and image of the institution. This kind of inconsistency risks undermining public trust and hindering efforts to achieve the institution's sustainability goals. Therefore, it is important to strengthen management commitment and standardize reporting practices so that the implementation of ISR and corporate zakat can make a tangible contribution to Sharia performance and reputation.

Previous research revealed mixed findings regarding the link between Islamic Social Reporting (ISR), zakat, and profitability. Eliana et.al. 2020) identified that ISR, zakat, as well as company size together had a positive impact on profitability, although individually only zakat showed a significant effect. In contrast, BatuBara (2021) found that Corporate Social Responsibility (CSR) had a significantly positive effect on bank income, while zakat did not show individual significance. (Amala et al 2023) instead revealed that ISR had a significant negative impact on the financial performance of Islamic banks in the post-Covid-19 period. The inconsistency of these findings underscores the importance of more in-depth research utilizing current data from the 2019-2024 period, which includes the post-pandemic era.

The spiritual values underlying economic activity are emphasized in the Qur'an Surah Al-Baqarah verse 267, which commands the Ummah to spend as a result of good quality efforts. According to the interpretation of the Ministry of Religious Affairs of the Republic of Indonesia, the verse conveys the message that the business results issued must come from the best quality. The implementation of this principle through ISR and transparency in the disclosure of zakat is expected to encourage national sustainability and increase the profitability of Islamic banks ethically and sustainably. In addition, Surah Ali Imran verse 104 calls on Muslims to encourage Virtue and prevent evil, which in this context is manifested through the practice of ISR as a manifestation of the bank's social and ethical responsibility towards society as well as its stakeholders.

This study aims to assess the impact of Islamic Social Reporting (ISR) and corporate zakat disclosure on the profitability of Sharia commercial banks in Indonesia in the period 2019-2024. Profitability in this study is measured through the ratio of Return on Assets (ROA). By applying a quantitative approach and using secondary data obtained from the annual reports and sustainability reports of Islamic commercial banks registered with the Financial Services Authority (OJK), this study is expected to produce the latest empirical evidence on the relationship between the two independent variables and the financial performance of Islamic banks. The findings of this study are expected to provide strategic implications for management in improving social reporting practices and zakat management, thereby strengthening foreign power and operational sustainability.

From a theoretical perspective, this study is expected to contribute to the development of Islamic accounting studies, particularly in deepening the understanding of the integration of social and spiritual elements into the evaluation of financial performance. The findings of this study can also strengthen Stakeholder Theory and legitimacy theory by showing that transparent and accountable reporting to stakeholders, accompanied by efforts to obtain socio-religious legitimacy, has a positive impact on economic aspects. In addition, this research has the potential to enrich the empirical literature on the relevance of Sharia values in shaping reporting practices that have the potential for sustainability and public welfare. Therefore, this study is expected to serve as a scientific reference in the development of social reporting models based on sharia, with a more comprehensive and sustainable approach.

Stakeholder theory states that organizational entities must meet the interests of various related parties, including customers, employees, regulators, and communities. In this context, Islamic Social Reporting (ISR) and transparency of zakat Disclosure Act as communication and accountability mechanisms to stakeholders, which further strengthen social and economic support for banks (Pratomo & Akbar, 2023). On the other hand, the theory of legitimacy explains that organizations seek to obtain and maintain social legitimacy in order to ensure their operational continuity. The disclosure of the Islamic Social Responsibility and zakat report is a strategic approach to achieve such legitimacy, by showing conformity to religious and social norms prevailing in society (Wahyuni & Wafiroh, 2023). Therefore, this research is not only beneficial for academics, but also for Islamic finance practitioners and regulators in developing more effective and sustainable reporting policies in the future.

This research is motivated by the inconsistency of results from previous research on the effect of sharia-based social reporting practices on financial performance. Some studies show that Islamic Social Reporting (ISR) and zakat disclosure contribute positively to increasing stakeholder confidence which leads to increased profits , but other studies actually find negative or insignificant impacts because the allocation of social funds is considered a cost burden that suppresses profitability in the short term, especially in the recovery period post-covid-19 pandemic. In addition, the fluctuation in Return on Assets (ROA) at Sharia commercial banks in Indonesia during the 2019-2024 period which tends to be lower than conventional banks reinforces the urgency to re-examine whether spiritual and social transparency is really capable of becoming an intangible asset that supports economic sustainability or is actually a financial obstacle for institutions.

The main objective of this study was to analyze and empirically test the impact of Islamic Social Reporting (ISR) and corporate zakat disclosure on the profitability of Sharia commercial banks in Indonesia projected through Return on Assets (ROA) during the observation period 2019-2024. Specifically, this study seeks to determine whether Sharia-based social reporting practices and transparency of zakat management, both individually and simultaneously, are able to influence the financial performance of Islamic banking institutions in the midst of post-pandemic volatile economic conditions. Through a causal-associative quantitative approach, this study is expected to provide the latest empirical evidence on the integration of spiritual and social values in supporting the accountability and sustainability of Islamic bank operations in the eyes of stakeholders.

2. LITERATURE REVIEW

a. Theoretical Basis

1) Stakeholder Theory

Stakeholder theory states that the sustainability of a company depends not only on its ability to maximize profits for shareholders, but also on its ability to meet the expectations and needs of various stakeholders, including customers, employees, regulatory authorities, and the general public. Companies are expected to align their economic interests with proportionate social responsibility and sustainability. In the context of Islamic financial institutions, the implementation of Islamic Social Reporting (ISR) and disclosure of zakat serves as a mechanism for accountability and a means of communication with stakeholders to build trust and obtain social support. This trust ultimately contributes to improving the financial performance of the institution (Pratomo & Akbar, 2023).

2) Theory Of Legitimacy

Legitimacy theory emphasizes the need for conformity between the company's operational activities with the norms and values prevailing in society. The company seeks to obtain and maintain legitimacy from the public so that its business operations can continue. If it fails to maintain legitimacy, this can trigger social conflicts that endanger the company. Islamic banks, as institutions based on Islamic principles, need legitimacy not only in terms of formal law, but also from social and spiritual aspects. The disclosure of Islamic Social Reporting (ISR) and zakat serves as an approach to show that the bank has carried out activities in accordance with Sharia rules and has made a positive contribution to the community, so that public legitimacy can be maintained and encourage increased profitability (Wahyuni & Wafiroh, 2023).

3) Linkage Of Theory With Research

Both theories support each other in explaining the relationship between variables. Stakeholder Theory explains to whom banks are accountable i.e. stakeholders, while legitimacy theory explains why banks need to be accountable (to gain public recognition). Disclosure of Islamic Social Reporting (ISR) and zakat openly meet the expectations of stakeholders (based on Stakeholder Theory) while building and maintaining the legitimacy of the bank in the public eye based on The Theory of legitimacy. This solid trust and legitimacy then serves as a social asset that encourages customer loyalty, attracts investors, and ultimately contributes to increased bank profits.

b. Research Variables

1) Profitability

Profit is a ratio used to assess the ability of a company to make a profit from its operating activities. In the context of financial institutions, the level of profit reflects the extent to which management is able to manage assets effectively and efficiently. One indicator that is often used to measure profit is Return on Assets (ROA), which is a ratio that evaluates an entity's ability to generate net income based on its total assets. The higher the ROA value, the more efficient the asset management in generating profit (Kasmir, 2019; Ilmiah et al., 2024). Therefore, ROA serves as a suitable indicator for assessing the profitability of an Islamic Commercial Bank, as it reflects how effective the management is in using all existing assets to make a profit.

2) *Islamic Social Reporting* (ISR)

Islamic Social Reporting (ISR) is a social performance reporting framework designed based on Sharia values. The ISR includes not only economic dimensions, but also spiritual and social dimensions, including adherence to sharia, principles of justice, and environmental responsibility. The ISR Index represents an evolution of the traditional social reporting index by incorporating elements specific to islam, such as disclosure of riba-free transactions, zakat, and policy outcomes for employees (Widyanti, 2020). With the disclosure, the company is expected to improve transparency while demonstrating its dedication in applying sharia principles to all stakeholders.

3) Disclosure of Corporate Zakat

Corporate zakat disclosure refers to the submission of data regarding zakat obligations calculated and paid by companies in their annual reports or sustainability reports. This Data includes the amount of zakat paid, how it is calculated, and the parties who receive the zakat distribution. In contrast to conventional corporate social responsibility (CSR), zakat in Islamic teachings is a mandatory obligation of entities that meet the criteria and is one of the pillars of islam. The open disclosure of zakat demonstrates the bank's commitment to sharia principles and its socio-spiritual responsibility (Bela et al., 2024). In this study, zakat is required as a separate independent variable from ISR to specifically evaluate the impact of this religious financial obligation on profits.

c. Review of previous research and hypothesis development

1) Previous Research

Several studies have examined the relationship between ISR, zakat, and financial performance.(Eliana et al, 2020) found that collectively, zakat, company size, and ISR had a positive impact on profitability, although individually only zakat showed a significant effect. In accordance with these findings (BatuBara 2021) shows that zakat and Corporate Social Responsibility together have a significant impact on the income of Islamic banks, although zakat itself does not show a significant impact. In contrast, (Ilhami et al, 2025) and (puspawati et al, 2020) emphasize that profitability actually has a positive impact on ISR disclosure rates, suggesting a reciprocal relationship. Research by Ningtyas & Pratama (2022) introduces ISR as a moderating variable that reinforces the relationship between other financial ratios and profitability. These mixed findings indicate the need for more in-depth research with the latest data to obtain more robust empirical evidence.

2) Development Of Hypotheses

Influence of Islamic Social Reporting (ISR) on profitability

Islamic Social Reporting is a form of bank islam's responsibility to its stakeholders. Based on Stakeholder Theory, comprehensive and transparent ISR disclosures will build trust among customers, investors and the public. This trust will encourage loyalty and investment activity, which in turn will increase the bank's revenue and profits. The theory of legitimacy also states that ISR allows banks to acquire social legitimacy, which is the main prerequisite for operational continuity. Research by Rachmawati & Karim (2020) and Prastika & Widodo (2020) shows a positive correlation between Islamic governance closely related to ISR and bank performance. Therefore, the first hypothesis was formulated as follows:

H1: Islamic Social Reporting (ISR) has a positive effect on the profitability of Islamic commercial banks.

Effect of Zakat disclosure on profitability

Zakat disclosures demonstrate the bank's compliance with its religious responsibilities and commitment to social justice principles. Although zakat can directly reduce net income, transparency in its disclosure actually provides additional benefits. According to Stakeholder Theory, the general public will respond with increased trust and loyalty. On the other hand, legitimacy theory explains that zakat disclosure is a strategy used by banks to emphasize their adherence to Islamic norms that are highly respected by the public, thus strengthening the legitimacy and image of the bank. This better image serves as an intangible asset that can attract more customers and investors, which will ultimately increase profits in the long run. This is confirmed by the results of research Eliana et al. (2020) and septian et al. (2022), which showed a positive correlation between zakat and financial performance. Therefore, the second hypothesis is formulated as:

H2: disclosure of corporate Zakat has a positive effect on the profitability of Islamic commercial banks.

The effect of Islamic Social reporting (ISR) and the simultaneous disclosure of corporate Zakat on profitability

The ISR provides a comprehensive framework for social responsibility, while zakat disclosure demonstrates commitment to a specific religious obligation. These two practices support each other. ISR shapes the overall reputation of the bank, while zakat provides concrete evidence of the bank's contribution in the spiritual and social dimensions. With the simultaneous and transparent implementation of these two practices, a synergistic effect will arise that significantly increases the trust, loyalty and legitimacy of the bank in the eyes of all stakeholders. This will create a conducive business environment and encourage sustainable profit growth. Research by Batubara (2021) and setiawan et al. (2022) shows that zakat and social responsibility in this case ISR simultaneously had a significant positive impact on the financial performance of past banks. Therefore, the third hypothesis is formulated as:

H3: Islamic Social Reporting (ISR) and corporate zakat disclosure simultaneously have a positive effect on the profitability of Islamic commercial banks.

3. RESEARCH METHOD

a. Types and approaches of research

This study uses quantitative methods with causal Associative Design. Quantitative methods are applied to verify hypotheses and explore causal relationships between variables through objective measurement and statistical analysis. Causal Associative Design was chosen to determine the impact of the independent variable on the dependent variable, either individually or simultaneously. This method is in accordance with the purpose of the study, which is to assess the effect of Islamic Social Reporting (ISR) and corporate zakat reporting on the profitability of Islamic commercial banks in Indonesia.

b. Population and sample

The population in this study consisted of all Islamic commercial banks (BUS) registered with the Financial Services Authority (OJK) during the period 2019-2024, with a total of 14 banks. The sample selection method applies purposive techniques in addition to a number of specific criteria, namely buses that have an operational license and are registered during the observation period, regularly publish annual reports, as well as providing data on Islamic Social Reporting (ISR) and corporate zakat disclosure. Given these criteria, 6 (six) buses were identified as suitable, namely Bank Muamalat Indonesia, Bank Jabar Banten Syariah, Bank BNI Syariah, Bank Syariah Mandiri, Bank Aceh Syariah, and bank NTB Syariah. Considering that the observation period covers 6 years (2019-2024), the total number of observations in this study reached 36 data.

c. Data types and sources

This study used secondary data obtained from the annual report and sustainability report of the bank, Islamic Commercial Bank for the period 2019-2024. This information is available on the website (www.ojk.go.id). the selection of secondary data is based on the fact that these data have been verified and audited, thus offering an adequate level of validity and reliability for the purposes of research analysis. In addition, the availability of officially published data allows for re-verification by other researchers, which in turn reinforces the credibility and accountability of empirical findings.

d. Data Collection Techniques

This study applies two main techniques in data collection. The first technique is documentation, which involves researchers in collecting information by analyzing official documents, such as annual reports, sustainability reports, and Financial Statements of Islamic commercial banks issued during the period 2019-2024. The data obtained included details on Islamic Social Reporting (ISR) disclosure items, corporate zakat disclosures, total assets, and profit ratios (ROA). the second technique is literature study, in which the researcher analyzes various literature sources including textbooks, Sinta-indexed national journals, leading international journals, and other scientific publications relevant to the research topic. This literature study aims to strengthen the theoretical foundation and ensure the suitability of the variables and indicators used with previous studies.

e. Operational Definition Of Variables

Dependent Variable (Y): Profitability

In this study, profits were measured using the Return on Assets (ROA) ratio. This ratio assesses the bank's ability to generate net income from its total assets. ROA was chosen because it shows the overall efficiency of Islamic bank Management in generating profits. The formula for calculating ROA is as follows: ROA = (Net Profit / Total Assets)* 100%. The application of this ratio facilitates the comparison of profitability performance between banks with a higher degree of accuracy, without being affected by the size of the company.

Independent variable (X1): Islamic Social Reporting (ISR)

Islamic Social Reporting (ISR) is an index that measures the disclosure of Social Responsibility based on Islamic principles. The measurement is carried out through the ISR index, which consists of 43 disclosure items grouped into six categories: financing and investment, products and services, labor (employees), society, environment and corporate governance. Assessment techniques using dichotomous approach,

Where each item is given a score of 1 if revealed and a score of 0 if not. The ISR index is calculated using the following formula: ISR = (number of items expressed / 43)* 100%.

Independent Variable (X2) : Disclosure Of Corporate Zakat

Corporate zakat disclosure refers to the level of transparency shown by Islamic banks in conveying information regarding corporate zakat obligations. This variable is measured through the zakat disclosure index which includes four main aspects, namely the availability of data on the amount of zakat paid, an explanation of the zakat calculation method, details of zakat distribution to mustahik, and the identity of the zakat recipient institution (if distributed through amil zakat). A dichotomous scoring technique is applied, with a score of 1 if the aspect is expressed and a score of 0 if it is not. The company's zakat disclosure index is seen from the annual financial statements of each bank per year.

4. RESULTS AND ANALYSIS

Research Results

a. Descriptive Statistical Test Results

Table 1. Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
ISR	36	186.00	721.00	521.9167	127.63237
Corporate Zakat Disclosure	36	2866000.00	30725600000000000.00	4497766974089018.5000	9010460253521952.00000
Profitability	36	152.00	3305370.00	101394.4722	549292.97316
Valid N (listwise)	36				

Source: SPSS 20 processed data (2026)

Based on Table 1, the number of samples obtained in this study consisted of 36 observational data taken from the Financial Statements of Islamic commercial banks (2019-2024). The ISR variable shows a range of values from 186.00 to 721.00, with an average of 521.92 and a standard deviation of 127.63. The company's Zakat disclosure variable reflects a significant difference with the lowest value of Rp 2.86 million and the highest of Rp 30.72 quadrillion. The average disclosure reached Rp4.49 quadrillion, but the standard deviation reached Rp9. 01 quadrillion indicates a very high policy variation between banks (heterogeneous). On the other hand, variable profitability (ROA) has an average value of 101,394.47 with a standard deviation of 549,292. 97. The range of values ranging from 152.00 to 3,305,370.00 reflects the high fluctuation and variability of profit in Islamic commercial banks during the observation period.

b. Classical Assumption Test Results

1) Normality Test Results

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual
N	36
Kolmogrov-Smirnov Z	924
Asymp. Sig. (2-tailed)	360

Source: SPSS 20 processed data (2026)

Based on the results of the Kolmogorov-Smirnov normality test shown in Table 2, it can be seen that this regression model involves 36 observations. The results of the analysis showed the value of Asymmp. Sig. (2 - tailed) amounted to 0.360. Given that the significance value is greater than 0.05, it can be concluded that the data in this study are normally distributed. With the fulfillment of this normality assumption, the regression model used deserves to be passed on to the next stage of statistical analysis.

2) Multicollinearity Test Results

Table 3. Multicollinearity Test Results

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ISR	1.000	1.000
	Corporate Zakat Disclosure	1.000	1.000

Source: SPSS 20 processed data (2026)

Based on the results of multicollinearity analysis shown in Table 3, it was revealed that the Islamic Social reporting (ISR) variable and the company's Zakat disclosure each had a Tolerance value of 1,000 and a Variance Inflation Factor (VIF) of 1,000. The test findings showed that the Tolerance value was above the minimum limit of 0.10, while the VIF value was below the criterion of 10. Thus, it can be concluded that there is no indication of multicollinearity among independent variables in this research model, so the classical assumption of the independence of explanatory variables has been fulfilled.

3) Heteroscedasticity Test Results

Table 4. Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	78660.724	12678.107		6.204	.000
	ISR	-.009	.047	-.034	-.197	.845
	Corporate Zakat Disclosure	-7.929E-013	.000	-.108	-.623	.538

Source: SPSS 20 processed data (2026)

Based on Table 4 of heteroscedasticity analysis, it was found that the significance value for Islamic Social Reporting (ISR) variable was recorded at 0.845, while the company's zakat disclosure showed 0.538. Both of these values are above 0.05, so it can be concluded that there is no indication of heteroscedasticity in the regression model of this study. Therefore, the applied regression model already meets the criteria of homoscedasticity and can be used for further analysis.

c. Hypothesis Test Results

1) R SQUARE Test Results

Table 5. R Square Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.983[a]	.966	.964	104002.47361

Source: SPSS 20 processed data (2026)

Based on Table5, the results of the analysis of the coefficient of determination (R Square) indicates the value of R Square of 0.966 and Adjusted R Square of 0.964. This shows that the Islamic Social Reporting (ISR) variable as well as the company's zakat leverage can explain the variation in profitability by 96.6%, while the remaining 3.4% are influenced by other factors outside the framework of this study. STD Values. The Error of the Estimate which reaches 104002.47361 reflects the error rate in the regression model applied.

2) T Test Results

Table 6 . T Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig
		B	Std. Error	Beta		
1	(Constant)	124534.398	19428.462		6.410	.000
	ISR	-2.222	.073	-.980	-30.611	.000
	Corporate Zakat Disclosure	-4.887E-012	.000	-.080	-2.505	.017
Dependen Variabel: Profitability						

Source: SPSS 20 processed data (2026)

Based on Table 6 which shows the results of the T test (partial), it was revealed that the Islamic social Reporting (ISR) variable has a significance value of 0.000 and a t value of -30.611, so this value is smaller than 0.05, which shows that ISR has a significant effect on profitability. On the other hand, the variable disclosure of zakat from the company showed a significance value of 0, 017 with a t value of -2.505, which is also below 0.05. This means that the company's zakat disclosure contributes significantly to profitability. In other words, the two independent variables in this study individually have a significant influence on the profitability of Islamic commercial banks.

3) F Test Results

Table 7. F Test Results

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig
1	Regression	10203351983749.234	2	5101675991874.617	471.656	.000[b]
	Residual	356944979081.741	33	10816514517.629		
	Total	10560296962830.975	35			

Source: SPSS 20 processed data (2026)

Based on Table 7 F analysis results (simultaneous), the calculated value of F is 471.656 and the significance value reaches 0.000. This significant figure is smaller than 0.05, so it can be concluded that Islamic Social Reporting (ISR) and the company's zakat disclosure simultaneously have a significant influence on the profitability of Sharia commercial banks. Therefore, the regression model used in this study is feasible to explain the relationship between the independent variable and the dependent variable.

Discussion

a. Effect of Islamic social Reporting (ISR) on the profitability of Islamic commercial banks

The results of hypothesis testing using the T test showed that the variable ISR has a significance value of 0.000 (<0.05) with a negative regression coefficient (t = -30.611) shows that ISR has a significant negative impact on the profitability of Return on Assets (ROA). Therefore, the first hypothesis (H1), which states the existence of a positive relationship between ISR and profitability, is not empirically proven. The results of this study indicate that the increase in the openness of ISR in the short term even have an impact on the decline in ROA due to the high cost to implement social programs, sustainability reporting, and Social Responsibility activities that have not been in accordance with the increase in revenue proportionately. The study of Amala et al. (2023) also showed that after the Covid-19 Pandemic, there was an increase in ISR activity related to a decrease in financial performance, as more company funds were allocated to social activities, so it did not have a direct impact on increasing profits.

Theoretically, based on the theory of legitimacy and Stakeholder Theory, ISR disclosure is a company's effort to achieve social legitimacy and meet the expectations of stakeholders. However, the economic benefits of ISR practice are often not immediately apparent due to the time lag between the implementation of social programs and the economic results achieved. Effects such as improved reputation, customer loyalty, and investor confidence take time before they finally manifest in increased profitability. Therefore, during the relatively short observation period, the positive contribution of ISR to financial performance has not been fully seen. These findings are in line with those of Amala et al. (2023), but contradicts Eliana et al. (2020) and Rachmawati and Karim (2020) who found a positive relationship between ISR and profitability.

The results of this study are consistent with the findings of Amala et al. (2023), which shows the negative impact of ISR on the financial performance of Islamic banks after the Covid-19 pandemic. This is due to market perceptions that perceive ISR activity as an additional burden at a time when companies are prioritizing the recovery of their core business performance. However, these findings contradict the research of Eliana et al and Rachmawati and Karim (2020), which reported a positive relationship between ISR and gain. This inconsistency in results is believed to be due to differences in research periods and volatile macroeconomic conditions between 2019 and 2024.

b. The effect of corporate Zakat disclosure on the profitability of Sharia commercial banks

The results of hypothesis testing show that the disclosure of zakat conducted by the company has a significant impact on profitability (sig.0.017), but with a negative direction ($t = -2.505$) which indicates that resulted in a decrease in ROA. From the perspective of legitimacy and stakeholder theory, these findings suggest that zakat is seen as a direct reduction in profits in accounting, while the economic benefits, in the form of increased public confidence, have not been seen in the short term. Some of the reasons underlying this negative result include direct accounting effects that lower net profit, delays in achieving economic benefits, and the pandemic crisis situation 2019-2024 that made customers prioritize fundamental factors.

Based on the theory of legitimacy and Stakeholder Theory, zakat reporting is a form of corporate social responsibility in fulfilling Sharia obligations and increasing social legitimacy in the public eye. However, in practice, zakat issued by the company is recorded as an expense that directly reduces net profit in financial reporting, so in the short term it can reduce the level of profitability of the company. In addition, the economic benefits of zakat disclosure, such as improved corporate image and public trust, cannot be achieved instantly because it takes time to influence the way stakeholders view zakat. In a fairly unstable economic situation during the study period, the attention of customers and investors is usually more focused on the underlying financial performance than on the social activities of the company.

The findings of this study are not in line with the research of Eliana et al. (2020) which identifies the positive impact between zakat and profitability.However, the results of this study are consistent with Batubara (2021) which confirms that zakat individually does not have a significant influence on the company's financial performance. Differences in the findings of the study can be influenced by variations in research periods, economic conditions, and differences in zakat reporting practices among Islamic banks. Thus, it is very important to develop zakat disclosure standards so that its role in financial performance can be measured more consistently in the future.

c. The effect of Islamic Social Reporting (ISR) and corporate Zakat disclosure simultaneously on the profitability of Sharia commercial banks

The results of hypothesis testing through the F test indicate that the Islamic Social Reporting (ISR) variable and the company's zakat disclosure simultaneously have a significant effect on profitability with a significance value of 0.000 (<0.05). These findings indicate that both variables are collectively able to explain the variation in the profitability of the company. The basis of profitability is influenced by various factors, both in terms of operations, financing management, and corporate social responsibility practices. Research conducted by (Maulida et al., 2021) shows that the management of working capital financing such as financing investors and financing receivables also have an impact on the company's financial performance.

Conceptually, referring to the theory of legitimacy and stakeholder theory, the disclosure of sharia-based social responsibility and zakat is a form of corporate social accountability to the community and stakeholders. This practice can increase social legitimacy, transparency, and strengthen relationships with stakeholders. Wahyuni and Wafirh's (2023) research indicates that disclosure of Social Responsibility based on Sharia and zakat can enhance accountability and strengthen public trust in Sharia institutions.

In addition, in the economic context there are mechanisms of reputation and stakeholder trust that disentangle these concurrent influences. The simultaneous application of ISR and disclosure of zakat payments can strengthen the company's image as an entity that is open, ethical, and compliant with Sharia principles. This positive reputation has the potential to increase client loyalty, attract investors, and expand community support, thus creating economic value in the long term. Research Setiawan et al. (2020) also identified that social responsibility practices based on Sharia and zakat simultaneously have a significant effect on financial performance because they can increase the trust of stakeholders and strengthen the legitimacy of the company.

5. CONCLUSION

Based on the results of the study, it can be concluded that sharia-based social reporting practices and transparency of corporate zakat disclosure simultaneously have a significant effect on the profitability of Sharia commercial banks in Indonesia for the period 2019-2024. Although partial testing shows that both ISR and zakat disclosure have a significant negative impact on Return on Assets (ROA) in the short term due to the cost of implementing social programs and recording zakat as a net profit deduction, these two elements remain crucial as a mechanism for accountability to stakeholders and a means of obtaining social legitimacy. This integration of spiritual values and transparency is expected to strengthen the image of the institution, increase customer loyalty and create sustainable economic value for Islamic banking in the future.

This study provides strategic implications for Sharia Commercial Bank management to not only View Islamic Social Reporting (ISR) and zakat disclosure as an administrative burden or short-term cost that reduces profitability, but rather as a long-term reputation investment to build customer loyalty and social legitimacy in the eyes of stakeholders. However, this study has limitations on the observation period covering the post-pandemic recovery period as well as limitations on the number of samples covering only six banks so that data fluctuations are strongly influenced by unstable macroeconomic conditions. Therefore, suggestions for further research are to expand the scope of the sample, extend the observation period, and consider other moderation or mediation variables such as corporate governance or company size to obtain a more comprehensive understanding of the mechanism of integration of spiritual values in improving the financial performance of Islamic banking.

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