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The Influence of Capital Size and Zakah on Islamic Social Reporting in Islamic Commercial Bank

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Abstract

Purpose – The objective of this study is to determine the impact of capital size and obligatory charity on Islamic Social Reporting in Sharia commercial banks.

Methodology – The study's population comprises 14 Islamic commercial banks, while the sample includes 9 Islamic commercial banks. This research employs an explanatory methodology and is quantitative in nature. Regression analysis of panel data, supported by Eviews 12 analysis tools, is the research methodology utilized in this work.

Findings – The study's findings revealed a significant positive correlation between the size of capital or a car and Islamic social reporting. This suggests that Islamic banks with substantial capital tend to be more effective in conducting social reports in a transparent and accountable manner, adhering to Islamic principles. Conversely, the study indicated that zakah has a minimal impact on Islamic social reporting. It further asserted that zakah's contribution to corporate social reporting is not as substantial as other factors, such as other capital resources, which enable companies to conduct social reporting comprehensively and systematically.

Implications – While Indonesia's Islamic banking industry is experiencing growth and intensifying competition, maintaining a certain level of bank health remains essential. A bank's capital is one of several key factors that determine its health, as it is primarily responsible for generating the highest possible returns.

Originality – In addition to fulfilling legal obligations, Islamic banks' implementation of the Islamic Social Reporting Program surpasses expectations by establishing a robust Islamic philosophy and tasawwur (visual representation) as the foundation for their social responsibility. This positioning elevates them as one of the financial institutions that can contribute to the flourishing of the community.

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1. Introduction

Islamic commercial banks in Indonesia have experienced rapid growth over the past few decades. According to data from the Financial Services Authority (OJK), the number of assets of Sharia commercial banks in Indonesia continues to increase annually and reaches Rp 566.16 trillion at the end of 2022 (OJK, 2023). The development of the Islamic banking industry is reflected in the growth of assets in each year. The growth and increase of these assets require Islamic banks to be able to manage assets efficiently to obtain maximum profit. Having a high profit is a challenge for the Islamic banking industry, as it can reflect the company's ability to manage resources for creating corporate value. Efficiency should be achieved by every company to increase profits to maintain business continuity or increase power competitiveness.

Currently, the challenges faced by Indonesia are largely due to the conventional banking system, which is widely accepted by most of the population, despite Indonesia's Muslim majority. However, these factors do not hinder the development of Islamic banks. Consequently, the role of Islamic banks must be to compete effectively with conventional banks, particularly in their community-oriented services. Given Indonesia's significant Muslim population and its status as one of the world's most Muslim nations, it is crucial that all aspects of daily life adhere to the laws established by Allah SWT. This presents an opportunity to promote the concept of Sharia within Indonesian communities and businesses. The Sharia concept in development is the Islamic Social Reporting (ISR), which is utilized to establish social performance standards for businesses adhering to Sharia principles (Lianti et al., 2022).

Differences exist due to the absence of specific standards governing the presentation of reports, encompassing the disclosed theme, level of disclosure, type of disclosure, and other pertinent factors. In Indonesia, the disclosure of Islamic Social Reporting on Islamic banks is outlined in PSAK No. 101 of 2006, which pertains to the presentation of Islamic financial statements. However, PSAK's applicability is limited to financial statements and does not extend to other information presented in the annual report. Consequently, this serves as an impetus for considering Islamic Social Reporting, commonly referred to as Social Responsibility Reporting based on Islamic principles (Murdiansyah, 2021).

The concept of ihsan teachings, which represent the pinnacle of exceptionally commendable ethical principles, is manifested in social reporting from an Islamic perspective. Ihsan can be interpreted as engaging in virtuous actions for the well-being of others in the pursuit of Allah's approval. Moreover, this notion is substantiated by Islamic beliefs regarding ownership, which posits that Allah is the sole owner of mutlaq (authenticity) and individuals are merely its temporary custodians who serve as recipients (Salimudin & Jubaedah, 2024).

In addition to enhancing businesses that adopt sharia principles in their operations, Islamic Social Reporting is projected to attract a substantial number of Muslim investors and other interested Muslim parties who aspire to participate in the business's operations. Islamic banking is one of the numerous businesses in Indonesia that incorporate sharia principles into all aspects of their operations. One area that warrants consideration in the evolution of Indonesia's current sharia system is sharia banking. This is evident in the growing number of sharia commercial bank service networks gaining public trust as intermediaries in the financial sector. Given the significance of social responsibility in Islamic banking, it is pertinent to discuss the following factors: the fair and partnership principles of Islamic banking necessitate their operation based on moral, ethical, and social responsibility foundations. Furthermore, the universal principles of Islam, as rahmatan lil "alamin, are expected to prevent harm and poverty (Lianti et al., 2022).

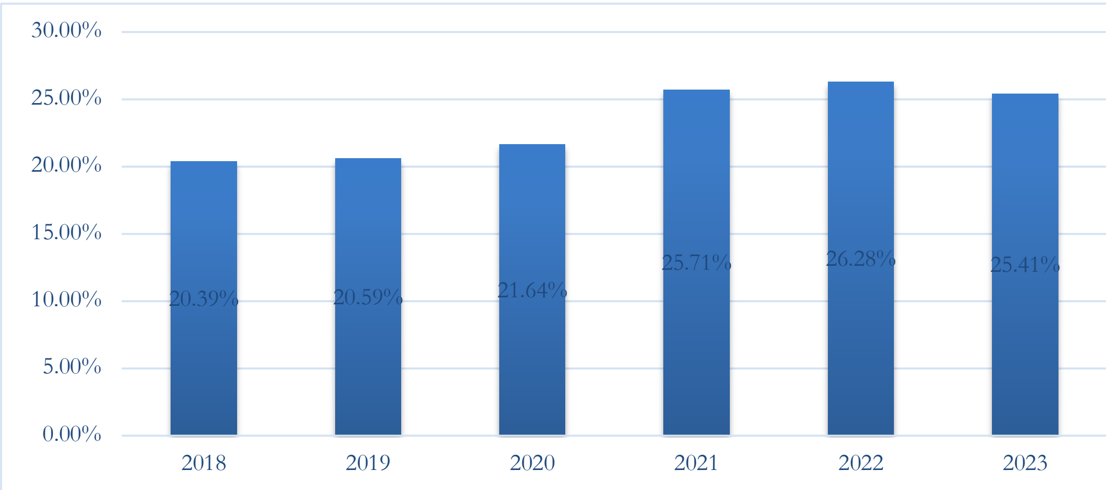
In addition to meeting legal obligations, Islamic banks' social responsibility is rooted in a robust Islamic philosophy and tasawwur (visualization), which seeks to position them as one of the financial institutions that can contribute to the flourishing of the community. Consequently, they are implementing the Islamic Social Reporting Program. Furthermore, to ensure equitable distribution of economic well-being within the community, the Islamic Social Reporting Program of Islamic banking must comprehensively address the fundamental needs of the community (Zubki, 2022).

To fulfill the comprehensive requirements of the bank and execute its operations, including its social and environmental initiatives, substantial capital is of paramount importance. Effective management can lead to the generation of the anticipated level of profitability. Robust capital serves as a cornerstone for maintaining public confidence in the bank, instilling the belief that donations are utilized to support underserved population (Muarif et al., 2018).

Amidst the growth and intensifying competition among banks in Indonesia, particularly Islamic banks, the health of these institutions remains a critical concern. A key indicator of a bank's health is its capital, which is essential for ensuring efficient and effective operational management, thereby facilitating the generation of substantial profits. While Islamic banks have witnessed annual capital increases, they still lag conventional banks in this regard (Apriliani & Ibnu, 2018).

A statistical analysis conducted by the OJK Statistics Agency reveals a notable surge in the CAR ratio of Indonesian Sharia commercial banks over the past six years, spanning from 2018 to 2023. This upward trend is depicted in the accompanying graph.

Table 1. Development of Sharia Commercial Bank CAR in 2018-2023



Source: Statistical Report of Islamic Commercial Bank CAR www.ojk.go.id

Based on the data presented in Table 1, the overall development of Capital Adequacy Ratio (CAR) for Sharia commercial banks during the period 2018-2023 indicates a positive trend. Each year, the CAR has experienced an increase, although there was a slight decrease in 2023. However, this decrease is not substantial and still suggests that Sharia commercial banks maintained adequate capital levels to sustain their financial health during that period. To assess the financial health of a healthy bank, we consider the CAR, which should ideally exceed 8%. This threshold is aligned with the standards set by Bank Indonesia and international regulations, such as Basel III (Agustina et al., 2022).

Currently, Islamic banks face a competitive challenge in terms of capital availability compared to conventional banks. A study conducted by Junjunan et al. (2022) revealed that the average value of Islamic banking capital adequacy ratio (CAR) is significantly lower than that of conventional banks. The study demonstrated that Islamic banks have a CAR ratio of 18.87%, which is less than 21.83%, while conventional banks have a CAR ratio of 21.83% or higher. This indicates that conventional banks have greater ability to manage and maintain the stability of their capital ratios.

In comparison to its competitors, a bank with a higher capital adequacy ratio (CAR) is generally considered more resilient. Conversely, a bank with a lower CAR ratio may be at risk of financial instability. The resilience of Islamic banking is evident in its capital adequacy ratio, particularly the Islamic Commercial Bank's CAR ratio of 25.71%. This positive capital growth is supported by the increase in profit for Islamic commercial banks in 2021. These positive indicators can enhance public confidence in Islamic banking services, especially during a pandemic. Therefore, it is essential for Islamic banks to disclose their social responsibility that aligns with sharia principles.

The subsequent topic that impacts Islamic Social Reporting is Zakat. Enhancing the financial performance and environment of Islamic banks will influence the quantity of corporate Zakat to be distributed. Corporate Zakat represents a significant potential for the state, yet it has not been optimally collected. Law Number 23 of 2011 on Zakah Management establishes the legal framework for corporate Zakah responsibilities, defining a muzakki as a Muslim individual or corporate organization obligated to pay Zakah (Wardani et al., 2022). The absence of a Fatwa issued by the Mui National Sharia Council (DSN) on corporate Zakah hinders the informed distribution of corporate Zakah by Sharia commercial banks, as noted by Nadia Ulfa (2023). In reality, Indonesia already possesses a robust legal foundation for corporate Zakah responsibilities. This is evident in Article 1 of Law Number 23 of 2011 on Zakah Management, which mandates that a business entity must issue Zakat, implying that a firm must issue Zakah (Etika et al., 2024).

Zakah is a corporate initiative that contributes to the economy by distributing income to mitigate economic disparities. This practice, guided by religious and legal principles, ensures the attainment of prosperity and blessings. Zakah-oriented companies prioritize profit maximization as their initial objective, with Zakah fulfillment serving as their ultimate goal (Anita & Putry, 2022).

Several studies have been conducted to investigate the factors influencing the disclosure of Islamic Social Reporting (ISR). Lianti et al. (2022) found a significant impact of capital on ISR. In contrast, Lely and Supami (2021) conducted a test and concluded that capital adequacy does not significantly affect ISR. Sulistiyo & Yuliana (2019) tested the impact of capital adequacy (CAR) and found a positive and significant effect on ISR. Rohmansyah et al. (2023) conducted a test that did not indicate a significant impact of Capital Adequacy Ratio or capital adequacy on ISR. Handayani & Yanti (2023) demonstrated the influence of CAR on ISR.

Further research on the effect of zakat on Islamic Social Reporting research by Adisaputra (2021) the results showed that zakah has a positive effect on Islamic Social Reporting. Research by Fauzan et al. (2023) results show that zakah has no effect on Islamic Social Reporting. Research by Amalia and Haryanti (2020) results show that Zakah Corporate has effect on Islamic Social Reporting. Then the results by Nurhayati et al. (2022) showed that Zakah in the perspective of Governance has an effect on Islamic Social Reporting. And the results of the last study by Wahyuantika et al. (2023) showed that Zakah has no effect on the Islamic Social Reporting.

Given the background, researchers are interested in conducting research and introducing novelties in the topics discussed. The research we intend to undertake shares a common topic with previous research on capital adequacy and Islamic Social Reporting. However, there is a research gap that arises from previous research, and there are novelties in the period of 2018 to 2024. Therefore, we propose research on zakah in banks that has been underutilized, coupled with the dependent variable, which is Islamic Social Reporting from sharia-compliant commercial bank reports. Several studies conducted in the past have shown that capital adequacy, zakah, and Islamic Social Reporting yield different results. Consequently, the authors believe that further research in this area is warranted. Furthermore, it is noteworthy that not many studies have utilized Islamic Social Reporting as a dependent variable. Based on the background explanation and the selected research gap, this study aims to analyze the impact of capital size and obligatory charity on Islamic social reporting in Sharia commercial banks in Indonesia.

2. Literature Review

2.1 Stakeholder Theory

Since its initial introduction by Harrison and Freeman (1999), stakeholder theory has grown to become a prominent theory in corporate ethics and strategic management. According to this notion, a business should manage its relationships with all parties that could have an impact on or influence its operations.

All internal and external parties with direct or indirect relationships to the organization are considered stakeholders. Internal and external parties that significantly impact and are influenced by the business include the government, rival businesses, the local community, the global environment, institutions unrelated to the business (e.g., NGOs), environmental protection organizations, employees, minorities, and others. Islamic Social Reporting provides an overview and records related to corporate responsibility, particularly in the context of Islamic banking's contributions to environmental and corporate social initiatives. These factors influence the interests of stakeholders in investing in the company.

2.2 Shariah Enterprise Theory

Shariah Enterprise Theory, proposed by Handoyo et al. (2019), posits that the primary purpose of financial statements in Sharia accounting is to achieve instrumental accountability with both a vertical and horizontal dimension. This accountability encompasses Allah SWT, humans, and society, providing information through accounting practices. Additionally, the theory elucidates the accountability of a company (specifically an Islamic bank) to Allah SWT vertically and to employees, customers, and society horizontally.

Shariah Enterprise Theory is an economic system founded on Islamic Sharia principles. It serves as a form of social integration, where Islamic values are integrated and serve as a measure of accountability within the context of Islamic accounting trilogy. This trilogy places the highest responsibility to God, followed by humans and nature. In the context of Islamic Social Reporting, particularly in environmental disclosure, Zakah represents one form of corporate concern for the community within the company.

2.3 Capital Size

A bank's ability to grow and advance while maintaining public confidence is heavily reliant on its capital. Every asset development carries the potential for both risk and profitability. To effectively manage risk and invest in assets, particularly those sourced from public or third parties, capital utilization is essential. To safeguard the interests of fund owners, it is crucial to strike a balance between maximizing asset profitability and mitigating potential risks. In the context of an existing bank, capital emerges as a pivotal element for business growth and risk management (Nurkhalifa et al., 2021).

Islamic banks require capital to operate effectively and fulfill their obligations. With sound banking management, they can generate substantial profits. A bank with robust management practices will continuously replenish its capital while monitoring its health metrics, as specified by the Capital Adequacy Ratio CAR) (Shakhila, 2023).

$$\boldsymbol{CAR} = \frac{\boldsymbol{Capital}}{\textbf{ATMR}} \textbf{ x 100\%}$$

2.4 Zakah

Zakah is derived from the Arabic word "az-zakah." The word "az-zakah" encompasses various meanings, including "an-numuww" (growth), "azziyadah" (increase), "ath-thaharah" (cleansing), "al-madh" (praise), "albarakah" (blessing), and "ash-shulh" (goodness) (Khairina, 2021). Zakat is one of the three pillars of Islam, following the declaration of faith and prayer. The Quran frequently mentions Zakat, with Allah instructing its issuance in conjunction with the command to perform prayer. Consequently, the obligation to issue Zakat is equivalent to the obligation to perform prayer (Miftah & Makki, 2024).

Corporate Zakah is a mandatory and responsible obligation for the company, as stipulated by religious regulations and legal frameworks, to achieve the intended purpose of providing benefits and blessings. Zakah serves as a motivator to enhance the company's financial performance, encouraging it to prioritize its Zakah obligations alongside its overall financial objectives. This alignment between Zakah and financial performance is essential for the company's ability to optimize its Zakah contributions and achieve its overall financial goals (Bela et al., 2024).

$$\boldsymbol{Zakah} = \textbf{Profit After Tax} \times \mathbf{2,5\%}$$

2.5 Islamic Social Reporting

Islamic Social Reporting (ISR) is a distinctive framework for social responsibility reporting that conforms to Sharia law. It emphasizes the spiritual dimension of corporate social responsibility reporting, enabling voluntary disclosure to fulfill community commitments and Allah SWT (Rismayati et al., 2022).

Social Reporting in Islam: Social Accountability

The significance of Sharia principles has been integrated into reporting practices. ISR is the creation of Corporate Social Responsibility (CSR) products, aligning CSR with Islamic development. ISR serves as a means of reporting on a business's performance in terms of community service, product development, and social activities (Lely and Supami, 2021).

$$\textbf{Disclosure Level} = \frac{\textbf{\textit{Number of disclosure scores}}}{\textbf{\textit{Maximum total disclosure score}}} \textbf{ x 100\%}$$

2.6 Hypotheses

2.6.1 Effect of Capital Size on Islamic Social Reporting

Stakeholder theory posits that businesses must prioritize the interests of their stakeholders beyond their own. A key component of this theory is capital, which represents the ownership interests of a business. Effective management of a company's capital is crucial for the well-being of stakeholders. When management exercises this responsibility, social responsibility information becomes widely disseminated, safeguarding the company's credibility (Tri & Pramono, 2022). This notion is supported by research conducted by Filia (2023) and Lianti et al. (2022), which demonstrates a positive correlation between the size of capital and Islamic Social Reporting.

Based on the description and the provided information, researchers hypothesized that Islamic banks with substantial capital sizes are better equipped to conduct social reports in a transparent and accountable manner, adhering to Islamic principles.

H_1: Capital size positive effect on Islamic Social Reporting

2.6.2 Effect of Zakah on Islamic Social Reporting

Businesses with substantial Zakah distributions exhibit a pronounced commitment to social responsibility and actively contribute to the development of a sustainable economy. Zakah distributed by the company to the community fosters a sense of empathy among its recipients, thereby enhancing the company's reputation and fostering trust among its stakeholders. This is particularly beneficial for Islamic banks, which engage in intermediation activities where public trust is crucial for conducting financial transactions.

This is supported research conducted by Adisaputra (2021), discovering that Islamic Social Reporting is impacted by Zakah. Based on the description above, this could mean that Zakat is an important obligation in islam, its contribution to corporate social reporting is as strong as other factors, such as other capital resources, which allow companies to conduct social reporting thoroughly and systematically. The researchers developed the following theory considering the previous information:

H_2: Positive effects of Obligatory charity on Islamic Social Reporting

3. Research Methods

This research utilized descriptive quantitative methods to collect secondary data on capital size, zakat, and Islamic social reporting from the annual reports of each Sharia Commercial Bank, which were obtained from their respective websites. Explanatory research, as defined by Sugiyono

(2020)., examines the relationships between variables or the mechanisms by which one variable influences others.

The study's population comprises all Sharia commercial banks in Indonesia registered with the OJK between 2018 and 2024. The purposive sampling technique was employed in this investigation. During the study period, there were approximately 14 Islamic commercial banks registered with the OJK. The author selected the criteria for the sample using the purposive sampling technique: a Sharia commercial bank that reports annual financial statements for six consecutive years (2018-2023) and complies with sustainability reporting. Nine Islamic commercial banks that met these criteria were selected as the sample for the six-year research period. Consequently, the study utilized 54 observational data.

The research instruments employed in this study are designed to define a variable by providing a clear and precise definition or specifying the operational steps necessary to measure it.

Table 2. Definition Operational of Variable

Variable	Operational Definition	Measurement	Scale
Capital Size	Capital adequacy ratio is a way of measuring the bank's ability to risk losses that will be faced and meet the needs of depositors and other creditors by comparing the amount of capital with risk-weighted assets (M. P. Astuti et al., 2024).	$CAR = \frac{Capital}{\text{ATMR}}$	Ratio
Zakah	Banking Zakah which is an independent variable is Zakah imposed on companies that run their businesses (can act legally, have rights and obligations, and can have their own wealth) (I. N. Astuti & Riza, 2020).	$Obligatory\ charity = \text{Profit After Tax} \times 2{,}5\%$	Ratio
Islamic Social Reporting	Islamic social reporting is a voluntary disclosure of the company's responsibility towards Allah and society as well as providing information relevant to the needs of decision makers and increasing transparency of business activities (Danis, 2018).	$\text{Disclosure Level} = \frac{Number\ of\ disclosure\ s}{Maximum\ total\ disclosur}$	Ratio

Regression analysis of panel data using the eViews program is the method used in this study. Cross-sectional and time series data are both included in regression analysis of panel data. The Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) are the models used in this study's estimate approach. The Chow, Hausman, and Langrange multiplier tests are then used to evaluate these three models and decide which one should be adopted (Nurhayati & Rustiningrum, 2021).

4. Results and Discussion

4.1 Panel Data Regression Model Selection

The research was conducted by using panel data regression with estimation approaches that are Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM).

Then, these three models are tested to determine which model is best to be used by performing the Chow Test, Hausman Test, and Langrange Multiplier Test.

Table 3. Panel Data Regression Model Selection

Effects Test	Test Chow	Hausman Test	Lagrange Multiplier Test
Cros s-section Chi-square Prob.	0.2098	0.2098	0.9490

Source: Data processing (2025)

According to the data explanation, the Chow test indicates that the Common Effect Model Model is the most effective since its probability value is 0.2098 > 0.05. Because the Siginifikansi value of the random cross-section is 0.1701 > 0,05, the Hausman test indicates that the Random Effect Model is the best model. Since the Common Effect Model's result is 0.9490 > 0.05, the Langrange Multiplier test was continued to confirm that it is the best model. For usage in regression data panels, the Common Effect Model (CEM) yields the best results out of the three models (Sugiyono, 2019).

4.2 Classical Assumption Test

The probability test indicates that the Jarque-Bera statistic is 4.174761. Since the significance level (0.05) is less than the probability (0.124012), the normalcy assumption is satisfied. According to the test results, heterokedasticity does not occur when the probability chi-square value of each variable is greater than 0.05. Multicollinearity testing indicates no symptoms of multicolinearity between independent variables, as the value of VIF is less than 10. The value of Watson's Durbin is 2,6805, dL=1,4851, and dU=1,6383. Therefore, the value of D meets the standard d>dl, indicating no autocorrelation in the model.

Table 4. Classical Assumption Test

Normality Test	Heterocedasticity Test	Multicollinearity Test	Autocorrelation Test
Probability	Probability	Centered VIF	Durbin-Watson stat
0.124012	CAR 0.149398 Zakah -1.211335	CAR 1.001385 Zakah 1.001385	2.680556

Source: Data processing (2025)

4.3 Multiple Linear Regression Result

Regression testing in this study was conducted to examine the relationship between the size of capital and Zakah on Islamic Social Reporting.

Table 5. Panel Data Result

Variable	Coefficient	Std. ErRor	t-Statistic	Prob.
C	0.712498	0.012336	57.75618	0.0000
CAR	0.001324	0.000344	3.851243	0.0004
Zakah	1.699590	8.95E-12	0.189917	0.8504

Source: Data processing (2025)

Based on the results of the panel data regression test, the panel data regression equation model can be analyzed as follows:

$$ISR = 0.7124 + 0.0013\ CAR + 1{,}6995.\ Zakah + e$$

1) It is shown that the regression model coefficient has a constant value of 0.7124 with a positive calculated t value of 57.75618 and a probability value of 0.000. So, if CAR and Zakah are worth 0, then the value of the Sustainability Report constant is 0.7124

2) The value of the regression coefficient on the CAR variable is 0.0013 with a positive direction which means that if the CAR regression coefficient is 0.0013, it means that each CAR has increased by one percent, it is predicted to increase Islamic Social Reporting by 1.3%
3) The value of the regression coefficient on Zakah variable is 1.6995 with a positive direction which means that if the CAR regression coefficient is 1.6995, it means that each ZAKAH has increased by one percent, it is predicted to increase Islamic Social Reporting by 16.99%.

The test results indicate that the value is less than the significant value of 0.05, with a significant value of probability (F-statistic) of 0.001863. This suggests that the independent factors collectively influence the dependent variable. The t-test findings reveal a probability of 0.0004, which is less than 0.05. This figure demonstrates how capital size impacts Islamic Social Reporting disclosure. Additionally, the t-test results indicate a probability of 0.8504, which is greater than 0.05. This suggests that Zakah does not influence Islamic Social Reporting disclosure.

The adjusted R-squared value of 0.275554 or 27%, indicates that the dependent variable of Islamic Social Reporting in this study can account for 27% of the independent variables, such as capital and Zakat. The remaining 73% is influenced by factors not included in the model.

4.4 Effect of Capital Size on Islamic Social Reporting

Based on the results of the t-test, which indicated that the size of the capital had a coefficient of car probability value of 0.0004 and a probability value below 0.05, it can be concluded that the variable size of capital or car had a significantly positive effect on Islamic social reporting. The initial test results demonstrated a significant effect on capital Islamic social reporting. Islamic banks are better equipped to implement Islamic social reporting if they have a healthy amount of capital. Since capital management has contributed funds to support its social responsibility initiatives, the business has disclosed this information in its annual report.

This finding is consistent with studies by Lianti et al. (2022) and Sulistiyo and Yuliana (2019), which found that capital adequacy (vehicle) has a major impact on Islamic social reporting. However, the findings of Rohmansyah et al. (2023) study contradict each other, showing that Islamic social reporting is unaffected by capital adequacy (vehicle).

This finding is consistent with the Stakeholder Theory, which emphasizes the value of considering the interests of all parties involved in a business, including shareholders, employees, and customers (Dhamayanti, 2021). The theory also states that the business should be expected to give all stakeholders, including the community, environment, and employees, balanced attention while upholding sharia principles in all social and ethical policies. As a result, businesses with more wealth typically have the means to carry out social initiatives that adhere to Islamic values and satisfy the demands of many stakeholders. Using Islamic Social Reporting is one strategy to keep ties with stakeholders strong (Meylasari, 2021). By doing this, the business seeks to satisfy the desires of its stakeholders and foster a cordial working relationship with its stakeholders.

4.5 Effect of Zakah on Islamic Social Reporting

Based on the findings of the t-test, which indicated that Zakah has a coefficient of Zakah with several probability values of 0.8504 and a probability value above 0.05, it can be said that Zakah has no significant effect on Islamic social reporting. The results of the second test also demonstrated that Zakah has no significant effect on Islamic social reporting. Zakah is a religious obligation that must be fulfilled by Muslims, and Zakah in the company is part of Corporate Social Responsibility. Zakah issued by Islamic banks is still very little, which resulted in the payment of Zakah not meeting social responsibility.

The results of this study are in line with the research of Fauzan et al. (2023), in line with the results of research where Zakah does not affect Islamic Social Reporting. But in (Adisaputra, 2021), the results of his research state that Zakah has a significantly positive effect on Islamic Social Reporting.

This finding contradicts the Sharia Enterprise Theory, which holds that each company's operational activities must be disclosed in a transparent and accountable manner in accordance with sharia principles to cover a broad range of stakeholders, including Allah SWT, people, and the environment. In this theory, the highest stakeholders are Allah SWT. Zakah should be an obligation that must be carried out by companies operating under Sharia principles and must be reported in Islamic Social Reporting to show their commitment to social welfare and sharia principles (Irawan & Muarifah, 2020). Syariah enterprise theory is related to Zakah because Zakah is a corporate obligation, while Syariah enterprise theory is a corporate responsibility to Allah SWT, humans, and the universe. This demonstrates that Sharia enterprise theory considers the interests of other parties or broader stakeholders in addition to those of people (shareholders).

5. Conclusion

The purpose of this study is to ascertain how Islamic Social Reporting in Sharia commercial banks is impacted by capital size and Zakah. Based on the test results, it was explained that the size of capital or capital scale had a significant positive effect on Islamic Social Reporting. But other results were obtained that Zakah had no significant effect on Islamic Social Reporting.

Given the findings of the study and debate, it can be said that Islamic Social Reporting benefits from capital scale. This demonstrates that Islamic banks with larger capital sizes are typically better equipped to manage social reports in a way that is more accountable and transparent while adhering to Islamic norms. However, Islamic Social Reporting is unaffected by the variable Zakah. This could mean that although Zakah is an important obligation in islam, its contribution to corporate social reporting is not as strong as other factors, such as other resource capital, which further allows companies to conduct social reporting in a thorough and systematic manner.

The suggestion given by the author related to the results of the above research is that capital adequacy, Zakah, and Islamic Social Reporting have different results. Therefore, the author would like to suggest doing research again on this subject with the addition of moderation variables and the addition of the number of research objects so that the research conducted is more relevant.

Author Contributions

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