THE INFLUENCE OF *QARD* AND *ZAKAT* ON PROFITABILITY OF ISLAMIC BANKS IN INDONESIA

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Abstract

The aims of this research was to find out the influence of *qardh* and *zakat* on profitability (ROA) of Islamic banks in Indonesia. The population in this research is Islamic banks that registered in Bank Indonesia from 2016 to 2020, sample withdrawal by using purposive sampling techniques, and obtained 4 Islamic banks that meet the criteria. This research uses a statistical test of MRA (Multivariate Regression Analysis) with the following results: *qardh* variable has a $t_{count} = -4.788$ and a $t_{table =}$ 2.10982 ($t_{count} > t_{table}$) with a significance level 0.0002 < 0.05. Thus H1 is accepted, *qardh* has a significant negative effect on profitability of Islamic bank, which means that the greater *qardh* that has been channeled to the community, the profitability of Islamic banks will decrease. The *zakat* variable has a $t_{count} = 4.008$ and a $t_{table} = 2.10982$ ($t_{count} > t_{table}$) with a significance level 0.001 < 0.05. Thus H2 is accepted, *zakat* has a significant positive effect on profitability of Islamic banks, which means that the greater *zakat* that has been channeled to the community, the profitability of Islamic banks will increase.

Keyword: *Qardh*, *Zakat*, Profitability, Islamic Bank

INTRODUCTION

Islamic banking has a profit-sharing principle that is different from conventional banking, it is a system where agreements or mutual ties in conducting business activities by promising the distribution of profits for both parties or more (Rivai & Arifin, 2010). Profitability is a bank's ability to earn profit. Return On Assets (ROA) is one way to calculate the bank's financial performance by comparing the net profit earned with the total assets owned by the bank. The greater ROA means the greater profit achieved by the bank, and the better bank's position in terms of using asset (Romdhoni & Yozika, 2018).

Islamic banks provide a virtue loans/*qardh* where the customer gets a loan without interest from the bank or in other words, the bank is lending money without expecting anything in return (Karim, 2010). In classical *fiqh* literature, *qardh* is a *tathawwui aqd* or mutual aid and not commercial transactions (Antonio, 2001). Islamic banks have several variation products of *qardh* such as hajj bailouts, sharia gold pawns, and sharia credit cards. In *qardh*'s products, Islamic banks earn income for the services they provide to customers.

Qardh financing important to apply in proportionate quantities because *qardh* is one of the characteristics of Islamic banking. In the corporate context, *qardh* can act as Corporate Social Responsibility (CSR). The application of *qardh* in Islamic banks is more strategic because as a form of contribution in building the economy of the ummah, certainly not only from financing practices but also in terms of business development (Riswandi, 2015). These financings are beneficial for the continuity of Islamic banking which is assessed through its operational performance. This performance can increase profitability, both in terms of finance and operational continuity.

Research conducted by (Afkar, 2017) found that *qardh* has a significant influence on the profitability of Islamic banks in Indonesia. This is in contrast to research conducted by (Ariyani, 2013) and (Sari, 2018) which found that *qardh* loans had no significant effect on net profit growth. *Qardh* financing can provide a good image and be useful for the sustainability of Islamic banking by flowing funds for the welfare of the community. The distribution of funds comes from funds obtained from fines and interest income of Islamic banks on deposits in Indonesian banks. The application of *qardh* in Islamic financial institutions becomes one form of contribution in building the economy of the ummah, and business development (Riswandi, 2015).

Islamic commercial banks that earn high income from financing products, investments, and receivables will produce high profits as well, so it is necessary to issue *zakat*. *Zakat* apart from profits can be sourced from the turnover of receivables and assets that have more value in the future. *Zakat* expenditure can increase the welfare fund for the community that comes from the collection of *zakat, infaq* and *sodaqah* (Adilla, 2021).

Zakat is not intended to overburden business entities and threaten the survival of the company. According to the Law. No. 17 of 2000, on Income Tax, Article 4 paragraph 3: "*Zakat* expenditure is declared as a reduction in taxable income for the party issuing zakat." (Undang-undang Nomor 10 Tahun 1998 tentang Perubahan atas Undang-Undang Nomor 7 Tahun 1992 tentang Perbankan, 1998). This regulation is expected that the financial condition of business entities paying *zakat* is not overburdened. Corporate generosity in Islam is accommodated and symbolized as the *zakat* of entrepreneurs and companies. *Zakat* is mandatory for every Muslim who is free and has wealth up to a certain amount that has reached *nisab* (Ilmi, 2011).

The research conducted by (Aprinita, 2019) and (Kholidah, 2018) found that *zakat* has a significant effect on profitability of Islamic Bank in Indonesia. The other research conducted by (Amirah & Raharjo, 2013) using a sample of four Islamic Banks in the period 2009-2012 and (Rhamadhani, 2016) using a sample of 10 Islamic banks in the period 2011-2013 also concluded that *zakat* had a significant positive effect on ROA.

From the theory, virtue loans (*qardh*) and *zakat* are suposed to have negative effect on profitability (ROA), but some of the research that shown above discovered the opposite. This gap research is worth to analysis further, and the author is determined to find either *qardh* or *zakat* has the significant effect on profitability, and if they did, the author also want to analysis the effect is positive or negative.

REVIEW OF LITERATURE

Sharia enterprise theory was initiated by Triyuwo states that Islamic banks must have responsibilities to Allah SWT, humans, and nature (Triyuwono, 2006). This makes Islamic banks not only concerned about individual interests but has great concern for broad stakeholders. This is in line with the objectives of Islamic banks in prospering and developing the economy. Islamic financial system is a financial system that all transactions that occurs in it must be carried out based on sharia principles (*Al-Qur'an* and *Al-Hadith)*.

Profitability

Profitability is the ability of the Islamic bank to make a profit. According to Martono and Harjito, the profitability ratio is a ratio that shows the effectiveness of creating profits. In general, it can be said that the larger this ratio, the more *profitable* the company is, and the smaller this ratio indicates the less *profitable the* company (Anwar, 2019). The point is, using of this ratio shows the efficiency of Islamic banking (Kasmir, 2016). Profitability in this research is measured using *Return on Assets (ROA).* ROA shows the results of all assets under control and usually this ratio is measured as a percentage. The greater ROA means the greater profit achieved by the bank, and the better bank's position in terms of using asset (Romdhoni & Yozika, 2018).

Qardh

According to the Compilation of Sharia Economic Law, *qardh* is the provision of funds or bills between Islamic financial institutions with the borrower that requires the borrower to make payments in cash or installments within a certain period of time (Mardani, 2012). Islamic law allows lenders (banks) to ask borrowers to pay operating expenses outside of the principal loan, but so that these fees do not become veiled interest on commissions or these fees should not be made proportional to the loan amount (Ascarya, 2011).

The foundation of *qardh*'s law is the Al-Qur'an surah Al-Baqarah verse 245: "Whoever will give a loan to Allah, a good loan (provide his wealth in the way of Allah), then Allah will double the payment to him with a lot of double. And Allah narrows and flattens (prosperity) and to Him you are returned."

The are several pillar of *qardh* that must be fulfilled in the transaction, which are *muqtaridh*/borrower (people who need funds), *muqridh*/lenders (people who have funds), the object of the contract (*qardh*/funds), the purpose of the loan without reward (*'iwad* or counter value), and *shighah* (*ijab qabul*). In *qardh*, the agreement that must be fulfilled in the transaction is the willingness of both parties, and the funds are used for something useful and halal. *Qardh* loans are usually given by banks to their customers as a bailout loan facility when customers experience over-draft (Ascarya, 2011).

Islamic banks should offer *qardh* to increase corporate social responsibility and to help people in need (Ariffin & Adnan, 2010). The distribution of *qardh*'s funds in its development includes productive and consumptive economic activities (Riswandi, 2015). The research connducted by (Afkar, 2017) found that the *qardh* financing has an positive effect on profitability which means the greater *qardh* funds distributed to Islamic bank partners make positive reciprocal relationships from Islamic bank partners and increasing public trust and is good news for investors, so that this can be increasing profitability as well. This is in line with research conducted by (Syahid, 2021) which states that *Qardh* financing has a significant and positive influence on the profitability of Islamic Banks.

Zakat

Zakat is one of the five pillars of Islam, every Muslim is required to pay *zakat* in accordance with Islamic law. *Zakat* has the basic word *"zakā"* which means blessing, growing, holy, clean and kind. While *zakat* in terminology means giving certain treasures in certain amounts and calculations to be handed over to those who are entitled. Based on this understanding, *zakat* is not the same as voluntary donations/donations/*shadaqah*.

Zakat is a Muslim obligation that must be fulfilled and not a right, so we cannot choose to pay or not. *Zakat* has clear rules, regarding what property should be increased, the limits of the property affected by *zakat*, as well as the way of calculation, because it has standard requirements and rules both for allocation, source, magnitude, and certain times that have been determined by sharia (Wasilah & Nurhayati, 2011).

The foundation of *zakat*'s law is the Al-Qur'an surah At-Taubah verse 103: "Take *zakat* from their wealth, in order to cleanse and purify them, and pray for them. Verily your prayers it (grow) the peace of the soul for them. God Is All-Hearing, All-Knowing."

Islamic banks as financial institutions engaged in Islamic financial services should issue *zakat* in accordance with Islamic rules and regulations so that the goals of benefit and blessing can be achieved. Moreover, according to Law No. 17 of 2000 on Income Tax, states that *zakat* will not burden the company (Undang-undang No 17 Tahun 2000 tentang Perubahan Ketiga atas Undang-undang No 7 Tahun 1983 tentang Pajak Penghasilan, 2000). However, Islamic banks as business institutions will certainly consider the condition of their financial performance in doing any virtue including in issuing *zakat*. The concept of *zakat* is aimed at nurturing religion, reason, soul, descendants, and property. Companies that pay zakat are proxies of management that always maintain religion, reason, soul, descendants, and property to always be clean.

RESEARCH METHOD

Hypotheses

H1: *Qardh* has a significant effect on profitability of Islamic Banks

H2: *Zakat* has a significant effect on profitability of Islamic Banks.

Population and Sample

The population in this research are Islamic banks that registered in Bank Indonesia from 2016 to 2020. To determine the sample in this study uses purposive sampling techniques, based on the following criteria: Islamic bank has published financial statements and has *qardh* financing products and issued *zakat* during the period of 2016-2020. There are 4 Islamic banks that meet those criteria, namely: a) PT Bank Rakyat Indonesia Syariah; b) PT Bank Central Asia Syariah; c) PT Bank Mega Syariah; d) PT Bank Jabar Banten Syariah.

Data Analysis

This research is using a MRA (Multivariate Regression Analysis) statistical test. This analysis is used to forecast the value of dependent variables (Y), with more than one independent variable (Bawono, 2006).

RESULTS AND DISCUSSION

F-test (Simultaneous)

Table 1
F-test Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4,178	2	2,089	11,505	,001[b]
	Residual	3,087	17	,182		
	Total	7,265	19			

a. Dependent Variable: ROA
b. Predictors: (Constant), ZAKAT, QARD

Source: SPSS

Based on table 5, it is seen that the value of F_{count} = 11,505 with a significance level of 0,001. Since the value of F_{count} greater than F_{table} (3.59), and the significance level is less than 0,05 means that the regression model can be used to predict profitability or it can be said that *qardh* and *zakat* simultaneously affect profitability (ROA).

T-test (Partial)

Table 2
T-test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,878	,131		6,678	,000
	QARD	-,006	,001	-1,520	-4,788	,0002
	ZAKAT	,273	,068	1,273	4,008	,001

a. Dependent Variable: ROA

Source: SPSS

T-test of *Qardh*

The result obtained in table 6, the *qardh* variable (X1) shows the value of t_{count} = -4,788 while the value of t_{table} = 2,10982 so that $t_{count} > t_{table}$ with a negative direction. This means that *qardh* partially has a negative effect to profitability (ROA). And this result is statistically significant, shown from the value sig X1 = 0,0002 which is smaller than the α (< 0.05). Thus H1 is accepted, so it can be concluded that *qardh* partially has a significant negative effect on profitability (ROA) of Islamic Banks, which means that the greater *qardh* that has been channeled to the community, the profitability of Islamic banks will decrease. This result is similiar with research conducted by (Sholihah, 2019) which states that *qardh* negatively affects the profitability of PT. Bank Mandiri Syariah. But the result of this study is different with the research of (Ariyani, 2013) and (Sari, 2018) which states that partially *qardh* has no effect on profitability so that no matter how much *qardh* funds are borrowed by customers will not have a direct impact on the growth or shrinking of profits.

Theoretically, *qardh* suposed to have negative effect on profitability (ROA) because *qardh* is categorized as *ta'awuni aqd* (*tabaru'*) and not a commercial transaction, this contract is carried out for the social function of Islamic banks. Banks provide pure loans to the poor without being charged anything. The purpose of the transaction is to help and not be allowed to make a profit, because the *tabaru'* contract is an agreement to do good solely to expect a blessing from Allah SWT, and it is not for commercial gain. Therefore, the result of this research is supporting the theory.

T-test of *Zakat*

The results obtained in table 6, the *zakat* variable (X2) shows the value of t_{count} = 4,008, while the value of t_{table} = 2,10982, so that $t_{count} > t_{table}$ in a positive direction. This means that *zakat* partially has a positive effect on profitability (ROA). And this result is statistically significant, indicated by the value of sig X2 = 0,001 which is smaller than the α (<0,05). Thus H2 is accepted, so it can be concluded that *zakat* partially has a significant positive effect on profitability (ROA) of Islamic banks. So that the greater *zakat* that has been channeled by banks, the profitability of Islamic banks will increase.

This finding is similar to the research conducted by (Winoto, 2011) which found that business capital *zakat* has a positive and significant effect on business profits. This research is also supported by previous research conducted by (Yohani & Yusuf, 2015), (Sidik & Reskino, 2016), (Amirah & Raharjo, 2013), and (Kholidah, 2018) which states that *zakat* has a positive and significant influence on profitability (ROA).

Theoretically, *zakat* suposed to have negative effect on profitability (ROA) because zakat is defined as a obligation of a Islamic banks that must be given from certain assets, based on certain characteristic and not suposed to earn profit. But, the result of this study is show the opposite. The explanation that can be given is *zakat* leads to the distribution of income, which in turn increases consumption, investment and public spending, thereby increasing economic growth and profitability as well.

MRA analysis

Based on table 2, the regression equation model is obtained as follows:

$$Y = 0,878 - 0,006\ \mathbf{X1} + 0,273\ \mathbf{X2} + e$$

The statistical interpretation in the regression equation model above is as follows: a) If *qardh* and *zakat* are worth 0, then the profitability value is 0,878; b) The regression coefficient of X1 is -0.006, stating that assuming the absence of other independent variables, then if X1 increases by one ratio then profitability will decrease by 0,006.

The regression coefficient of X2 is 0,273, stating that assuming the absence of other independent variables, then if X2 increases by one ratio then profitability will increase by 0,273.

Coefficient of Determination ($R2$)

Table 3
Coefficient of Determination Test Results Model Summary
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,758[a]	,575	,525	,42612

a. Predictors: (Constant), ZAKAT, QARD

Source: SPSS

Based on table 7, showing that the value of Adjusted R Square is 0,525 or 52,5%, so it can be concluded that the influence of *qardh* and *zakat* on profitability is 52,5%. While the remaining = 47,5% (100% - 52,5%) were influenced by other variables that were not included in the study, such as CAR, BOPO, NPF, DPK, and others.

CONCLUSION

The Influence of *Qardh* on Profitability

Qardh has a significant negative effect on the profitability of Islamic Bank, which means that the greater *qardh* that has been channeled to the community, the profitability of Islamic banks will decrease.

The Influence of *Zakat* on Profitability

Zakat has a significant positive effect on the profitability of Islamic banks. So that the greater *zakat* that has been channeled by banks, the profitability of Islamic banks will increase.

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