



THE INFLUENCE OF ISLAMIC CORPORATE GOVERNANCE AND ISLAMIC CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE IN INDONESIA SHARIA COMMERCIAL BANK

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Abstract

The development of Sharia banks is marked by the growth of sharia banks and the number of sharia bank offices from year to year. This growth in the number of banks and assets should also be accompanied by an increase in the performance of Islamic banks themselves, which can be seen from the large financial ratios of these Islamic banks. This research aims to examine the influence of Islamic Corporate Governance and Islamic Corporate Social Responsibility simultaneously on the performance of sharia banking. This type of research is quantitative research with a sample size of 42 financial report data from Sharia Commercial Banks from 2018-2020. The results obtained in this research are that ICG (Islamic Corporate Governance) has a positive and significant effect on ROA (Return on Assets) with t count $4.775678 > t$ table 1.68488 and ICSR (Islamic Corporate Social Responsibility) has a positive and significant effect on ROA (Return on Assets) t count $6.295548 > t$ table 1.68488. Then simultaneously ICG (Islamic Corporate Governance) and ICSR (Islamic Corporate Social Responsibility) on ROA (Return on Assets) with F-count $375.3721 > F$ -table 3.245 with an r-squared value of 0.947 or 94.7% explained by the variables ICG and ICSR and the remaining 5.3% are influenced by other variables outside this study.

Keywords: Islamic Corporate Governance, Islamic Social Responsibility, Return on Assets

INTRODUCTION

The development of Sharia banks is marked by the growth of Sharia banks and the number of Sharia bank offices from year to year. This growth in the number of banks and assets should also be accompanied by an increase in the performance of Islamic banks themselves, which can be seen from the large financial ratios of these Islamic banks. The rapid growth of Islamic banks must be supported by good performance, both in terms of financial and non-financial aspects. Bank performance assessment is carried out by analyzing and evaluating financial reports. One of the successes in measuring a company's financial performance is by measuring the rate of return on assets or return on assets (ROA). In determining the level of health of a bank, Bank Indonesia prioritizes assessing return on assets rather than return on equity because Bank Indonesia prioritizes the value of a bank's profitability as measured by its assets, the funds of which mostly come from public savings (Abdillah, 2015). So, return on assets is more representative in measuring banking financial performance.

ROA is a ratio that is often used as a basis for decision-making by investors. In other words, ROA also provides information to investors about how much profit is generated from the capital they have invested. The higher the ROA, the more effective the company is, because the amount of ROA is influenced by the amount of profit generated by the company (Winardi, 2012).

Even though in Indonesia many business segments practice the Sharia financial system, Sharia banking is very dominant in contributing to the growth of Sharia finance. However, the rapid growth of Sharia banking is not necessarily in line with the increase in the market share of Indonesian Sharia banking. Indonesian Sharia banking was only able to get a market share of 6.33% of the total national banking market share. This gain is relatively small compared to market shares in other countries, for example Malaysia 29%, Brunei Darussalam 57%, Saudi Arabia 63%, Kuwait 49%, Qatar 27%, and the United Arab Emirates 24%.

Sharia banking in Indonesia has a great opportunity to expand its market and market share because the majority of the population is Muslim. Indonesia can outperform these countries in gaining market share. However, this does not guarantee that the pace of

development of sharia banking can develop quickly. This phenomenon shows that the performance growth of sharia banking cannot be said to be good enough considering that sharia banks have been around for 29 years and the quality of the performance of existing sharia banks (Nurlatipah et al., 2022). Therefore, it is very necessary to examine what factors can influence the performance of sharia banking.

According to Syam and Nadja, financial responsibility as seen from monetary measures, accounting and certain ratios, must also be complemented by non-financial performance such as the implementation of Good Corporate Governance (GCG) and adequate implementation of Corporate Social Responsibility (CSR) (Dhaniel Syam, 2012). Corporate governance is expected to function as a tool to provide confidence to investors that they will receive profits from the funds they invest in the Company (Endraswati, 2017).

The implementation of Good Corporate Governance in sharia banks is very important because sharia banks have different corporate governance mechanisms from conventional banks. What differentiates corporate governance in sharia banking compared to conventional banking is the presence of the Sharia Supervisory Board in the corporate governance structure. The mechanism that differentiates between conventional and sharia companies is the decision-making mechanism. Decision making in sharia companies is based on Islamic law, namely the Qur'an and the Sunnah of the Prophet Muhammad, while companies with conventional corporate governance emphasize conformity with laws and government regulations (Endraswati, 2017).

In this research, we discuss the GCG structure which consists of the dimensions of the sharia supervisory board, the dimensions of the board of directors, the dimensions of risk management, the dimensions of transparency and disclosure, the dimensions of the audit committee, and the dimensions of investment account holders.

The Indonesian Banking Development Institute (LPPI) conducted a survey regarding GCG practices in the banking industry which showed that the implementation of GCG in banking seemed to be starting to slacken when there was an increase in theft of funds or fraud that befell banks (Nisaputra, 2021). In research conducted by Chapra and Habib on 14 sharia banks in Bahrain, Bangladesh and Sudan, the majority of respondents involved in the survey stated that they would transfer their funds to another sharia bank if there were allegations of

sharia violations. Failure to implement sharia principles will result in 85% of customers moving to another bank (Chapra et.al, 2002).

Basically, GCG practices can be used as a tool to identify and anticipate potential losses that may befall a company as a result of bribery and corruption practices. Corporate governance practices that are less than commendable are often characterized by the characteristics of an ineffective board of directors, weak internal controls, poor audits, lack of balanced disclosure, and lack of law enforcement. The trouble is, despicable company practices often overlap with problems of corruption, collusion and nepotism (KKN) (Sutedi, 2012).

Apart from GCG, another factor that can improve the performance of sharia banking is corporate social responsibility. CSR from an Islamic perspective is a concept of corporate social responsibility that has dimensions of Islamic economics, Islamic law, Islamic ethics and Islamic philanthropy based on Islamic values found in the Qur'an and Hadith (Khursid et al, 2014). In this research, the ICSR indicators used are the Islamic Economic responsibility dimension, the Islamic Law responsibility dimension, the Islamic Ethics responsibility dimension and the Islamic Philanthropy responsibility dimension.

The limited information disclosed by Islamic banks still poses a dilemma in assessing corporate social responsibility. Several studies show that disclosure of corporate social responsibility is still limited to descriptive information. Zubairu's research shows that CSR disclosure practices in Islamic banks are still minimal, even though these banks claim to be institutions that operate in accordance with Islamic principles (Zubairu et al, 2011). Research conducted by Mutmainah Juniawati used 3 samples of Islamic banks in Indonesia. The research results show that Bank BNI Syariah, BRI Syariah and BSM have disclosed every indicator from general to specific. In general guidelines, the average disclosure for the three Islamic banks has exceeded 85%. Although not yet in full detail, however, the disclosure of specific indicators for each aspect of the three sharia banks, Bank BNI Syariah, revealed each aspect the highest, namely economic indicators at 55%, BRI Syariah at 44.4% and BSM 33.3%. %, but overall all indicators have not been disclosed in detail and the average disclosure of each specific indicator is below 50% (Juniawati, 2018).

Research conducted by Isnawati shows that disclosure is more dominant in economic performance and employee training and education, where this is still within the company's internal scope so its contribution to stakeholders outside the company is not yet visible. If we look at CSR contributions outside the company, most of the disclosures made by the companies in this sample are concentrated on improving customer service and expanding the range of products and services provided to customers. This indicates that their annual reports are presented more to profit-focused shareholders than to a broader group of stakeholders in the Society (Isnawati, 2016).

Research conducted by Dian and Rayna suggests that exposure to the quality of ICSR disclosure based on the categories of Islamic economics (11 points), Islamic legal (7.39 points), Islamic philanthropy (10.38 points) and Islamic ethics (8.85 points) can It is said that the Islamic economic responsibility category is higher when compared to other categories because the average value is close to the maximum value. This is followed by legal, philanthropic and Islamic ethical categories (Anggraini & Kartika, 2019). Based on this explanation, it can be said that the quality of corporate social responsibility information disclosed is still low, and more emphasis is placed on economic aspects than other CSR disclosure items.

The specific data for each bank's disclosure of ICG, ICSR and ROA for Sharia Banks can be seen in the table below:

Table 1
ICG, ICSR and ROA of Sharia Banking in Indonesia

No	Name of Sharia Bank	ICGC			ICSR			ROA		
		2018	2019	2020	2018	2019	2020	2018	2019	2020
1	PT. Aceh Sharia Bank	82%	84%	84%	93%	87%	87%	0.0190	0.0180	0.0130
2	PT. BPD West Nusa T. Syariah	82%	82%	82%	81%	81%	87%	0.0053	0.0188	0.0124
3	PT. Bank Muamalat Indonesia	84%	84%	84%	93%	93%	93%	0.0008	0.0003	0.0001
4	PT. Bank Victoria Syariah	80%	80%	80%	81%	81%	81%	0.0023	0.0004	0.0009
5	PT. BRI Syariah Bank	82%	82%	82%	93%	93%	93%	0.0028	0.0017	0.0042
6	PT. Bank Jabar Banten Syariah	82%	82%	80%	81%	75%	81%	0.002	0.001	0.0004

7	PT. BNI Syariah Bank	84%	84%	84%	93%	87%	87%	0.010	0.0120	0.0091
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Source : www.BankSyariahIndonesia.com (processed by the authors), 2021

Based on the table above, it can be seen that the data from the last three years is fluctuating, where the number of increases in ICG is not followed by an increase in ROA itself, which basically means that with the practice of Islamic corporate governance, it will be able to improve company performance and reduce risks that may be carried out by the board of directors. In general, the better implementation of Islamic good corporate governance can increase investor confidence in investing their capital, which also has an impact on company performance. Then it was discovered that data from the last three years was fluctuating, where the rise and fall of ICSR was followed by ROA. This proves that ICSR has a relationship with the financial performance of BUS in Indonesia. Based on ROA data, it is dominated by a decrease rather than an increase, which means that the higher the ICSR (Islamic Corporate Social) activity, the performance of Sharia Commercial Banks will decrease.

High implementation of ICSR will increase costs for sharia banking, which will ultimately reduce the net profit of the banking itself, but in the long term the implementation of ICSR will be able to improve banking performance. However, basically the implementation of ICSR is believed to be able to improve company performance, where investors tend to invest capital in companies that carry out CSR activities because they have the potential to generate greater profits. Where in the midst of the economic crisis that hit this country, Islamic commercial banks can still generate profits. This is supported by the role and support of shareholders, customers, employees and all stakeholders. Sharia banks are determined to continue to improve their performance, so that the bank's vision and mission to become the largest sharia bank in Indonesia can be achieved.

REVIEW OF LITERATURE

Good Corporate Governance (GCG)

The definition of Corporate Governance according to the Forum for Corporate Governance in Indonesia or FCGI which uses the Cadbury Committee definition is: A set of regulations that regulate the relationship between shareholders, company administrators,

creditors, government, employees and other relevant internal and external stakeholders. with their rights and obligations, or in other words a system that regulates and controls the Company (FCGI, 2002). The World Bank defines Good Corporate Governance as a collection of laws, regulations and rules that must be fulfilled, which can encourage the performance of company resources to function efficiently in order to produce long-term, sustainable economic value for shareholders and the surrounding community as a whole (Efendi, 2009).

Islamic Corporate Governance (ICG)

Islamic corporate governance is a system of values and mechanisms based on Islamic values that regulate the relationships of the various parties involved in the company, so that they can carry out their rights and obligations correctly to improve the welfare of all interested parties (stakeholders) in the context of worshipping creatures towards a path that is approved by Allah. (Mardhatillah)(Nunung & Sri, 2014).

Islamic Corporate Social Responsibility (ICSR)

Corporate Social Responsibility (CSR) or corporate social responsibility or according to The World Business Council for Sustainable Development (WBCSD) is an ongoing commitment by businesses or companies to behave ethically and contribute to sustainable economic development. Another commitment is to improve the quality of life of employees and their families, local communities and the wider community (Anugerah, 2014). Islamic Corporate Social Responsibility is a concept of disclosing the social responsibility of Islamic financial institutions or sharia-based companies. Corporate Social Responsibility from an Islamic economic perspective states that CSR is a company's commitment to ethically integrating its business activities and implementing CSR in a sustainable manner by paying attention to the interests of all stakeholders and the wider community related to the company and its environment. Meanwhile, according to Khurshid, Islamic Corporate Social Responsibility is a concept of corporate social responsibility that has dimensions of Islamic economics, Islamic law, Islamic ethics and Islamic philanthropy based on Islamic values found in the Al-Quran and hadith (Khurshid et. al., 2014).

Financial Performance

Financial performance is the company's ability to manage and control its resources (Indonesia, 2006). Meanwhile, according to Sutrisno, a company's financial performance is the achievements achieved by the company in a certain period which reflects the level of health of the company (Sutrisno, 2009). Bank performance in general is a description of the achievements achieved by the bank in its operations. Bank financial performance is a description of the bank's financial condition in a certain period, including aspects of collecting funds and distributing funds (Annisari & Anggraini, 2022).

RESEARCH METHOD

This research is causal associative research using a quantitative approach. Causal associative research is research that aims to determine the influence between two or more variables. Quantitative research is research that uses numbers in presenting data and analysis that uses statistical tests (Ahmad, 2008). This research was conducted at Sharia Commercial Banks (BUS) in Indonesia. The sample in this research is Sharia Banks operating in Indonesia from 2018 to 2020. The data that will be used in this research is secondary data, namely in the form of published annual reports and Islamic bank financial reports obtained from the official website of Sharia Banks. is in Indonesia.

RESULTS AND DISCUSSION

The Model Test

In general, there are two approaches used to estimate a model from panel data, namely a model without individual influence (common effect model) and a model with individual influence (fixed effect model and random effect model). There are three modeling techniques offered to estimate model parameters with panel data, namely common effect models, fixed effect models and random effect models.

CEM (Common Effect Model) Test

Table 2
CEM (Common Effect Model)

Variables	Coefficient	Std. Error	t-Statistics	Prob.
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C	6.727806	0.330294	20.36917	0.0000
ICG?	0.444938	0.075038	5.929502	0.0000
ICSR?	0.135260	0.013118	7.131073	0.0000
Weighted Statistics				
R-squared	0.634060	Mean dependent var	2.700483	
Adjusted R-squared	0.626232	S.D. dependent var	1.031873	
S.E. of regression	0.423948	Sum squared resid	33.60982	
F-statistic	81.00307	Durbin-Watson stat	0.651329	
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.562945	Mean dependent var	2.051771	
Sum squared resid	34.32215	Durbin-Watson stat	0.584613	

Source: Eviews 10 Software Processing Results.

Based on the results of the Common Effect Model (CEM) test above, the coefficient values are as follows:

$$Y = 6.727806 + 0.444938X_1 + 0.135260X_2 + e$$

From the description of the figures above, it can be explained that the panel data regression equation above can be interpreted as follows: 1) Constant value 6.727806 meaning if variable ICG (Islamic Corporate Governance and ICSR (Islamic Corporate Social Responsibility) is equal to zero, ROA (Return on Assets) is 6.727806; 2) Coefficient value ICG (Islamic Corporate Governance) 0.444938 that is, if the amount of ICG (Islamic Corporate Governance) increases by 1%, then ROA (Return on Assets) is 0.444938; 3) ICSR coefficient value (Islamic Corporate Social Responsibility) 0.135260 meaning, if ICSR (Islamic Corporate Social Responsibility) increases by 1% unit then ROA (Return on Assets) is 0.135260.

FEM (Fixed Effect Model) Test

Table 3
FEM (Fixed Effect Model)

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	3.559712	0.404216	8.806470	0.0000
ICG?	0.337284	0.013433	4.775678	0.0000

ICSR?	0.278583	0.044251	6.295548	0.0000
Fixed Effects (Cross)				
Effects Specification				
Cross-section fixed (dummy variables)				
Weighted Statistics				
R-squared	0.947498	Mean dependent var	2.712446	
Adjusted R-squared	0.945500	S.D. dependent var	1.782818	
S.E. of regression	0.208678	Sum squared resid	8.012531	
F-statistic	375.3721	Durbin-Watson stat	2.113807	
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.897463	Mean dependent var	2.051771	
Sum squared resid	8.052262	Durbin-Watson stat	2.021474	

Source: Eviews 10 Software Processing Results

Based on the results of the Random Effect Model (CEM) test above, the coefficient values are as follows:

$$Y = 3.429611 + 0.337284X_1 + 0.278583X_2 + e$$

Based on the information from the figures above, it can be explained that the panel data regression equation above can be interpreted as follows: 1) Constant value 3.429611 meaning if variable ICG (Islamic Corporate Governance and ICSR (Islamic Corporate Social Responsibility) is equal to zero, ROA (Return on Assets) is 3.429611; 2) Coefficient value ICG (Islamic Corporate Governance) 0.337284 that is, if the amount of ICG (Islamic Corporate Governance) increases by 1%, then ROA (Return on Assets) is 0.337284; 3) ICSR coefficient value (Islamic Corporate Social Responsibility) 0.278583 meaning, if ICSR (Islamic Corporate Social Responsibility) increases by 1% unit then ROA (Return on Assets) is 0.278583.

REM Test (Random Effect Model)

Table 4
REM (Random Effect Model)

Variables	Coefficient	Std. Error	t-Statistics	Prob.
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C	3.469992	0.806958	4.300091	0.0000
ICG?	0.288971	0.063496	4.550981	0.0000
ICSR?	0.034146	0.015959	2.139604	0.0337
Random Effects (Cross)				
Effects Specification				
			S.D.	Rho
Random cross-section			0.839532	0.9733
Idiosyncratic random			0.139102	0.0267
Weighted Statistics				
R-squared	0.234024	Mean dependent var	0.049055	
Adjusted R-squared	0.217639	S.D. dependent var	0.235073	
S.E. of regression	0.207925	Sum squared resid	8.084506	
F-statistic	14.28324	Durbin-Watson stat	0.910151	
Prob (F-statistic)	0.000000			
Unweighted Statistics				
R-squared	-0.181251	Mean dependent var	2.051771	
Sum squared resid	92.76435	Durbin-Watson stat	0.079321	

Source: Eviews 10 Software Processing Results

Based on the results of the Random Effect Model (CEM) test above, the coefficient values are as follows:

$$Y = 3.469992 + 0.288971X_1 + 0.278583X_2 + e$$

Based on the figures above, it can be explained that the panel data regression equation above can be interpreted as follows: 1) Constant value 3.469992 meaning if variable ICG (Islamic Corporate Governance and ICSR (Islamic Corporate Social Responsibility) is equal to zero, ROA (Return on Assets) is 3.469992; 2) Coefficient value ICG (Islamic Corporate Governance) 0.288971 that is, if the amount of ICG (Islamic Corporate Governance) increases by 1%, then ROA (Return on Assets) is 0.288971; 3) ICSR coefficient value (Islamic Corporate Social Responsibility) 0.034146 that is, if ICSR (Islamic Corporate Social Responsibility) increases by 1% unit then ROA (Return on Assets) is 0.034146.

Model Selection Test

There are three tests used to select panel data estimation techniques, namely the Chow test, Hausman test, and Lagrange Multiplier test, which can be explained below:

Test Chow

The Chow test is a test to determine the most appropriate fixed effect or common effect model to use in estimating panel data. Decision making is carried out if:

H₀: The CEM model is better than the FEM model.

H₁: The FEM model is better than the CEM model

The following are the results based on the Chow test using Eviews 10

Table 5
Chow Test

Effects Test	Statistics	d.f.	Prob.
Cross-section F	105.644567	(3,184)	0.0000
Chi-square cross-section	192.295296	3	0.0000

Source: Eviews 10 Software Processing Results

The rules for making decisions regarding hypotheses are as follows. If the Chi-square cross-section probability value < 0.05 , then H₀ is rejected and H₁ is accepted. If the Chi-square cross-section probability value is ≥ 0.05 , then H₀ is accepted and H₁ is rejected. Based on the results of the Chow test in Table 5.5, it is known that the probability value is 0.0000. Since the probability value is $0.0000 < 0.05$, then the estimation model used is the fixed effect model (FEM).

Hausman test

The Hausman test is a statistical test to determine whether the fixed effect (FEM) or random effect (REM) model is most appropriate to use.

Decision making is made if:

H₀: The REM model is better than the FEM model.

H₁: The FEM model is better than the REM model

The following are the results based on the Chow test using Eviews 10

Table 6
Hausman

Test Summary	Chi-Sq. Statistics	Chi-Sq. d.f.	Prob.
Random cross-section	12.153610	4	0.0349

Source: Eviews 10 Software Processing Results

The rules for making decisions regarding hypotheses are as follows. If the Chi-square cross-section probability value < 0.05 , then H_0 is rejected and H_1 is accepted. If the Chi-square cross-section probability value is ≥ 0.05 , then H_0 is accepted and H_1 is rejected. Based on the results of the Chow test in Table 5.5, it is known that the probability value is 0.03. Because the probability value is $0.03 < 0.05$, then the estimation model used is the fixed effect model (FEM).

Hypothesis Testing

Hypothesis testing in this research was carried out using the t test, f test, and Adjusted R2. The data processing results obtained are as follows:

The t test in multiple regression is used to determine whether the independent variable regression model partially influences the dependent variable.

Table 7
T Test (Partial)

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	3.559712	0.404216	8.806470	0.0000
ICG?	0.337284	0.013433	4.775678	0.0000
ICSR?	0.278583	0.044251	6.295548	0.0000
Fixed Effects (Cross)				
Effects Specification				

Source: Eviews 10 Software Processing Results

The t-test in this research aims to determine the magnitude of the influence of each independent variable partially (individually) on the dependent variable. In this case, the basis for decision making is to compare the t table with the calculated t. The data above is known as dk (degrees of freedom) = $n - k$ ($42 - 3$) = 39, so the t-table is 1,68488 with a confidence level of $\alpha = 0.05$

The table above shows the partial results as follows:

The calculated t value is $4.775678 > t \text{ table } 1.68488$ with a probability value of 0.0000 . The probability value t is smaller than the predetermined significance level, namely 0.05 , so H_a is accepted and H_o is rejected. It can be concluded that ICG (Islamic Corporate Governance) has a positive and significant effect on ROA (Return on Assets).

Calculated t value $6.295548 > t \text{ table } 1.68488$ with a probability value of 0.0000 . The probability value t is smaller than the predetermined significance level, namely 0.05 . then H_a is accepted and H_o is rejected. It can be concluded that ICSR (Islamic Corporate Social Responsibility) has a positive and significant effect on ROA (Return on Assets).

F Test (Simultaneous)

The F test is used to determine whether the independent variables together have a significant effect on the dependent variable.

Table 8
F Test (Simultaneous)

Weighted Statistics			
R-squared	0.947498	Mean dependent var	2.712446
Adjusted R-squared	0.945500	S.D. dependent var	1.782818
S.E. of regression	0.208678	Sum squared resid	8.012531
F-statistic	375.3721	Durbin-Watson stat	0.924268
Prob(F-statistic)	0.000000		

Source: Eviews 10 Software Processing Results

The F-calculated value is 375.3721 and the F-table is $(df1) k - 1 (3 - 1) = 2$ $(df2) n - k - 1 (42 - 3 - 1) = 38$ or $F\text{-count} > F\text{-table}$ or $375.3721 > 3.245$ or the p-value is 0.000 in the sig column. $<$ level of significance (α) is 5% , so there is a simultaneous influence of ICG (Islamic Corporate Governance) and ICSR (Islamic Social Responsibility) on ROA (Return on Assets).

Determination Test R2

Determination test analysis is a measure that shows how much variable X contributes to variable Y. Determination analysis is used to determine the percentage contribution of the influence of independent variables simultaneously to the dependent variable.

Table 9
Determination of R2

Weighted Statistics			
R-squared	0.947498	Mean dependent var	2.712446
Adjusted R-squared	0.945500	S.D. dependent var	1.782818
S.E. of regression	0.208678	Sum squared resid	8.012531
F-statistic	375.3721	Durbin-Watson stat	0.924268
Prob(F-statistic)	0.000000		

Source: Eviews 10 Software Processing Results

Based on the data in the table above, it can be seen that the variables X1 and .

Multiple Linear Regression

Linear regression analysis of panel data in this research uses the Fix Effect Model method. The choice of the Fix Effect Model method as a panel data analysis method in this research was previously tested using the Chow test and Hausman test first, so that in the end the Fix Effect Model (FEM) method was the most appropriate for testing panel data in this research.

Table 10
Multiple Linear Regression

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	3.429611	0.404216	8.806470	0.0000
ICG?	0.337284	0.013433	4.775678	0.0000
ICSR?	0.278583	0.044251	6.295536	0.0000
Fixed Effects (Cross)				
Effects Specification				
Cross-section fixed (dummy variables)				
Weighted Statistics				
R-squared	0.947498	Mean dependent var	2.712446	
Adjusted R-squared	0.945500	S.D. dependent var	1.782818	
S.E. of regression	0.208678	Sum squared resid	8.012531	
F-statistic	375.3721	Durbin-Watson stat	2.113807	
Prob(F-statistic)	0.000000			

Unweighted Statistics

R-squared	0.897463	Mean dependent var	2.051771
Sum squared resid	8.052262	Durbin-Watson stat	2.021474

Source: Eviews 10 Software Processing Results

Based on the results of the Fixed Effect Model (FEM) test above, the coefficient values are as follows:

$$Y = 3.429611 + 0.337284X_1 + 0.278583X_2 + e$$

Based on the information from the figures above, it can be explained that the panel data regression equation above can be interpreted as follows: 1) Constant value 3.429611 meaning if variable ICG (Islamic Corporate Governance) and ICSR (Islamic Corporate Social Responsibility) is equal to zero, ROA (Return on Assets) is 3.429611. It was explained that The ICG and ICSR social responsibility reports are reports of social responsibility activities that have been carried out by sharia banks both in relation to social and environmental impact issues. This report is an integral part of the profitability of Islamic banks; 2) Coefficient value ICG (Islamic Corporate Governance) 0.337284 that is, if the amount of ICG (Islamic Corporate Governance) increases by 1%, then ROA (Return on Assets) is 0.337284. It was explained that improving Islamic corporate governance creates a mechanism based on Islamic values that regulates the relationships between various parties in Islamic banks, in carrying out their rights and obligations correctly to improve the welfare of all parties which will have an impact on increasing profits at Islamic banks; 3) ICSR coefficient value (Islamic Corporate Social Responsibility) 0.278583 meaning, if ICSR (Islamic Corporate Social Responsibility) increases by 1% unit then ROA (Return on Assets) is 0.278583. It was explained that increasing ICSR can bring profits to Islamic banks, where ICSR is considered a future investment for Islamic banks. The interest of capital owners in investing capital in Islamic banks that have implemented ICSR is greater, compared to those that have not implemented ICSR. Through CSR, effective communication and harmonious relationships can be built between Islamic banks and the surrounding community.

The Influence of Islamic Corporate Governance on Sharia Banking Performance

Based on partial research results calculated t value $4.775678 > t$ table 1.68488 with a probability value of 0,000. The probability value t is smaller than the predetermined

significance level, namely 0.05, so H_a is accepted and H_o is rejected. It can be concluded that ICG (Islamic Corporate Governance) has a positive and significant effect on ROA (Return on Assets). It can be explained that the implementation of ICG includes aspects Board of Directors with a minimum number of 5 people but not more than 11 people and the Bank forms a minimum of 3 Board Committees (for example Nominating Committee, Wages Committee, Audit Committee, etc.) to assist the Board of Directors in the decision-making process such as Risk Management because the Bank has Risk Management Committee or Risk Management Division. Then the Bank makes Transparency and Disclosure from the Bank's Annual Report revealing information on the remuneration of members of the Board of Directors and Executive Staff because the Bank has formal policies related to the functions and responsibilities of the Audit Committee with the existence of formal policies from Sharia banks related to the duties and responsibilities of the DPS. Furthermore, sharia bank investment account holders have strategies related to investment and asset allocation which in turn will increase financial performance in sharia general institutions.

The results of this research are in line with research conducted by (Zara Ananda & NR, 2020). The results obtained show that disclosure of Islamic Corporate Governance (ICG) has a positive and direct influence on financial performance. Shows that ICG has a positive and significant relationship with performance and is in accordance with the first hypothesis where the implementation of ICG is able to influence the performance of Sharia Commercial Banks. And proves that the implementation of ICG which includes aspects of corporate governance and compliance with sharia principles will have an impact on increasing the financial performance of sharia banks.

The Influence of Islamic Corporate Social Responsibility on Sharia Banking Performance

Based on partial research results calculated t value $6.295548 > t$ table 1.68488 with a probability value of 0,000. The probability value t is smaller than the predetermined significance level, namely 0.05, so H_a is accepted and H_o is rejected. It can be concluded that ICSR (Islamic Social Responsibility) has a positive and significant effect on ROA (Return on Assets). It can be explained that the higher the ICSR disclosure, the performance of Sharia Commercial Banks will increase. ICSR will bring benefits in the form of improved

performance at the Sharia Commercial Bank itself. ICSR is a business strategy that can encourage performance-related behavior in organizations in creating sustainable superior performance. Islamic Corporate Social Responsibility as the social responsibility of sharia banks is related to the performance of sharia banking which needs/is required to have dimensions of Islamic economics, Islamic legal, Islamic ethics and Islamic philanthropy based on Islamic values which will be related to maximizing profits and providing products and services in accordance with sharia/halal by avoiding collecting goods or services and of course maintaining the quality of products and services owned by sharia commercial banks. And also, not allowing fraud and errors and providing opportunities to pray during working hours, as well as the need to support religious and cultural activities such as paying zakat and giving donations and *infaq*/charity

The results of this research are in line with research conducted by (Winwin et.al, 2017). The results showed that disclosure of Islamic Corporate Social Responsibility (ICSR) had a positive and direct influence on financial performance. Therefore, it can be stated that the more Islamic corporate social responsibility disclosure items, the better the financial performance. In the long term, this will have an impact on the higher level of welfare of investors, employees and other stakeholders. Thus, ROA measures the company's ability to generate profits from the assets used. If a company has a high ROA, then the company has a big opportunity to increase its own capital growth.

The Influence of Islamic Corporate Governance and Islamic Corporate Social Responsibility Simultaneously on the Performance of Sharia Banking

Based on simultaneous research results calculated f value $375.3721 > f$ table 3.245 with a probability value of $0,000$. The probability value t is smaller than the predetermined significance level, namely 0.05 , so H_a is accepted and H_o is rejected, so there is a simultaneous influence of ICG (Islamic Corporate Governance) and ICSR (Islamic Social Responsibility) on ROA (Return on Assets). It can be explained that corporate governance basically concerns the issue of controlling the behavior of top company executives to protect the interests of company owners (shareholders). This problem arises because of the separation between ownership and management of the company. The owner as the company's capital supplier delegates authority over company management to professional

managers. In this case, one proof that corporate governance has been running well is the existence of adequate disclosure of the company's financial reports. For this reason, companies that have applied Islamic corporate governance and presented Islamic corporate social responsibility disclosure will certainly be able to improve their financial performance.

In connection with the description above, Islamic Corporate Social Responsibility has become an important driver in influencing the opinions of stakeholders regarding fulfilling company obligations. Some literature argues that stakeholders tend to incorporate their expectations into their behavior towards the company. Their failure to communicate CSR can lead to the withdrawal of potential support from stakeholders and have detrimental consequences on company performance. Therefore, it is very important that companies communicate their CSR activities to show that they meet the expectations of stakeholders. This research is in line with research conducted by (Indrayani & Risna, 2018), this means that investors pay attention to ICSR disclosures in bank annual reports for making economic decisions, the type of banking company that does not have a direct impact on natural resources is also a factor in the small impact of ICSR disclosures on economic decisions. Investors prefer to get information about social responsibility from third parties and government information to find out economic performance indicators of Sharia Banks. This indicates that investors want to pay attention to how ICG and ICSR are implemented in Islamic banks. ICG and ICSR disclosures as a reference for investors to decide on investment options.

CONCLUSION

Based on the results of the research that has been carried out, the following conclusions are obtained: 1) There is a significant influence of Islamic Corporate Governance on the performance of sharia banking. Where the application of Islamic corporate governance is considered to be able to realize stakeholder expectations, so that when all stakeholder expectations are achieved it will be able to create company performance; 2) There is a significant influence of Islamic Corporate Social Responsibility on the performance of sharia banking. Where the more Islamic corporate social responsibility disclosure items, the better the financial performance; 3) There is a significant influence of Islamic Corporate

Governance and Islamic Corporate Social Responsibility on the performance of sharia banking. Where the implementation of Islamic Corporate Social Responsibility and Islamic Corporate Social Responsibility in sharia banks has been carried out well so that the bank's existence has increased.

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