

Corporate Zakat in the Perspective of Stakeholder Theory: A Case Study of Islamic Rural Banks

DOI: <https://doi.org/10.18196/afkaruna.v19i1.16329>

Riduwan*

Islamic Banking Department, Faculty of Islamic Studies, Universitas Ahmad Dahlan, Yogyakarta, Indonesia
Corresponding Author: riduwan@pbs.uad.ac.id

Hamim Ilyas

Islamic Economic Law Department, Faculty of Shariah and Law, UIN Sunan Kalijaga, Yogyakarta, Indonesia
hamim.ilyas@uin-suka.ac.id

Mufti Alam Adha

Islamic Banking Department, Faculty of Islamic Studies, Universitas Ahmad Dahlan, Yogyakarta, Indonesia
mufti.alam@pbs.uad.ac.id

ARTICLE HISTORY

Received: 18 October 2022, Revised: 06 March 2023, Accepted: 27 June 2023, Published: 30 June 2023

ABSTRACT

In Indonesia, potential sources of Zakat are grouped into three parts: potential Zakat from individual or family groups, potential Zakat from companies/industry, and the results of deposits of Zakat funds stored in banks. This study analyzes corporate Zakat from the stakeholder theory's perspective with primary and secondary data from Islamic rural banks in the Special Region of Yogyakarta. The data analysis used qualitative interviews and a quantitative descriptive approach from the company report. Conclusions were drawn by describing secondary data, which was deepened through interviews with the directors of Islamic rural banks and relating them to stakeholder theory. The results of this study indicate that corporate Zakat is in line with stakeholder theory because it positively impacts the performance of Islamic rural banks in Yogyakarta. Meanwhile, the *muamalah* approach to corporate Zakat law has opened space for *ijtihad* against Zakat law. Another conclusion states that Islamic rural banks that run Zakat will improve business performance because the social approach can maintain stronger business relationships.

Keywords: Islamic rural banks, corporate Zakat, stakeholder theory.

INTRODUCTION

Zakat is a religious obligation with critical implications for economics and society, especially in Indonesia.¹ The actual economic and social impact of Zakat is attributed to the meaning of Zakat.² In explaining Verse 130 of Surah At-Taubah, Shihab states that Zakat can be defined as growing or developing. Its meaning covers the interest of *muzakki* (a Muslim who obliges to pay Zakat) or *mustahiqq* (people entitled to receive Zakat).³ For *mustahiq*, growing is defined as a blessing generally understood as the wealth development whose Zakat is paid, so those who are obedient in paying Zakat will gain no loss. For *muzakki*, the blessing can be seen in the growth of social and economic life after fulfilling the obligation of paying Zakat. Therefore, all zakat stakeholders can enjoy the social and economic potential.⁴

Zakat literally means purification and the increase of wealth. Azizah et al. defined Zakat as the corporate taxation levied on any wealth that remains idle and unused by a business for the entire Islamic calendar of the year.⁵ The Zakat receipts from year to year continue to grow, showing that public awareness is increasing in paying Zakat.⁶ Data on the growth of zakat receipts can be seen in Table 1 below:

Table 1. Data on Zakat Recipients from 2015-2019

Rincian/Description	Satuan/Unit	2015	2016	2017	2018	2019
1	2	3	4	5	6	7
PENGUMPULAN/COLLECTION						
Zakat Maal Perorangan	milliar rupiah	1,983.4	2,843.7	2,785.2	3,302.2	3,951.1
<i>Zakat Maal Individual</i>	<i>billion rupiah</i>					
Zakat Maal Badan	milliar rupiah	157.8	620.5	307.0	492.4	306.7
<i>Zakat Maal Institution</i>	<i>billion rupiah</i>					
Zakat Fitrah	milliar rupiah	168.1	274.0	1,101.9	1,112.6	1,406.1
<i>Zakat Fitr</i>	<i>billion rupiah</i>					
Infak/Sedekah dan CSR ¹⁾	milliar rupiah	1,177.3	1,001.5	1,764.9	2,517.4	3,383.6
<i>Infak/Sadaqah and CSR¹⁾</i>	<i>billion rupiah</i>					
Dana Sosial Keagamaan Lainnya ²⁾	milliar rupiah	163.8	277.6	265.3	692.9	1,173.1
<i>Other Socio Religious Funds²⁾</i>	<i>billion rupiah</i>					
Pertumbuhan Pengumpulan	%	10.6	37.5	24.1	30.4	26.0
<i>Collection Growth</i>	%					
Rasio Penyaluran/Pengumpulan ³⁾	%	61.6	58.4	78.1	83.8	84.9
<i>Allocation to Collection Ratio (ACR)³⁾</i>	%					
Kategori ACR ⁴⁾	-	Cukup Efektif	Cukup Efektif	Efektif	Efektif	Efektif
<i>ACR Category⁴⁾</i>	-	Fairly Effective	Fairly Effective	Effective	Effective	Effective

Source: National Zakat Statistic (2020)

From this data, zakat receipts are increasing from year to year. In 2015, the growth of the Zakat collection was 10.6%, while in 2019, the Zakat collection growth rose to 26%. From 2015 to 2019, zakat collection growth increased by 15.4%. In Indonesia, the projected growth of zakat receipts is quite significant. If viewed from the Muslim population, 87.2%, it can be said that the zakat receipts that can be withdrawn are quite high.

Zakat can also be analysed using economic justice perspective. In his dissertation, Hadi explains that implementing Zakat can realize economic justice value.⁷ The gap in life, which tends to grow wider, can be narrowed using a well-managed zakat mechanism. Economic distribution can eventually be realized when all parties involved can work professionally. The economic justice that is the primary goal of why Zakat is obliged is realized. The ethic of zakat fund sources can be well managed, and its distribution can measure the social and economic implications.

The financial potential of Zakat can be developed through various funding potential sources. As a religious obligation, Zakat is normatively obliged to an individual Muslim, which is in line with other religious obligations such as prayers, fasting, and hajj. Each Muslim has an attached responsibility to the obligation. *Mukallaf* law in the individual context has not been problematic because the obligation has been clearly defined.⁸ The interpretation of the proposition that requires worship often makes a difference in its implementation. The theological conflict occurs when there is a difference in perspective on revelation, both textually and contextually.

The textual approach to the obligation of Zakat limits the space for *ijtihad*, coining that Zakat is only the obligation of individual Muslims. From this perspective, Zakat will lose potential economic resources, considering that financial sources have developed very quickly (Wahab et al., 2016). Individual income is sometimes limited to what is stated in normative texts, such as agriculture, gold, silver, etc. Therefore, the discourse of professional Zakat has been debatable among Islamic jurists. According to Hafiduddin, the diversity of Islamic social finance sources needs to be developed so that the potential for incoming funds will be even greater.⁹

Hadi's study shows that the ability to develop sources of zakat funding correlates well with the ability to finance social projects. His research also focuses on a sociological perspective whose results recommend the importance of institutional legitimacy to encourage the growth of sources of social funding. This approach shows that, in the context of the state, more advanced *ijtihad* is needed to encourage the development of zakat fund sources that are not limited to individual obligations but also institutions, such as companies. In this perspective, the corporate Zakat gets its relevance.

According to O'Neil, the sociological theory approach in the implementation of Zakat shows that there is a social relationship of Zakat, which is a function of the implementation of the tautological theory. This relationship can bring about sustainable social harmony to share the impact.¹⁰ Whereas in the management approach, for example, the Stakeholder theory, good social relations can improve the performance of the interacting parties. Studies on social obligations such as Zakat can also be analyzed based on empirical theory. According to the empirical theory, the obligation of Zakat as social responsibility can be based not only on sacred texts but also on sociological facts, where economic and social disparities occur. Therefore, research on corporate Zakat becomes very relevant to develop sources of social funds for the people.¹¹

Previous research has explained matters relating to corporate Zakat, such as corporate zakat law, continuing corporate zakat policies in Indonesia, as well as corporate Zakat on company performance. The research gap that this research tries to answer is that the potential for corporate Zakat is enormous in practice, but the realization is still small. Theoretically, corporate Zakat still needs to be understood as a corporate obligation that will positively impact the company's future performance. This research appears to explain corporate Zakat based on the stakeholder perspective theory. This research aims to analyze the relationship between corporate zakat and stakeholder theory and its benefits for the company. Abdullah revealed that Zakat generates large and measurable social benefits to help people and companies.¹²

This research contributes to enriching the studies about corporate zakat phenomena from a stakeholder perspective to enhance company performance. The finding of this research adds to the recent literature on Zakat, leading to an increase in firm performance and value. This research also provides the consistent finding with prior literature that Zakat has a connection with the financial performance of profitability empirically.

The remainder of this research is organized as follows. The further section presents the literature review, research method, discussion, and conclusion. In reviewing the literature, this research elaborates on the concept of corporate Zakat, Zakat from the stakeholder theory perspective, and stakeholder theory from an Islamic perspective. Sample are presented in the research methodology. The result of this research provides the finding, and the conclusion draws an inference followed by the suggestion for future study.

Corporate Zakat and Social Responsibility

Zakat is a religious obligation, and the command is often found in the Quran and hadith, as well as in the behavior of the companions of the Prophet. As an obligation, Zakat is attached to every individual Muslim who has met certain conditions, such as property possession and has reached the *nisab* and *haul*. In addition to the command, the Quran and hadith also pose a threat to those who do not want to carry out the obligation. This condition shows that Zakat is a big responsibility because it has a high social impact.

Zakat is the worship of *mahdzah* and *muamalah ijtimaiyah*. The implementation of Zakat needs to be reconceptualized in accordance with the dynamic development of the needs of human life⁶. The zakat approach as *mahdzah* worship requires the implementation of Zakat by guidelines, but as *muamalah* worship, the interpretation of sacred texts about Zakat needs to be done. As a *muamalah* worship, there is room for developing the command to pay Zakat as long as the reinterpretation does not violate religious prohibitions.

The interpretation of the zakat command can also be made from the origin of the language commanding it. All zakat command in the Quran uses the plural form of the word *amwal* from *mal*. According to Khatib the pluralization shows that all assets receive an order to pay Zakat since they fulfil the *nisab* and *haul*.¹³ The command of Zakat can also be analyzed based on the rules of the command. The explanation is put forward that the zakat command could use *ijtimali* and *tafsili*. Based on the *ijtimali* approach or general rules, Zakat for all assets must be paid. Meanwhile, according to the *tafsili* approach, Zakat must be paid only for detailly described assets. The practice of Zakat has been developed since the time of the *Khulafaur Rashidun*, especially the Caliph Umar Bin Khatab. The Caliph developed wider sources of zakat funds such as zakat income, land rent, and horses, all of which had not been carried out by the Prophet SAW. Furthermore, Zuhaili provides an explanation that Zakat must be paid for the developing assets (*al mustaghallat*), such as factories, ships, planes, renting houses, and other assets that develop whose results meet *nisab*.

Zakat is a form of *maliyah* worship that directly impacts social and economic life, both for the payers (*muzakki*) and the recipients (*mustahiq*). The command to pay Zakat, as mentioned in surah At-Taubah 103, shows how Zakat is directly correlated to the lives of *muzakki* and *mustahiq* (Hadi, 2009). Even a study conducted by Bayinah regarding the obligation to pay Zakat as a source of social finance shows that Zakat can encourage both macro and micro-economic growth.¹⁴ The contribution of Zakat to the performance of Islamic banking has been studied by Riduwan whose results show that the better the social responsibility of Islamic banks, the better their business performance.¹⁵ The social responsibility narrative includes the ability of Sharia banks to mobilize zakat funds and their concern for the social environment. Suprayitno research shows that Zakat can be a source of macro social finance and can be utilized for the benefit of national development. In line with these findings, the research of Beik shows that Zakat can be a source of development in reducing poverty and improving social welfare.¹⁶

The potential of Zakat as a corporate social responsibility that has a positive impact on reducing social inequality has been studied by Suprayitno, stating that the distribution of Zakat can bridge the needs of *mustahiq* and improve their social welfare so that the gap between rich and poor can be narrowed. The ability of Zakat to improve social welfare can be seen in the impact of Zakat in increasing the purchasing power and consumption of *mustahiq*. Bremer's recommendation encourages spending on Zakat funds used to fulfil basic needs so that the purchasing power of the poor will improve. This study is in line with the findings of Prasetya et al., stating that Zakat is very effective as a source of social

finance that can reduce poverty levels.¹⁷

The discourse around corporate Zakat, as well as professional Zakat, has become an interesting *ijtihad* material. The absence of normative rules that explicitly mention the obligation of corporate Zakat is evidence of a dynamic *ijtihad* space that is open. A more advanced interpretation of corporate Zakat has become the decision of the first International Congress on Zakat on 29 Jabab 1404 H, which states that zakat obligation is closely related to the company, with a note that there is an agreement between shareholders so that there is sincerity. In addition, it is stated in company rules so that they are binding.

Another opinion that supports corporate Zakat is put forward by Zarqa, stating that the company is a *syakhsan Itibaran* or a legal entity that is considered a person, which can also be called a *syakhsiyah hukmiyah*. In Indonesia, the regulation of corporate Zakat has been carried out through Law No. 23 of 2011 concerning zakat management, Chapter 1, Article 3 Verse 2, which states that the object of Zakat whose Zakat must be paid is an individual and or a business entity or company. An advanced interpretation of the obligation of corporate Zakat is also carried out by Muhammadiyah. As the largest Islamic organization, Muhammadiyah's collective *ijtihad* conducted by the Tarjih Council provides a very important guideline. At the Tarjih Muhammadiyah National Conference in 2020, the material for corporate Zakat became an interesting and very dynamic study. The decision states that corporate Zakat is a potential and important object of zakat mal.

Zakat in the Perspective of Stakeholder Theory

The understanding of stakeholders was initially limited to the owner of the company so that the fulfilment of the interests of stakeholders was singular. Companies or organizations only focus on improving company performance so that the interests of profit for the shareholders can be met. Subsequent developments show that many parties are interested in the company's sustainability, so balanced attention is necessary. Ignoring the interests of parties outside the company can affect the company's performance.

The Stakeholder theory is developed on the importance of building a balance of interests of all stakeholders. There has been an expansion of the meaning of stakeholders, who were originally the owners of the company but developed into all parties, both internal and external to the company. The base of the Stakeholder theory states that the organization is not only an entity that operates for its own sake but also an entity that can provide benefits for all parties. The interests of all parties must be considered proportionally because they can affect business continuity and resource allocation. Therefore, the organization must focus on integrating the interests of all parties in both the short and long term.

The information disclosure is the main requirement for meeting the interests of all stakeholders. The owner of the company is the party who has the highest business risk and wants the manager as an agent to work more transparently.¹⁸ Meanwhile, the community and the corporate environment as external parties have an interest in the information so that there is a fair distribution that makes it easier for organizations to allocate their economic and social resources.

Managers are required to be able to work well to balance the various interests of the stakeholders. The size of the interests of the stakeholders is also determined by the power to influence decision-making. Parties with greater power tend to influence the interests of the company more to obtain greater welfare.

From the stakeholder perspective, corporate Zakat is an important part of business activities because a good relationship between the company and the social environment can improve company performance. Social integration in business can strengthen each business unit and can even increase the

company's survival in the long term. Therefore, social responsibility in business is the implementation of corporate Zakat in achieving Sharia goals or *maqashid* Sharia. The role of charity can promote halal business, poverty alleviation and sustainable development, and social responsibility. In line with this, the rise of Zakat is one of the hottest issues in an effort to reduce poverty in Muslim countries.

Islamic social finance, such as Zakat, infaq, alms, and waqf, are financial instruments that are very important in building social welfare. The distribution of Zakat will better meet basic social needs if management assistance is provided to the recipients. Zakat, which is managed as a form of corporate social responsibility, can increase the welfare of all stakeholders and provide added value for the company. On top of that, it can also turn a recipient into a giver or from being a *mustahiq* into *muzakki*.

The fulfilment of basic social needs is a form of corporate social responsibility that may serve as a social safety net. These benefits will be maximized provided the company's social funds are also allocated to increase business motivation and economic development. Nevertheless, the participation of the underprivileged as the object of assistance must be levelled up into becoming the subject so that the mentoring process can run more effectively. According to Christian, management assistance has a very important effect in increasing the capacity of micro-enterprises. Catoiu affirms that social assistance can increase the business benefits of assisted partners. Partners with limited access to various economic and social resources get wider opportunities. In that context, corporate Zakat becomes highly relevant to stakeholder theory.

Based on the explanation above, corporate Zakat is an important part of business activities because a good relationship between the company and the social environment can improve company performance. Through the channels of Zakat, society may improve the firm image and reputation through the implementation of corporate Zakat in achieving Sharia goals or *maqashid* Sharia. Zakat can act as a signal to build a business image with the government, the public, and investors facilitating the capital resulting from increased trust in the market.

Stakeholder Theory in Islamic Perspective

Stakeholder theory is a management approach to maximizing the interests of the company and providing benefits for all parties. This theory development aligns with the urgency of the realization of Good Corporate Governance (GCG). Good implementation of GCG is needed to fairly fulfil the interests of all stakeholders respectively. Furthermore, the implementation of GCG in Sharia banking is to uphold justice, honesty, and protection of human needs in accordance with stewardship. Islamic economic thought is in line with stakeholder theory, for Islamic economics emphasizes moral and ethical aspects instead of business actors and provides a balance of interests of parties directly or indirectly involved in the company. Besides, Corporate Governance, from an Islamic perspective, is a system that directs and controls the company attempts to achieve common goals by protecting the interests of all stakeholders (Hasan, 2009). Muslim economists continue to strive to develop this concept by strengthening the theoretical basis of the GCG model resulting from the stakeholder paradigm.

A study conducted by Abdullah shows that the difference between an explicit formal contract and an implicit or self-enforcing informal contract, which is the foundation for understanding Corporate Governance, has often become a trigger for conflict in cooperation contracts.¹⁹ The issue stems from the difficulty experienced by the collaborating party in writing all the terms of the contract comprehensively up to every detail. Hence, they rely more on unwritten behavior that creates mutual obligations. The findings are in line with the research by Iqbal and Mirakhor, which states that the rights of stakeholders

influence the company's performance because they try to control risks in the business. This concept also has an impact on the emergence of the manager's obligation to manage the business properly so that the rights of stakeholders are fulfilled.

Stakeholders are parties whose ownership is at stake because of business risks due to company management decisions, whether intentional or not. The concept of minimizing risk and maximizing mutual benefits is a holistic concept that meets the interests of all parties. Therefore, stakeholder theory is reconstructed in Islam through the teachings of individual and social ownership as well as the rights and obligations inherent in every contract. Contractual obligations bind the interests of all contracting parties, be they explicit or implicit, even though the company may never have a formal contract with them through a balanced reciprocal offer.

Islamic Rural Banks

Islamic rural bank is a special purpose of Islamic banks, which finances Small and Medium Enterprises (SMEs) in Indonesia. The role of the Islamic bank industry led by Islamic rural banks is pivotal to serving SMEs' needs as capital providers, especially at the microfinancing level. As an intermediary institution for SMEs, the bank has a role in linking from a surplus unit to a deficit unit by utilizing several modes of contract¹⁵. The financing activity is not only about the capital but also fulfilling the requirement of Islam to avoid *riba* as the value of the Indonesian majority population who embrace Islam as a belief.²⁰

The Islamic rural banks are indistinguishable parts of the Indonesian Islamic financial system. Although its contribution to the national Islamic finance industry is relatively low, only around 2.5% of the country's total Islamic banking assets, they play a vital role in the Indonesian economy as they mainly serve small businesses. Interestingly, around 99% of Indonesian businesses can be categorized as small and micro businesses, and their existence has contributed to the country's GDP of 42%. It should also be noted that Indonesia has hundreds of Islamic rural banks dispersed across regions (provinces), a unique setting that might not be observed in other countries.

According to the data issued by the Indonesian Financial Service Authority in 2020, Islamic rural banks in Indonesia provided several modes of financing, such as *mudarabah*, *musharakah*, *murabahah*, *ijarah*, *istishna*, *salam*, *qard*, and hybrid contract (OJK, 2020). Rural Banks have a smaller scope of business than Commercial Banks because they are prohibited from providing checking accounts, currency exchange, and insurance services. BPRS is authorized to perform the following business activities: 1) Collect and deposit funds from the public in the form of term deposit, savings, and/or other equivalent forms; 2) Disburse loans; 3) Providing payment or funds placement based on Islamic principles in accordance with the regulations set up by Bank Indonesia; 4) Placing funds in the form of Bank Indonesia Certificates (SBI), term deposits, certificate of deposit, and/or savings in other banks.

Research Method

This study used a qualitative approach through interviews with directors and a quantitative descriptive approach whose primary and secondary data were compiled from Islamic Rural Bank (BPRS), such as Bangun Derajat Warga, Madina Mandiri Sejahtera, Barokah Dana Sejahtera, Mitra Amal Mulia, Formes, and Margi Rizki Bahagia. The primary data was the result of in-depth interviews with the Board of Directors and Commissioners as well as the section in charge of corporate social affairs. Meanwhile, the secondary data were the income statement and the company's zakat payments for the last seven years.

The collected secondary data were tabulated to find the relationship between business performance in the financial statements and social performance in corporate zakat payments. To strengthen the results of secondary data analysis, in-depth interviews were conducted with the interested parties within the company. The directors of Islamic banks were more concerned with the commitment to pay Zakat and its effect on the company's performance whereas the head of the division was more technical and administrative. Commissioners as the representatives of owners and shareholders were asked further about the conflict of interest between the desire to increase profits for shareholders and the company's zakat obligations that can reduce profits.

DISCUSSION

Profit Performance and Zakat Corporate

Sharia Bank is a bank that operates based on Islamic law with a limited liability company. The main activity of Islamic banks is to provide services in collecting public funds and channelling them into financing. The main objective of Islamic banks is to improve the welfare of the community (Law No. 21 of 2008) while providing economic value for shareholders.

Apart from its function in financial intermediation, Sharia also has social functions, such as providing services in collecting and administrating Zakat, *infaq*, and alms funds. Furthermore, Islamic banks can also act as Islamic financial institutions receiving cash *waqf*. Riduwan and Wahyudi studied the social role of Islamic banks and stated that the better the social performance is, the better the business performance will be.

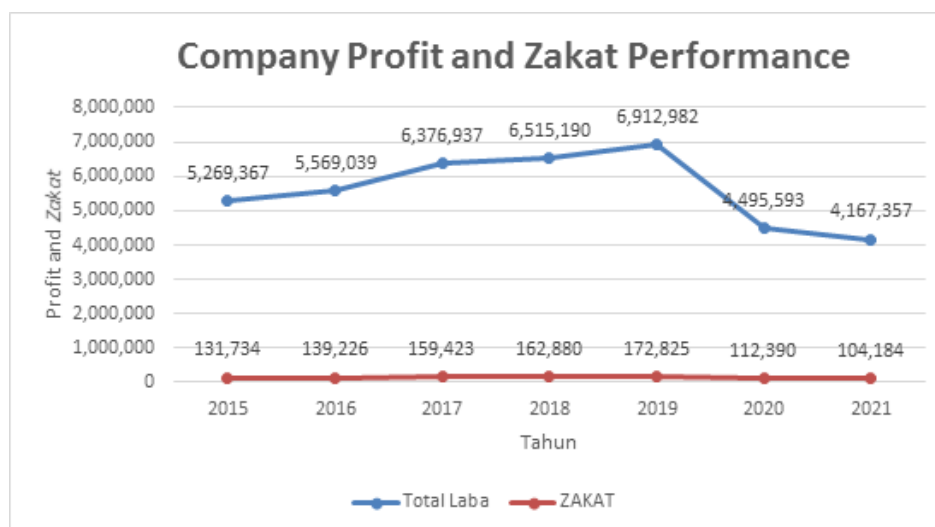
Table 1 below is the profit performance of BPRS BDW for seven years and their performance in paying company Zakat, excluding Zakat paid by the employees and external parties.

**Table 1. Company Profit and Zakat Performance
PT. Bank Pembiayaan Rakyat Syariah BDW Yogyakarta (in 000.000)**

Year/ Description	2015	2016	2017	2018	2019	2020	2021
Profit	5.269	5.569	6.376	6.515	6.912	4.495	4.167
Zakat	131	139	159	167	172	112	104

Source: Primary data BPRS BDW (2022)

Sharia banks, as Sharia business entities, have a high responsibility to realizing a financial system that meets Sharia compliance standards. One of the important indicators of Sharia compliance is the fulfilment of social responsibility in the form of its ability to manage social funds. These responsibilities are part of the business processes regulated in the board of directorate regulations or established through the General Meeting of Shareholders. Graph 1 below is the company profit and Zakat Performance.

Graph 1. Company Profit and Zakat Performance

Source: Processed primary data (2022)

From the presented data, the corporate Zakat that has been paid by Islamic banks in D.I. Yogyakarta can be analyzed and thus shows an increasing trend in the past five years. As suggested by the data, the Zakat has decreased as the company profits also declines in 2021 due to the Covid-19 pandemic. However, it manages to grow again in 2021 despite the ongoing pandemic. Graph 1 also illustrates that the company's Zakat calculation uses a certain percentage of operating profit. This condition can be seen from the consistency of the company's Zakat on profit achievement.

The data also shows that the average amount of the corporate Zakat paid is accounted for 2.5% multiplied by the annual profit. This amount is greater when compared to the large company Zakat obligations based on commercial Zakat, which is 2.5% (Baznas, 2018). The responsibility to pay corporate Zakat on Islamic banks has become a management policy that is reported at every GMS. During the seven years of the GMS, there was no rejection from the shareholders of the company's Zakat payments.

The collected company Zakat funds are then distributed directly to recipients (mustahiq) or by collaborating with the Amil Zakat Institution. Direct distribution of Zakat aims to fulfil social responsibilities such as environmental conservation, clean water supply, education costs, and other basic social assistance. Meanwhile, collaboration with social institutions aims to maximize the value of benefits because the data on the needs of Zakat recipients is more controlled by the amil Zakat institutions that Islamic banks may propose joint programs.

Zakat Challenges and Public Welfare

Over the past three decades, the tradition of philanthropy among Muslims in Indonesia has developed dynamically.²¹ One of the phenomenal developments is the emergence of various zakat institutions carried out by the government and the private sector. Zakat, as a source of social finance for the people, has great potential and can create a more prosperous socio-economic life. The potential of Zakat in reducing social inequality has been widely studied by scientists and the results show a very strong correlation. Therefore, the potential sources of zakat funds need to be developed and strengthened, to meet the needs of the people's social funds, which are still high.

Corporate Zakat as a form of social responsibility needs to be responded to by the government in terms of regulation and its correlation with corporate and individual tax obligations. The correlation between the two responsibilities will affect each other as both are obligations of the company whose implementation is conducted at relatively the same time. Corporate Zakat and income tax are calculated at the end of each year to ensure that these two obligations can contribute to the company's cash flow.

The interpretation of the text of the Qur'an and hadith regarding the obligation of Zakat needs to be developed starting from normative law and empirical conditions. Normatively, in the perspective of *muamalah*, there is no prohibition on corporate Zakat. Thus, many parties carry it out. While empirically, the need for zakat funds is still very high, especially in alleviating poverty, underdevelopment, and socio-economic issues in society.²² Limiting the obligation of Zakat only to Muslim individuals can reduce the economic potential of Zakat.

The limitation of this study was that it had not deepened the analysis of corporate Zakat from the perspective of social theory and simply provided limited data on the practice of corporate Zakat. From a social perspective, according to Browne, rational barriers to developing creativity can occur because of the dominance of understanding previous findings. Since Zakat from a social perspective requires bolder *ijtihad*, further research needs to analyze Zakat from a social perspective.²³

CONCLUSION

A company as a business entity has social responsibility inherent in every business activity. The fulfilment of corporate social responsibility can improve business performance, but the social costs will also decrease. This is in line with the findings of Javaid and al Malkawi, which confirm a strong correlation between Zakat issued by companies and the financial performance of companies in Saudi Arabia. Business efficiency can be achieved provided that social responsibility can be carried out properly. The owner of the company, as the most responsible party for business continuity and at the same time the party who bears the greatest risk, is a stakeholder who has a direct interest in business development. However, the community and the environment around the company also hold significant roles for stakeholders who have a direct influence on the sustainability of the company.

Corporate Zakat, as a social responsibility, is a religious obligation that has a very large potential source of social funds in line with the increasing business performance. The obligation to pay Zakat in the *muamalah* approach (*ghairu mahdhah*), has a very important position because it can increase the potential of the community's social funds. A bolder interpretation or *ijtihad* of the obligation to pay Zakat deserves freedom of expression forum to allow the development of social funds potentials.

The fulfilment of corporate social responsibility in the form of corporate Zakat is in line with stakeholder theory because of its ability to create welfare for all parties. The practice of corporate Zakat in Islamic banks serves as empirical evidence that corporate Zakat has become a commitment of management and owners and that it can be paid annually in accordance with the decision of the GMS. Such implementation in Islamic banks shows that corporate Zakat is an inherent part of every business process and can improve business performance.

ENDNOTES

- 1 Utami, P., Basrowi, B., Nasor, M. (2021). Innovations in the Management of Zakat in Indonesia in Increasing Entrepreneurial Interest and Poverty Reduction. *IJISH (Journal of Islamic Studies and Humanities)*. (2021), 1-20.
- 2 Al-Qardhawi. Y, *Fiqh Al Zakah: A Comparative Study of Zakah, Regulations and Philosophy in the Light of Qur'an and Sunnah* (Saudi Arabia: King Abdulaziz University, 2000).
- 3 Shihab M.Q., *Tafsir Al Misbah, Pesan, Kesan dan Keserasian Al Qur'an*, Jakarta, Lentera Hati. (2010).

- 4 Arifin, G., Zakat, Infak, Sedekah, Dalil-Dalil dan Keutamaannya, Jakarta, Elex Media Komputindo. (2016).
- 5 Al-Azizah, U. S., Rito, & Choirin, M. Correlation between Corporate Zakat, Capital Structures and Firm' Performance: Case Study of Jakarta Islamic Index, Indonesia. *International Journal of Zakat*, 3(4), (2018), 83-94.
- 6 Hasanah, U. Analisis Potensi Penerimaan Zakat Melalui E-Commerce Pada Masa Pandemi Covid-19. *Journal of Islamic Social Finance Management*, 1(1), (2021), 122-134.
- 7 Hadi. Corporate Social Responsibility dan Zakat Perusahaan Dalam Perspektif Hukum Ekonomi Islam. *Ahkam*, 16(2), (2016). 229-240.
- 8 Zuhayli, W, *Fiqhul Islam wa Adillatuhu* (Damaskus, Dal Al fikr., 1989), 122.
- 9 Hafiduddin D. Zakat dalam Perekonomian Modern, Jakarta, Gema Insani Press. (2004).
- 10 Kasri, R.A. Effectiveness of Zakah Targeting in Alleviating Poverty in Indonesia, *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah (Journal of Islamic Economics)*, 8(2), (2016), 169-186.
- 11 Wahab, A., et al. Zakah on Business Potential from Public Listed Companies in Malaysia. *Jurnal Syariah*, 24(2), (2016). 207-236.
- 12 Abdullah, S.I., Zakah as Tool for Social Cause Marketing and Corporate Charity, A Conceptual Study, *Journal of Islamic Marketing*, 10(1), (2019). 191-207.
- 13 Khatib, M., Rekonstruksi Fikih Zakat, Telaah Komprehensif Fikih Zakat Pendekatan Teoritis dan Metodologis, Malang, Literasi Nusantara. (2019).
- 14 Bayinah A.N, Role of Zakat as Social Finance Catalyst to Islamic Banking and Economic Growth (*International Journal of Zakat*, 2017), 55-70.
- 15 Riduwan dan Wahyudi R, Islamic Social Reporting Disclosure of Sharia Commercial Banks in Indonesia: A From Social Reporting (Shirkah: *Journal of Economics and Business*, 2020), 337-361.
- 16 Suprayitno, E, Zakat and SDGs: The Impact of Zakat on Economic Growth, Consumption, and Investment in Malaysia (*Advances in Economics, Business and Management Research*, 2019), 202-209.
- 17 Prasetya, Benny., Halili, H. R., Syahrin, M. A., dan Arifin, M. Lazizmu Philanthropy Potential in The Empowerment of Mustahiq's Economic and Welfare (A Case Study in Probolinggo, Jember, and Pasuruan) (*Afkaruna: Indonesian Interdisciplinary Journal of Islamic Studies*, 2021), 336-361.
- 18 Raza, H, The Impact of Corporate Social Responsibility on Share Price: A Systematic Review and Bibliometric Analysis. (*Studies of Applied Economics*, 2021), 89-98.
- 19 Abdullah, MA. Corporate Governance Bank Syariah di Indonesia, Yogyakarta, Ar Ruzz Media. (2016).
- 20 Fakhrunnas, F. (2020). Total Financing of Islamic Rural Banks and Regional Macroeconomic Factors: A Dynamic Panel Approach. *Jurnal Ekonomi & Studi Pembangunan*, 21(1), 1-15.
- 21 Triatmo, A. W., Karsidi, R., Kartono, D. T., & Suwanto. The Inefficiency of Zakat Management in BAZNAS Sragen Indonesia. *Afkaruna: Indonesian Interdisciplinary Journal of Islamic Studies*, 16 (2), (2020). 209-227.
- 22 Amalia, R. Y. (2020). Role of Zakat in Achieving Sustainable Development Goals (SDGs) in Indonesia. *International Journal of Zakat and Islamic Philanthropy*, 2(2), (2020). 199-204.
- 23 Alfiani, T., & Akbar, N. Exploring Strategies to Enhance Zakat Role to Support Sustainable Development Goals (SDGs): ISM Delphi Approach (14th Nternational Conference of Zakat Proceedings, 2020), 295-310.

REFERENCES

- Abdullah, MA. (2016), Corporate Governance Bank Syariah di Indonesia, Yogyakarta, Ar Ruzz Media.
- Abdullah, N., Derus, A.M. and Al-Malkawi, H.N. (2015), "The Effectiveness of Zakat in Alleviating Poverty and Inequalities: A Measurement Using a Newly Developed Technique", *Humanomics*, 31 (3), 314-329.
- Abdullah, S.I., (2019), Zakah as Tool for Social Cause Marketing and Corporate Charity, A Conceptual Study, *Journal of Islamic Marketing*, 10(1), 191-207.
- Aguinis dan Glavas, (2012), What We Know and Don't Know About Corporate Social Responsibility: A View Research Agenda, *Journal of Management*, 38(4), 932-968.
- Ahmed, H. (2008). Zakah, Macroeconomic Policies and Poverty Alleviation: Lessons from Simulations on Bangladesh. *Journal of Islamic Economics, Banking and Finance*, 4 (2): 81-105.
- Alfiani, T., & Akbar, N. (2020). Exploring Strategies to Enhance Zakat Role to Support Sustainable Development Goals (SDGs): ISM Delphi Approach. 14th Nternational Conference of Zakat Proceedings, 295-310.

- Al-Azizah, U. S., Rito, & Choirin, M. (2018). Correlation between Corporate Zakat, Capital Structures and Firm' Performance: Case Study of Jakarta Islamic Index, Indonesia. *International Journal of Zakat*, 3(4), 83-94.
- Ali, I. & Z. A. Hatta (2014). Zakat as a Poverty Reduction Mechanism Among the Muslim Community: Case Study of Bangladesh, Malaysia, and Indonesia. *Asian Social Work and Policy Review*, 8 (1): 59-70.
- Al-Qardhawi, Y. (2000), *Fiqh Al Zakah: A Comparative Study of Zakah, Regulations and Philosophy in the Light of Qur an and Sunnah*. Saudi Arabia: King Abdulaziz University.
- Al-Qardhawi, Y., (1991), *Fiqh al Zakah*, Vol. 1-2, Beirut, Muasasah al Risalah.
- Amalia, R. Y. (2020). Role of Zakat in Achieving Sustainable Development Goals (SDGs) in Indonesia. *International Journal of Zakat and Islamic Philanthropy*, 2(2), 199-204.
- Andriani., & Mairijani. (2019). Strengthening Corporate Zakat Policy in Indonesia. *Iqtishadia*, 12(1), 58-73.
- Arifin, G., (2016), *Zakat, Infak, Sedekah, Dalil-Dalil dan Keutamaannya*, Jakarta, Elex Media Komputindo.
- Ariyani, N. (2016). Zakat as a Sustainable and Effective Strategy for Poverty Alleviation: from the Perspective of a Multi-Dimensional analysis. *International Journal of Zakat*, 89- 107.
- Azam, M., (2014). Zakat and Economic Development: Micro and Macro Level Evidence from Pakistan. *Bulletin of Business and Economics*, 3(2), 85-89.
- Aziz, F. et al. (2013), "Mudarah in Islamic Finance: A Critical Analysis of Interpretation and Implications", *International Journal of Asian Sosial Science*, Vol. 3, No. 5, pp 1236-1243.
- Aziz, M. A., & Abdullah, M. H. (2013). The Comparison between Zakat (Islamic Concept of Taxation) and Income Tax: Perceptions of Academician in the State of Perak, Malaysia. *International Conference on Business, Economics, and Accounting*, March, 8
- Bahle, T. et al. (2014), *Social Assistance, The Oxford Handbook of the Welfare State*, Oxford University Press.
- Bayinah A.N., (2017), Role of Zakat as Social Finance Catalyst to Islamic Banking and Economic Growth, *International Journal of Zakat Vol.2 (2)*, 55-70.
- Baznas, (2018), *Fikih Zakat Kontekstual Indonesia*, Jakarta, Badan Amil Zakat Nasional.
- Beik, I.S, et al., (2018), Measuring Zakat Impact on Poverty and Welfare Using Cibest Model, *Journal of Islamic Monetary Economics dan Finance*, (1(2), 41-60.
- Berg SVD dan Seibrits K. (2011), *Social Assistance Reform during a Period of Fiscalstress*, Stellenbosch Economic Working Papers: 17/10.
- Browne, C., (2017), *Critical Social Theory*, Sage Publication Ltd.
- Can, G., (2018), Does Sharia Compliance Affect the Financial Reporting Quality? an Evidence from Muslim majority countries, *International Journal of Islamic and Middle Eastern Finance and Management*, 1(4),
- Catoiu, et al. (2016), Knowledge-Intensive Business Services and Business Consulting Services in Romanian Changing Economic Environment, *Amfiteatru Economic Journal*, 18 (41), 40-54.
- Cristian-Craciun.S. (2013), Quality of Business Consulting Services, *International Journal of Academic Research in Economics and Management Sciences*, 2 (1).
- Dasuki, A.W., (2007), "The Ideal of Islamic Banking a Survey of Stakeholders Perceptions, *Review of Islamic Economic*", *Journal of Special Issues*, 11(2), 29-52.
- Fakhrunnas, F. (2020). Total Financing of Islamic Rural Banks and Regional Macroeconomic Factors: A Dynamic Panel Approach. *Jurnal Ekonomi & Studi Pembangunan*, 21(1), 1-15.
- Garner, JM. (2015), "A Critical Perspective on the Principles of Islamic Finance Focusing on Sharia Compliance and Arbitrage", *Leeds Journal of Law and Criminology*, 1(1), 69-90.
- Gocman I. (2014), Religion, Politics and Social Assistance in Turkey: The Rise of Religiously Motivated, *Journal of European Social Policy*, 24 (92).
- Grais, W. dan Matteo, P., (2006), "Corporate Governance and Sharia Compliance in Institutions Offering Islamic Financial Services", *Work Papers, World Bank Policy Research*, No. 4054.

- Hadi, A. C. (2016). Corporate Social Responsibility dan Zakat Perusahaan Dalam Perspektif Hukum Ekonomi Islam. *Ahkam*, 16(2), 229-240.
- Hafiduddin D., (2004), *Zakat dalam Perekonomian Modern*, Jakarta, Gema Insani Press.
- Hasanah, U. (2021). Analisis Potensi Penerimaan Zakat Melalui E-Commerce Pada Masa Pandemi Covid-19. *Journal of Islamic Social Finance Management*, 1(1), 122-134
- Iqbal N., (2014), Impact of Corporate Social Responsibility on Financial Performance of Corporations: Evidence from Pakistan, *International Journal of Learning & Development*, 2(6), 108-118.
- Iqbal, Z. dan Mirakhor, A., (2004), "A Stakeholders Model of Corporate Governance of Firm in Islamic Economic System", *Islamic Economic Studies*, 11(2), 43-63.
- Javaid, Saima., & Al-Malkawi, Husam-Aldin, Nizar. (2017). Corporate Social Responsibility and Financial Performance in Saudi Arabia (Evidence from Zakat contribution), *Managerial Finance*, 44 (6), 664-684.
- Johari, F., Ali, A.F.M., Ab Aziz, M.R. and Ahmad, N. (2014), "The Importance of Zakat Distribution and Urban-rural Poverty Incidence among Muallaf (new convert)", *Asian Social Science*, 10 (21), 42-53.
- Kallio J. dan Kouva A. (2015), Street-level Bureaucrats' and the General Public's Deservingness Perceptions of Social Assistance Recipients in Finland, *Journal of Social Policy and Administration*, 49(3), 316-334.
- Kasri, R.A., (2016), Effectiveness of Zakah Targeting in Alleviating Poverty in Indonesia, *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah (Journal of Islamic Economics)*, 8(2), 169-186.
- Khamis, M. R., et al. (2011). Compliance Behavior of Business Zakat Payment in Malaysia: A Theoretical Economic Exposition. Paper on 8th International Conference on Islamic Economics and Finance, 1-17.
- Khatib, M., (2019), *Rekonstruksi Fikih Zakat, Telaah Komprehensif Fikih Zakat Pendekatan Teoritis dan Metodologis*, Malang, Literasi Nusantara.
- Leisering L. dan Barrintos A. (2013), Social Citizenship for the Global Poor? The Worldwide Spread of Social Assistance, *International Journal of Social Welfare*, 2(1), 50-67.
- Lindgreen A, dan Swaen V., (2010), Corporate Social Responsibility, *International Journal of Management Reviews*, 2(1).
- Mahrani, M. dan Soewarno N., (2018), The Effect of Good Corporate Governance Mechanism and Corporate Social Responsibility on Financial Performance with Earnings Management as Mediating Variable, *Asian Journal of Accounting Research*, 3(1), 41-60.
- Majelis Tarjih dan Tajdid Pimpinan Pusat Muhammadiyah, (2020), *Musyawah Nasional Tarjih Muhammadiyah, Mewujudkan Nilai-Nilai Keislaman yang Maju dan Mencerahkan*, Gresik, Universitas Muhammadiyah.
- Nelson K. (2012), Counteracting Material Deprivation: The Role of Social Assistance in Europe, *Journal of European Social Policy*, 22(2), 148-163.
- Nelson K. (2013), Social Assistance and EU Poverty Thresholds 1990-2008. Are European Welfare Systems Providing Just and Fair Protection Against Low Income? *European Sociological Review*, 9(2), 386-401.
- Nurzaman, M. S. (2011). Zakat and Human Development: An Empirical Analysis on Poverty Alleviation in Jakarta, *International Conference on Islamic Economics*. Doha, Qatar.
- Othman, YH, et al. (2020). Analyzing Zakat as a Social Finance Instrument to Help Achieve the Sustainable Development Goals in Kedah, *Studies of Applied Economic*, 39(10), 1-8.
- Prasetya, Benny., Halili, H. R., Syahrin, M. A., dan Arifin, M. 2021. Lazismu Philanthropy Potential in The Empowerment of Mustahiq's Economic and Welfare (A Case Study in Probolinggo, Jember, and Pasuruan). *Afkaruna: Indonesian Interdisciplinary Journal of Islamic Studies*, 17 (2), 336-361.
- Qadir. A., (1998), *Zakat dalam Dimensi Mahdzah dan Sosial*, Jakarta, Raja Grafindo Persada.
- Raza, H., et al., (2021), The Impact of Corporate Social Responsibility on Share Price: A Systematic Review and Bibliometric Analysis. *Studies of Applied Economics*, 39(4).

- Riduwan dan Wahyudi R., (2020), Islamic Social Reporting Disclosure of Sharia Commercial Banks in Indonesia: A From Social Reporting, *Shirkah: Journal of Economics and Business*, 5(3), 337-361.
- Shihab M.Q., (2010), *Tafsir Al Misbah, Pesan, Kesan dan Keserasian Al Qur'an*, Jakarta, Lentera Hati.
- Suprayitno, E. (2019). Zakat and SDGs: The Impact of Zakat on Economic Growth, Consumption, and Investment in Malaysia. *Advances in Economics, Business and Management Research*, 101 (3), 202–209.
- Triatmo, A. W., Karsidi, R., Kartono, D. T., & Suwanto. 2020. The Inefficiency of Zakat Management in BAZNAS Sragen Indonesia. *Afkaruna: Indonesian Interdisciplinary Journal of Islamic Studies*, 16 (2), 209-227.
- Uadiale OM., dan Fagbemi TO, (2012), Corporate Social Responsibility and Financial Performance in Developing Economies: The Nigerian Experience, *Journal of Economics and Sustainable Development*, 3 (4), 44-68.
- Utami, P., Basrowi, B., Nasor, M. (2021). Innovations in the Management of Zakat in Indonesia in Increasing Entrepreneurial Interest and Poverty Reduction. *IJISH (Journal of Islamic Studies and Humanities)*. 4(1): 1-20.
- Wahab, A., et al, (2016), Zakah on Business Potential from Public Listed Companies in Malaysia. *Jurnal Syariah*, 24(2), 207-236.
- Williams A., dan Siegel D., (2010), Creating and Capturing Value: Strategic Corporate Social Responsibility, Resource-Based Theory, and Sustainable Competitive Advantage, *Journal of Management*, 37. 1480.
- Zarqa, M.A., (1948), *Al Fqh al Islami fi Tasubih al Jadid*, Damaskus, Jamiah Damaskus.
- Zuhayli, W., (1989), *Fiqhul Islam wa Adillatuhu*, Damaskus, Dal Al fikr.
- Zulkarnain dan Farkhani, (2021), From Mustahik to Muzakki: Study on The Utilization of Zakat Funds for The Creation and Development of Productives Small Businesses in Lazismu Solo, *Afkaruna: Indonesian Interdisciplinary Journal of Islamic Studies*, 17(1), 1-20.