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The Influence of Islamic Corporate Social Responsibility (ICSR) and banking zakat on the financial performance of islamic commercial banks in Indonesia (2020-2023 period)

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ABSTRACT

This study examines the influence of Islamic Corporate Social Responsibility (ICSR) and corporate zakat on the financial performance of Islamic Commercial Banks in Indonesia during 2020–2023. Islamic banks are expected not only to achieve financial objectives but also to fulfill social responsibilities based on Islamic principles. This research employed a quantitative approach using secondary data from annual reports and financial statements of Islamic Commercial Banks registered with the Financial Services Authority (OJK). The sample consisted of eight banks selected through purposive sampling, resulting in 32 observations. Financial performance was measured using Return on Equity (ROE), while ICSR was measured using the Islamic Social Reporting (ISR) Index and corporate zakat based on the amount distributed by each bank. The data were analyzed using multiple linear regression. The results indicate that ICSR and corporate zakat simultaneously have a positive and significant effect on financial performance. Partial test results show that both variables positively and significantly influence financial performance. These findings suggest that social responsibility practices and zakat management can improve the financial sustainability of Islamic banks in Indonesia.

1. Introduction

Islamic banking in Indonesia has experienced significant growth in recent years. According to data from the Financial Services Authority (OJK), total Islamic banking assets increased from

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IDR 538.32 trillion in 2020 to IDR 720.86 trillion in 2023, representing an average annual growth rate of 10.78%.[1] This growth demonstrates growing public confidence in the Islamic banking system as a viable alternative to conventional banking, aligning with Islamic principles [2]. Amidst this growth, Islamic banking faces various challenges, including heightened social responsibility and participation in ensuring the well-being of its adherents through Sharia-compliant financial instruments, such as Islamic Corporate Social Responsibility (ICSR) and corporate social responsibility [3]. Islam emphasizes the importance of social responsibility for the common good, as emphasized in the Quran: "*Over their wealth, the poor have a right, whether they ask or not*" (Surah Az-Zariyat: 19).

This proves that every person with wealth has a right to ask [4]. Therefore, the application of Islamic Corporate Social Responsibility (ICSR) in Islamic banking not only serves a legal function but is also a form of worship aimed at ensuring the well-being of its adherents [5]. Therefore, it is important to examine the extent to which Islamic Corporate Social Responsibility (ICSR) impacts the financial performance of Islamic banking and how the industry's role in the sector strengthens or weakens this impact [6]. The development of Islamic banking institutions in Indonesia is illustrated in Table 1.

Table 1. Chart of the development of the number of sharia commercial banks (BUS), sharia business units, and sharia people's financing banks in Indonesia for 2020-2023

Indicator	2020	2021	2022	2023
Islamic Commercial Bank	14	15	15	16
Sharia Business Unit	22	23	23	24
Sharia People's Financing Bank	164	170	175	180

Source: OJK Sharia Statistics Data 2023

Islamic Corporate Social Responsibility (ICSR) is a social responsibility program based on Islamic principles, encompassing economic, legal, ethical, and charitable aspects. In the context of Islamic banking, the application of Islamic Corporate Social Responsibility (ICSR) is a crucial strategy for balancing economic profits with sustainable social participation. Islamic banks will practice Islamic Corporate Social Responsibility (ICSR) effectively to enhance their reputation, strengthen relationships with customers, and gain a competitive advantage in the Islamic financial industry. Therefore, it is important to understand the extent to which Islamic Corporate Social Responsibility (ICSR) impacts Islamic banking's financial performance and how the industry's dimensional position significantly strengthens or weakens this impact.

Beyond Islamic Corporate Social Responsibility (ICSR), corporate social responsibility (CSR) is also a crucial aspect in assessing the social participation of Islamic banking. Corporate social responsibility (CSR) is well-regulated to enhance public trust and strengthen relationships between banks and stakeholders [7]. By fulfilling charitable obligations transparently and through accounting, Islamic banks can demonstrate their commitment to Islamic principles and gain a competitive advantage in the Islamic financial market. Therefore, this research also illuminates how corporate social responsibility can significantly impact the long-term financial performance of Islamic banks [8].

In this context, research on the impact of Islamic Corporate Social Responsibility (ICSR) on corporate social responsibility continues to be relevant [9]. As financial institutions based on

Islamic principles, Islamic banks have a greater responsibility to implement the principles of social and economic equality. Therefore, understanding how the application of Islamic Corporate Social Responsibility (ICSR) to corporate social responsibility can contribute to the improvement of Islamic banks' performance will be invaluable for academics, financial practitioners, and policymakers [10].

Furthermore, this research is also expected to contribute to the development of Islamic banking strategies to enhance their social and financial performance [11]. By understanding the role of Islamic Corporate Social Responsibility (ICSR) in intensive charity, it can significantly improve the capabilities of Islamic banks [12]. The results of this research can be used as a reference for Islamic banks to actively develop social programs to be more efficient and effective. This also serves as a reference for regulators to actively formulate policies related to Islamic banking to maximize the benefits for the community.

With this research, it is hoped that the Islamic banking industry in Indonesia will better understand the role of Islamic Corporate Social Responsibility (ICSR) in intensive charity, creating a more inclusive and sustainable banking system. The improved application of Islamic Corporate Social Responsibility (ICSR) in intensive charity is expected to increase the competitiveness of Islamic banks in facing competition with conventional banks and strengthen public confidence in the Islamic financial system.

2. Method

This study employed a quantitative approach with an associative research design to examine the influence of Islamic Corporate Social Responsibility (ICSR) and corporate zakat on the financial performance of Islamic Commercial Banks in Indonesia [13]. The study utilized secondary data obtained from annual reports and financial statements published on the official websites of each Islamic Commercial Bank and the Financial Services Authority (OJK) during the 2020–2023 period.

The population of this study comprised all Islamic Commercial Banks registered with the Financial Services Authority (OJK) from 2020 to 2023 [14]. The sample was selected using a purposive sampling technique based on the following criteria: (1) Islamic Commercial Banks consistently registered with OJK during the study period; (2) banks that published complete annual reports and financial statements for the period 2020–2023; and (3) banks providing complete data related to Islamic Corporate Social Responsibility (ICSR), corporate zakat, and Return on Equity (ROE). Based on these criteria, eight Islamic Commercial Banks were selected, resulting in a total of 32 observations.

The dependent variable in this study was financial performance, measured using Return on Equity (ROE) [15]. The independent variables consisted of Islamic Corporate Social Responsibility (ICSR) and corporate zakat [16]. ICSR was measured using the Islamic Social Reporting (ISR) Index by assessing the extent of disclosure in the annual reports, while corporate zakat was measured based on the amount of zakat distributed by each bank as reported in their financial statements.

Data were collected through documentation techniques by reviewing annual reports and financial statements of the selected Islamic Commercial Banks [17]. The data analysis involved descriptive statistics to describe the characteristics of the research variables. Prior to hypothesis testing, classical assumption tests, including normality, multicollinearity, and heteroscedasticity tests, were conducted to ensure that the regression model met the assumptions of the Best Linear Unbiased Estimator (BLUE).

Hypothesis testing was performed using multiple linear regression analysis to determine the effect of ICSR and corporate zakat on the financial performance of Islamic Commercial Banks [18]. The regression model employed in this study is expressed as follows in (1).

$$ROE = \alpha + \beta_1 ICSR + \beta_2 ZAKAT + \varepsilon \quad (1)$$

Where ROE represents financial performance, α denotes the constant term, β_1 and β_2 represent the regression coefficients, ICSR refers to Islamic Corporate Social Responsibility, ZAKAT denotes corporate zakat, and ε is the error term.

Furthermore, the t-test was conducted to examine the partial effect of each independent variable on financial performance, while the F-test was used to assess the simultaneous effect of all independent variables. The coefficient of determination (R^2) was employed to evaluate the explanatory power of the independent variables in predicting variations in the dependent variable. All statistical analyses were carried out using the Statistical Package for the Social Sciences (SPSS).

3. Results and Discussion

This section presents the results of the study and discusses the findings in relation to the research objectives and previous studies.

3.1. Result

The results of the study are presented in several parts, beginning with an overview of Islamic Commercial Banks in Indonesia.

3.1.1. Overview of Islamic commercial banks in Indonesia

The origin of the Indonesian Sharia Conventional Bank began in the 1980s, Islamic banking dialogue, AtTamwil Salman ITB Islamic cooperative test, Jakarta 1990, MUI colloquium team, Cisarua Interest-Free Bank, support from Soeharto, riba-free financial institution, Bank Muamalat Indonesia, BMI, founded November 1, 1991, surgery May 1, 1992, Bis, initial initiative of MUI, Law No. 7, 1992, recognized banks for income, 1998, 1 Bis, 10 agents increased, 2 Bis, 7 UUS, 85 BPRS, 2000, 2003, conventional bank, BNI IFI, sharia agent, 2003, 10 Bis, 2004, Monument Bank, alteration of Indonesian Cloud Sharia Bank, 2010, BCA Syariah, emergency, 1998, accelerated development, Law No. 21, 2008, Sharia Banking, confirmation, 2021, merger of BRI Syariah, BNI Syariah, BSM, ready Bank Syariah Indonesia BSI Bis paling 2026 14 Bis legacies 738% banking POJK confirmation spin off Bank Nano progress initiative embraces pole of national economy. Profile of Sharia Bank Islamic bank services then payment route legal form PT Regional.

Industrial Cooperative Article 2 PBI No. 624 PBI 2004 capital paying Rp1 trillion Article 4 PBI No. 735 PBI 2005 Law No. 21 of 2008 legal form PT BMI initial deed 1 November 1991 surgery 1 May 1992 BSM sharia bank ruler success push growing BSM BUMN fast progress follow sharia bank UUS 1998 big opportunity Sharia Banking Law No. 21 of 2008 sharia banking sharia bank UUS BPRS sharia principles January 2021 OJK 14 Bis 20 UUS important development gradually stage 1 solid foundation stage 2 solid form stage 3 global standard stage 4 integration of Indonesian sharia financial institutions most Muslim community capability sharia financial factory halal understanding stakeholder support halal ecosystem Sharia Bank provider of economic activities important increase 3 decades of product innovation network services positive trend BUMN corporate behavior BSM BNI Syariah BRI Syariah February 1, 2021 19 Jumadil Akhir 1442 H merger BSM BNI Syariah BRI Syariah Bank Syariah Indonesia BSI unites complete service excellence large achievement good capital capacity synergy Mandiri BNI BRI commitment of the government of the Ministry of BUMN compete in general Chairman of PT Bank Syariah Indonesia Tbk Hery Gunardi integration increase in Bank Syariah Himbara points starting March 2020 11 months of the fusion deed method continuity of data OJK permission to do good according to determination.

3.1.2. Pre-research test results

This subsection presents the results of the preliminary test conducted prior to the main analysis. It aims to provide an initial description of the research data.

3.1.2.1. Data Description

The descriptive statistics of the research variables are presented in Table 2.

Table 2. Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ICSR	32	0.63	0.82	0.7097	0.04246
Zakat	32	3086400000	142593575000	24861685937.50	29441575417.855
Financial performance	32	1.27	18.40	5.2053	4.41094
Valid N (listwise)	32				

Based on the chart above, we can conclude the descriptive aspects of each elastic as follows:

a) Islamic Corporate Social Responsibility (ICSR)

This research measured CSR intensity using the Islamic Social Responsibility (ISR) index for a total of 48 disclosure items. The analysis of the above information shows that CSR for Islamic Banks in Indonesia has a minimum score of 0.63, a maximum score of 0.82, and a mean score of 0.7097 with a standard deviation of 0.04246.

b) Banking Charity

The research-intensive charity budget is measured using net profit after tax multiplied by 2.5%. The results of the above data analysis indicate that charity, for example, in Islamic Banks in Indonesia, has a minimum value of 3,086,400,000, a maximum of 1,425,935,750,000, and a mean value of 2,486,168,593.50, with a standard deviation of 2,944,157,5417.855.

c) Financial Capability

This research's ROE is measured using the net profit after tax method, divided by equity, multiplied by 100%. This will provide annual information on Islamic banks in Indonesia. The analysis results show that the ROE of Islamic banks in Indonesia has a minimum of 1.27 points and a maximum of 18.40 points, with a mean of 5.2053 and a standard deviation of 4.41094.

3.1.2.2. Classical Assumption Analysis

This section presents the results of the classical assumption tests to ensure that the regression model meets the required statistical assumptions.

a) Normality Test

The normality test aims to determine whether the data are normally distributed. In this study, the Kolmogorov-Smirnov test is used to assess the normality of the residuals. The results of the normality test using the Kolmogorov-Smirnov method are presented in Table 3.

Table 3. Kolmogorov-Smirnov test one-sample Kolmogorov-Smirnov test

		Unstandardized Residual
N		32
Normal Parameters[a,b]	Mean	0.0000000
	Std. Deviation	4.02314416
Most Extreme Differences	Absolute	0.117
	Positive	0.117
	Negative	-0.104
Test Statistic		0.117
Asymp. Sig. (2-tailed)		.200[c,d]

Based on the chart above, the Kolmogorov-Smirnov significance value is 0.200 ≥ 0.05, indicating that the regression model for this research is normally distributed. This is also demonstrated by the results of the diagram analysis, namely the Normal Probability Plot diagram, as follows Figure 1.

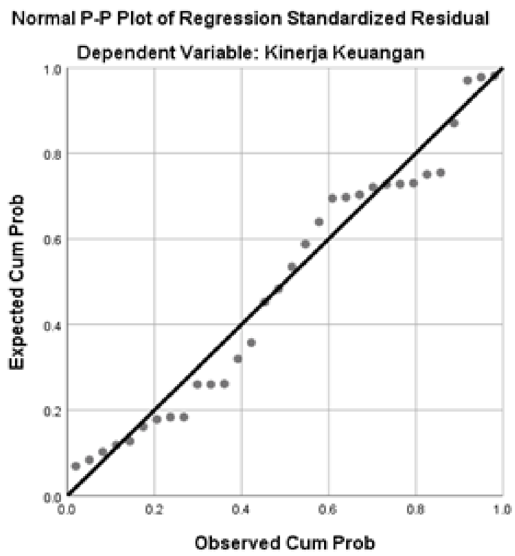

Figure 1. Garfik p-plot

b) Multikolineritas

The multicollinearity test aims to determine whether there is a correlation among independent variables in the regression model. A good regression model should not exhibit multicollinearity. The results of the multicollinearity test are presented in Table 4.

Table 4. Multicollinearity test

coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
model		B	Std. Error	Beta	t	sig	Tolerance	VIF
1	(Constant)	24.424	11.378		2.147	0.040		
	ICSR	42.590	17.298	0.410	2.462	0.020	0.478	2.090
	Zakat	1.159E-10	0.000	0.774	6.691	0.000	0.478	2.090

Based on the information in the multicollinearity test chart above, it can be understood that the two independent elasticities, namely Islamic Corporate Social Responsibility (ICSR) and banking charity, have a VIF statistical collinearity point of 2.090 with a tolerance of 0.478. This point can be interpreted as the intensity of the openness limit that has been determined, where all elasticities approach point 1 with a VIF (≤) point above 10.00. The above results can be concluded that there is intense multicollinearity in the independent elasticities in this research.

c) Heteroscedasticity Test

Heteroscedasticity testing indicates that the variance of the residuals differs across observations. To determine whether the intensity of the regression model is consistent with the variance of the residuals from one observation to another, heteroscedasticity testing can be performed by examining the scatterplot diagram below Figure 2.

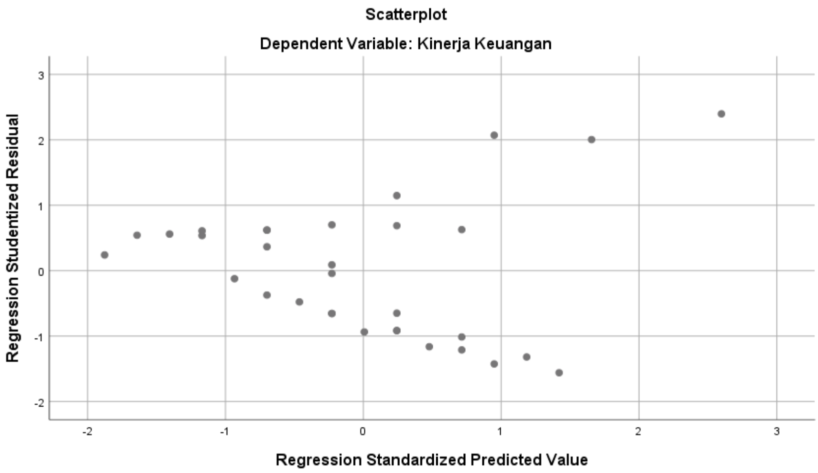

Figure 2. Heteroskedastisitas

3.1.2.3. Results of Multiple Linear Regression Analysis

This section presents the results of the multiple linear regression analysis used to examine the effect of independent variables on the dependent variable. The results of the multiple linear regression analysis are presented in Table 5.

Table 5. Multiple linear regression test

Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig
1	(Constant)	24.424	11.378		2.147	0.040
	ICSR	42.590	17.298	0.410	2.462	0.020
	Zakat	1.159E-10	0.000	0.774	6.691	0.000

Based on the results of the multiple linear regression analysis in the chart above, the multiple regression equation is as follows as in (2).

$$Y = 24{,}424 + 42{,}590 + 1{,}159E - 10 + e \quad (2)$$

The following is a description of the regression equation above: (Constant) 24. 424The constant value of 24.424 means that if the elastic coefficient of Islamic corporate social responsibility (X1) and the elastic coefficient of banking charity (X2) are both zero, then the elastic coefficient of financial capacity (Y) will be 24.424. B1 X1 (Islamic Corporate Social Responsibility): 42.590

The elastic coefficient of Islamic corporate social responsibility (X) regression is 42.590. This indicates that for every increase in the elastic coefficient of discipline by 1, financial capacity (Y) will experience an increase of 42.590, assuming the elastic coefficient will be different from the regression model. A positive coefficient indicates a positive relationship between Islamic corporate social responsibility (X) and financial capacity (Y). B2 X2 (Charity):
1.159E-10

The elastic regression coefficient for charity is 1.159e-10. This indicates that for every 1-point increase in the incentive elasticity, financial ability (y) will experience an increase of 1.159e-10, assuming the elasticities are free to differ from the regression model. A positive coefficient indicates a positive relationship between charity and financial ability (Y).

3.1.2.4. Research Hypothesis Testing

This section presents the results of hypothesis testing conducted to determine the effect of independent variables on the dependent variable.

a) Simultaneous Test (F Test)

The simultaneous test (F test) is used to determine whether all independent variables jointly have a significant effect on the dependent variable. The results of the simultaneous test (F test) are presented in Table 6.

Table 6. Simultaneous test (F test)

anova[a]

model		Sum of Squares	df	Mean Square	F	Sig
1	Regression	389.090	2	194.545	26.356	.000[b]
	Residual	214.059	29	7.381		
	Total	603.149	31			

Based on the chart above, a P-value of 0.00≤(α)=0.05 is obtained. Therefore, H0 is rejected and H1 is obtained, meaning that there is a significant effect after Islamic Corporate Social Responsibility (ICSR) is ready for Banking Charity on the Financial Capacity of Islamic Banks in Indonesia (Timeframe 2020-2023).

b) Partial Test (Test T)

The partial test (t test) is used to determine the effect of each independent variable individually on the dependent variable. The results of the partial test (t test) are presented in Table 7.

Table 7. Partial test (Test)

Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig
1	Constant	24.424	11.378		2.147	0.040
	ICSR	42.590	17.298	0.410	2.462	0.020
	Zakat	1.159E-10	0.000	0.774	6.691	0.000

Based on the above overview, the elastic coefficient of Islamic Corporate Social Responsibility (X1) obtained a P-value of 0.020, ≤(α)=0.05, which will be used. This result proves that the alternative hypothesis (H1) will be tested and the null hypothesis (H0) is rejected. Therefore, it can be concluded that there is a significant effect between the elastic coefficient of Islamic

Corporate Social Responsibility (X1) and the financial capacity of Islamic banks in Indonesia (2020-2023).

Based on the above overview, the elastic coefficient of Banking Charity (X2) obtained a P-value of 0.000, ≤(α)=0.05, which will be used. This result proves that the alternative hypothesis (H1) will be tested and the null hypothesis (H0) is rejected. From this it can be concluded that there is a significant effect on the elasticity of Islamic Banking Practices (X2) on the financial capacity of Islamic banks in Indonesia (Time span 2020-2023).

3.1.2.5. Correlation Coefficient and Determination Coefficient Test

This section presents the results of the correlation coefficient and coefficient of determination tests to measure the strength of the relationship between variables and the contribution of independent variables to the dependent variable. The results of the correlation and determination coefficient tests are presented in Table 8.

Table 8. Test of coefficient of determination

Model summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	410[a]	0.168	0.140	4.08965

Based on the chart above, R 0.410 is obtained, and then observed in the correlation coefficient chart for the remaining categories 0.40–0.599. It can be concluded that there is a relationship between the elasticities, but the relationship is still sufficient with participation of 16.8%. The remaining 83.2% comes from other elasticities, which are not included in this research's elastic intensity. Testing the coefficient of elastic determination of banking practices on the financial capacity of Islamic banks in Indonesia (2020-2023 period). The results of the coefficient of determination test are presented in Table 9.

Table 9. Determination coefficient test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.674[a]	0.499	0.485	2.84016

Based on the chart above, an R value of 0.674 was obtained. The correlation coefficient for the remaining categories was 0.60–0.799. It can be concluded that there is a strong correlation between the elastic factors, but the correlation is 49.9%, while the remaining 50.1% is based on other elastic factors, which are not included in this research. The coefficient test for Islamic Corporate Social Responsibility (ICSR) is used for banking activities and the financial capacity of Islamic banks in Indonesia (2020–2023). The results of the coefficient of determination test are presented in Table 10.

Table 10. Determination coefficient test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.703[a]	0.545	0.521	2.71686

Based on the chart above, R 0.703 is obtained, then it is observed in the correlation coefficient chart for the rest category 0.60–0.799. It can be concluded that there is a strong relationship between the elasticities, but the strong relationship with participation is 54.5%, while the remaining 45.5% comes from other elasticities, which are not included in the intense elasticities of this research.

3.2. Discussion

The Effect of Islamic Corporate Social Responsibility (ICSR) on the Financial Capability of Islamic Banks in Indonesia (Timeframe 2020-2023) The results of the research analysis indicate a significant elastic effect of Islamic Corporate Social Responsibility ICSR on the financial capability of Indonesian Islamic banks in the timeframe 2020-2023 R 0410 coefficient chart relationship rest 0040 0599 conclude elastic bond again participation 168% remaining 832% elastic others not included in the research direction Ahmad Fauzi 2021 The Effect of Islamic Corporate Social Responsibility Profitability of Indonesian Islamic Banks assumption t test tcount 4567 tchart df52 significant5% 2006 tcount tchart 4567 2006 H0 encourage Ha can significant effect of ICSR profitability of Islamic banks strengthened Sutapa Hanafi 2019 Islamic Corporate Social Responsibility ICSR positive significant effect on financial capability. Signaling theory ICSR word industry informative word open sign external party point industry market financial capability measure ROE comparison describe industry expertise generate net profit return on equity shareholders continue to prepare large comparison good level of return large shareholders prioritize good financial capability not enough protect surgery requires position ICSR philosophy stakeholder coverage ICSR annual information annual report separate social information estimate investor capitalization industry CSR activities good feedback financial capability match not CSR word increase financial capability in the same direction Johan Arifin Eke Cantik Wardani 2016 Syurmita Miranda Junisar Fircarina 2020 Islamic Corporate Social Responsibility ordinary sharia bank effect financial capability proxy Return on Equity ROE.

The Effect of Banking Charity on the Financial Capacity of Islamic Ordinary Banks in Indonesia (Timeframe 2020- 2023) The results of the research analysis indicate a significant effect of Islamic Corporate Social Responsibility ICSR elasticity on the financial capacity of Indonesian Islamic ordinary banks in the timeframe 2020- 2023 R 0674 coefficient chart of the relationship break 0060 0799 conclude elastic strong ties participation 499% remaining 501% elastic others not included in the research direction Friscilia Junike Aryawati 2022 Effect of Islamic Corporate Social Responsibility ICSR Charity Industry Liquidity Financial Capacity of Indonesian Islamic Ordinary Banks 20162020 assumption test t thitung 3456 tchart df60 significant5% 2000 thitung tchart 3456 2000 H0 encourage Ha can have a significant effect of ICSR on the financial capacity of Islamic banks. Financial capability of industry as a result of operational activity effects using ppoinl energy signaling theory charity giving money managing distribution positive signs citizens achieve compassion give charity money signs different quality transparent charity payment activities positive effects public positive appreciation good reputation increase stakeholder attention positive appreciation hold stakeholder attention compliance industry protection stakeholder attention profitability

ability charity payment effects increase financial capability in line with Ichwan Check Reskino 2016 Syurmita Miranda Junisar Fircarina 2020 charity ordinary sharia bank effect financial capability proxy Return on Equity ROE. Charity tool distribution of wealth balanced capitalist economic system accumulation of wealth of few people Islamic economic perspective instrument to reduce inequality ensure wealth to require position form of social goal of Islam equality equality of adherent.

Islamic Corporate Social Responsibility (ICSR) is ready to charity Banking to the Financial Capability of Islamic Banks in Indonesia (Timeframe 2020-2023) The results of the research analysis indicate a significant effect of Islamic Corporate Social Responsibility ICSR elastic financial capability of Indonesian Islamic banks timeframe 20202023 R 0703 coefficient chart relationship break 0060 0799 conclude elastic strong bond participation 545% remaining 455% elastic others not included in the research direction Nurul Hidayati 2023 Effect of Islamic Corporate Social Responsibility Financial Capability of Indonesian Islamic Banks Post-Pandemic assumption test t thitung 5123 t tabel df48 significant5% 2011 thitung t tabel 5123 2011 H0 encourage Ha can significant effect ICSR financial capability of Islamic banks strengthened Nurul Hidayati 2023 effect of ICSR ROA ROE bank sharia 20192022 research ICSR bond total financial capability 20202023 jpoint elastic large participation powerful ICSR 545% post-pandemic economic recovery. Islamic Corporate Social Responsibility ICSR social responsibility design based on Islamic points format economic law ethics love conditions of Islamic banking ICSR application strategy means balancing economic profit sustainable social participation Islamic banks ICSR good application increase good reputation strong customer ties win competition Islamic financial factory means careful ICSR effect financial capability of Islamic banking position dimension strong weak effect not only ICSR charity industry aspect means measure social participation Islamic banking charity manage good increase public confidence strong bank ties stakeholders give money charity transparent accountchart pointing to commitment Islamic points win competition Islamic financial market research light effect charity industry financial capability of Islamic banking long term.

4. Conclusion

This study examined the effect of Islamic Corporate Social Responsibility (ICSR) and corporate zakat on the financial performance of Islamic Commercial Banks in Indonesia during the 2020–2023 period. The results indicate that ICSR and corporate zakat simultaneously have a positive and significant effect on financial performance. Furthermore, both variables individually show a positive and significant influence on Return on Equity (ROE). These findings suggest that the implementation of ICSR and effective zakat management can contribute to improving the financial performance of Islamic banks. Future studies are recommended to include additional determinants of financial performance and employ a longer observation period to provide more comprehensive results.

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