

# The Preliminary Investigation of How Barakah Works

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## ABSTRACT

This study aims to examine the effect of corporate social responsibility and ZAKAT on the profitability of Islamic Commercial Banks as a proxy to understand how barakah works. Continuing the previous studies on the meaning of barakah qualitatively, this study aims to look at the works of barakah quantitatively. SEM-PLS under WarpPLS 6.0 software is used to investigate how barakah functions. As a result, there are two exogenous variables and one moderating variable, which are corporate social responsibility (CSR), ZAKAT, and the size of the organization (UP). Meanwhile, as a proxy for the Islamic bank's profitability, the return on asset (ROA) is used as an endogenous variable. Furthermore, this research employs a purposive sampling technique, employing 25 Indonesian Islamic Commercial Banks samples from 2013 to 2017. The findings reveal that barakah functions by enhancing assets and improving the healthiness of NPF to simultaneously repair and increase the number of assets while also ensuring asset growth sustainability through healthy profit creation. This paper is a comprehensive investigation of the intricate concept of barakah utilizing quantitative methodologies using Indonesian Islamic banks as a case study; however, by utilizing more significant variables, it could be expanded to a wider scale. Before setting any other goals as derivative works, Islamic banks in Indonesia should set the aim of ZAKAT to be paid as groundwork. It will allow them to generate a healthy profit, ensuring long-term expansion. Unlike earlier research, this study aims to be the first to quantitatively investigate the works of barakah in the field of Islamic banking.

**Keywords:** *Barakah, Islamic Bank, Corporate Social Responsibility, ZAKAT.*

## 1. INTRODUCTION

Although barakah is a complex idea, it is extensively employed as an actual Islamic virtue in Muslims' daily lives (Misanam, 2009). In Muslim countries such as Indonesia, for example, barakah is frequently utilized when attending a wedding reception and making a barakah du'a for the bridal couple, or when a parent invites their children to shake hands with ulama to obtain barakah. In addition, the concept of barakah is frequently used to persuade Indonesian Muslims to pay ZAKAT, infaq, and shadaqah. Surprisingly, when Indonesian Muslims make du'a before eating, the word barakah is also used as follows: "*Allahumma barik lana fima razaqtana, waqina adhab-an naar,*" which means; O Allah! Bless (the food) you provided us and saved us from the punishment of the fire.

Demirel and Sahib (2015) describe barakah as an increase in the quality and quantity of God's blessings to humans through ways unforeseen. It signifies that Allah miraculously spreads His blessing in terms of quantity and quality on what Muslims perform. To receive Barakah, Muslim actions, including ceremonial and social devotion, must be founded on Islamic teaching in order to be classified as Ibadah. Taymiyyah (1995) and Mahmud (1994) defined Ibadah as whatever that Muslims do in their daily lives that Allah approves, following His instructions according to the

Qur'an and Sunnah with the earnest goal of doing it only for Allah's sake. As a result, the activities will cause His pleasure. Misanam (2009) examines the connection between masalahah, the ultimate goal of Islamic education, and the term barakah. As a result, barakah is regarded as the key to operationalizing masalahah. If any Muslim activities fail to generate barakah, it signifies that the events will merely provide bodily and psychological benefits, which may be in conflict with the value of Islamic teaching. Primarily, pursuing bodily and physiological pleasure can only lead to disappointment (Aydin, 2019). Because pleasure-seeking activities will only lead to sadness in the afterlife, Allah will not reward Muslims for them in the afterlife, and they will not gain God's blessing on growing production in quality and quantity during life. In other words, barakah is measured by the correct deed is the foundation of activities, and the result is intended to bring God's blessing through masalahah.

Many pieces of literature state that Islamic banking was founded to promote masalahah to the Muslim community, not just to prevent riba specifically. According to Metawa and Almossawi (1998), the purpose of Islamic banks is to improve the welfare and level of living in the communities where they operate. Furthermore, Chapra (1985) explicitly states that the ultimate goal of the Islamic bank is to contribute to the achievement of socio-economic goals for Islam, such as generating just in the social and economic aspect, equally

distributing income and wealth, and mobilizing saving and investment based on profit-loss sharing method. According to the previous studies, Islamic banks should place a greater emphasis on achieving *maslahah*, which brings *barakah* to the Muslim community instead of maximizing shareholder wealth. As a surrogate for God's blessing, banks should improve both quantitative and qualitative measurement performance at the same time.

Unfortunately, the reality of *maslahah* implementation in Islamic bank operations is well beyond expectations. When people observe the operation of an Islamic bank, however, the desire to achieve *barakah* appears to be less than the desire to maximize shareholder value. Suzuki et al. (2018) bring up an important point about the similarities between Islamic and conventional banks when it comes to financing goods. Islamic banks must distinguish themselves by adhering to a sharia-based business model known as *maslahah*.

Indonesian Islamic banks must pay institutional ZAKAT as required by the Islamic Banking Act No. 21 of 2008, as well as have and manage CSR funds as required of both Islamic and conventional banks. The need of paying institutional ZAKAT, on the other hand, can be considered the ultimate paradigm differential of doing business, as Islamic banks are particularly interested in establishing socioeconomic justice to provide *maslahah* to the Muslim community. As a result, *barakah* should be discovered, as Prophet Mohammad said in a hadith transmitted by Muslims: "Wealth is not diminished by charity". Allah does not add anything to the servant except honour in return for his forgiveness, and no one is humble for Allah's sake unless Allah lifts him. According to Demirel and Sahib (2015), the Prophet's words "Wealth is not diminished by charity" indicate that charity results in *barakah* because the reward earned not only compensates for the diminished amount but also multiplies it. The word ZAKAT is derived from the Arabic term (*masdar*) *zaka*, which signifies blessed, growing, increasing, developing, clean, holy, sound, and praised, according to Qardhawi's (2000) interpretation.

As a result, the study aims to shed analytical light on the appearance of *barakah* and examine how it functions in the functioning of Islamic banks using the ZAKAT payment system. The Structural Equation Modelling (SEM) technique will be used to address the goals. Because there have been few studies using the SEM technique to investigate *barakah* appearance, the study presents two research questions (RQ):

1. Can the *barakah* transmission appearance be traced in the proposed model?
2. How does the *barakah* work in terms of the transmission process in influencing the financial performance of Islamic banks?

Unlike earlier research, this study uses a statistical method as a quantitative approach to provide a methodological contribution to the current literature on the notion of *barakah* in the Islamic finance field.

## **2. INDONESIAN ISLAMIC BANK AT A GLANCE**

Bank Muamalat is Indonesia's first Islamic bank, having opened for business on November 1, 1991, and operating since 1992. Due to the enormous demand for Islamic-based banking, Indonesian Muslims are eagerly awaiting the arrival of the bank Muamalah Indonesia. It is intended that the presence of Islamic banking in Indonesia will help the Muslim population thrive economically while also keeping them away from activities that are prohibited in Islam, such as speculative transactions (*Gharar*), gambling (*Maysir*), and usury (*Riba*).

After nearly three decades, there are 14 sharia commercial banks and 20 sharia business units in existence, with assets totalling Rp515 trillion or about 6.14 per cent of the Indonesian banking industry's total assets. The Central Bank developed a national ZAKAT movement six years before the Indonesian government published the new National ZAKAT Management Act to form a unique ZAKAT task force to extend and deepen ZAKAT collecting.

Act No. 21 of 2008, which governs Islamic banking, specifies that Islamic banks can perform social functions in the form of *baitul maal* institutions, which can accept funds from ZAKAT, *infaq*, alms, grants, or other social sources and distribute them to ZAKAT management organizations.

In addition, the government issued Act No. 23 of 2011, which rules national ZAKAT management specifically. The government of Indonesia appoints BAZNAS to collect, administer, and distribute ZAKAT (The National Board of ZAKAT). BAZNAS was able to raise Rp8,1 trillion in ZAKAT, *infaq*, and *shadaqah* funds in 2018, a 30.42 percent increase over the previous year. The majority of the monies were collected through Islamic banking channels, with Indonesian Islamic banks paying roughly Rp156 billion in ZAKAT from December 2019 revenues. Furthermore, the total amount of money paid as ZAKAT, *infaq*, and *shadaqah* in both informal and formal ZAKAT institutions has reached Rp22.2 trillion or USD 1.67 billion each year, with the majority of it being paid through Islamic banking channels.

According to the Indonesian Zakat Outlook (2018), a BAZNAS report, the national ZAKAT potential has reached Rp.286 trillion, with ZAKAT paid by Islamic-based and government-owned enterprises and people. Even though the potential funds generated by corporate ZAKAT are greater than those generated by personal ZAKAT, the payout of corporate ZAKAT is lower. The situation arises as a result of the company's management's lack of awareness. According to Sidik and Reskino (2016), the greater the ZAKAT paid by the company, the larger the profit that the company can create. In other words, the company's social and economic role may be

measured by how much it pays ZAKAT, because the bigger the profit, the more ZAKAT funding the company will be able to distribute.

**3. CSR AND SUSTAINABLE COMPANY**

CSR is described as cooperative behaviours that contribute to the community in a beneficial way, rather than focusing just on profit maximization. Charitable giving, investing in green solutions, adopting progressive human resource methods, and participating in community development are among the activities (McWilliams, 2015).

Indonesian Islamic banks, as commercial entities, are required to engage in corporate social responsibility activities as outlined in the Limited Cooperation Act of 2007 and Government Policy No. 47 on Corporate Social Responsibility of 2012. As a result, the Indonesian collaboration must establish a specific budget for this purpose and be accounted for as a corporation's cost.

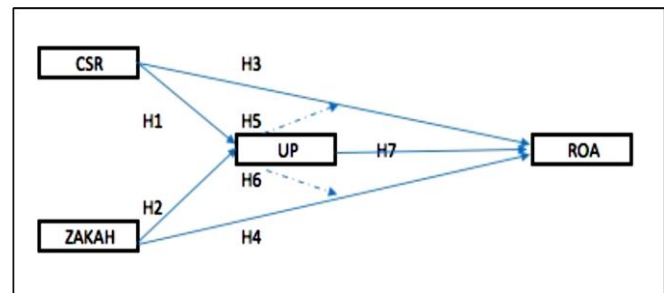
The presence of CSR activity is due to the public's awareness of social activities affecting the environment, and their willingness to participate as a social responsibility obligation. In other words, corporate social responsibility (CSR) is a sort of accountability that a corporation owes to its stakeholders, including internal parties such as employees and management, as well as external parties such as shareholders, the general public, and so on. In terms of supporting economic sustainability, Christensen (2007) explains the crucial significance of CSR in improving a company's sustainability. As can be seen, through CSR, the firm prioritizes profits not only in the economic realm, but also in the social and environmental realms for the present and future, as well as resolving issues that arise as a result of commercial activities.

Using a regression discontinuity technique, Flammer (2015) explores how the number of CSR requests approved corresponds with a company's superior financial success. The analysis discovered that CSR has a favourable impact on operational success by increasing worker productivity and sales growth. Furthermore, the study reveals that businesses function in interdependent relationships with their employees and consumers, which explains why CSR may ensure economic sustainability by boosting the company's value as a proxy for sustainability.

Ilmi (2011) found that the level of CSR disclosure and the quantity of ZAKAT paid at the same time had a considerable beneficial influence on ROE as a proxy for financial performance, whereas CSR has a partial positive impact. ZAKAT, on the other hand, has a minor impact. Furthermore, Firmansyah and Aam (2013) found that the favourable effect of profitability associated with the ZAKAT payment of Indonesian Islamic banks was moderated by the size of the organization in terms of total assets.

**4. THEORETICAL FRAMEWORKS AND METHODOLOGY**

This research creates a conceptual framework based on the data found in the literature, including Qardhawi (2000), Flammer (2015), Ilmi (2011), Firmansyah and Aam (2013), and Demirel and Sahib (2013). (2015). As a result, the study employs two exogenous variables and one moderating variable, which are corporate social responsibility (CSR), ZAKAT, and the company's size, in that order (UP). Meanwhile, as shown in Figure 1, the endogenous variable employed is the return on asset (ROA) as a proxy for the Islamic bank's profitability.



**Figure 1.** The Research Framework

After Islamic banks meet their ZAKAT obligations and publish the amount of CSR actions, the framework shows the inquiry process of barakah process transmission. The presence of God's blessing will be demonstrated by an increase in the ROA as a proxy of financial performance, which is moderated by the company's size (UP). To analyze the transmission process of barakah, the study uses WarpPLS software version 6.0 and Structural Equation Modeling-Partial Least Square. The partial least square approach is used for three reasons: (1) The study does not require a large sample size. (2). The research does not necessitate a particularly precise assumption. Finally, (3) the method's use is stressed as a variable prediction method rather than a model construction method.

Afterward, six hypotheses are developed to address two research questions above, namely:

- H1: CSR is significantly affecting ROA indirectly, which is moderated by UP.
- H2: ZAKAT is significantly affecting ROA indirectly, which is moderated by UP.
- H3: CSR is significantly affecting ROA directly.
- H4: ZAKAT is significantly affecting ROA directly.
- H5: UP is moderating CSR in affecting ROA significantly.
- H6: UP is moderating ZAKAT in affecting ROA significantly

As previously stated, this study uses a purposive sampling technique to collect endogenous, moderating, and exogenous variables from as many as 25 Indonesia Islamic Banks. The data comes from the bank's annual financial report for the years 2013-2017, which covers both asset growth uptrends and downtrends, with the following treatments for each variable:

**1. Corporate Social Responsibility (CSR)**

Islamic Social Reporting was used to assess corporate social responsibility in this study (ISR). The ISR index utilized in this study is the Othman et al. ISR index (2009). The ISR index was used in this study, which has six topics and 43 disclosure items. By reading and evaluating each Islamic Bank's annual report, the ISR index is calculated using the content analysis method to identify the type of ISR disclosure. The content analysis approach is then used to assign a score, with a zero value being issued to an Islamic bank that does not disclose CSR and a one being assigned to the bank that does. Following that, the total number of banks is computed and divided by the estimated number of items to be disclosed. The formula for calculating the ISR index is as follows:

$$CSR = \frac{\text{Number of Items Disclosed by The Company} * 100\%}{\text{Number of Item Being expected Disclosed by Company}}$$

**2. ZAKAT**

The second exogenous variable in this study is ZAKAT. The value of ZAKAT is computed using the requirements that have been widely applied in the PSAK (Statement of Financial Accounting Standards) No.109 about ZAKAT and Infaq / Sedekah Accounting. Indonesian Islamic banks have used the company's ZAKAT calculating method, according to Riyanti in Firmansyah and Aam (2013). The company's ZAKAT, on the other hand, is computed at 2.5 per cent of after-tax income. The formula for calculating ZAKAT is as follows:

$$ZAKAT = \text{Profit After Tax} * 2.5\%$$

**3. Profitability (ROA)**

The Return on Assets (ROA) ratio is used to assess profitability as an endogenous variable. This metric measures a bank's capacity to profit (profits) from asset operations. When a company has a high ROA, it suggests that it may make a large amount of profit as a result of proper asset management. The ROA calculating formula is as follows:

$$ROA = \frac{\text{Profit Before Tax} * 100\%}{\text{Total Assets}}$$

**4. Company size (UP)**

The entire asset value is translated using the natural logarithm technique to determine the size of a company. The transformation approach is used to increase the data's normalcy (Osborne, 2002). The size of a company reflects the amount of wealth it owns. The formula for determining the size of a firm is as follows:

$$\text{Size of Company} = \text{Ln} (\text{Total Assets})$$

**5. RESULTS AND DISCUSSION**

**5.1. Structural Equation Modelling (SEM) Analysis**

SEM is a statistical method based on a confirmatory approach, according to Byrne (2001), which means it is theory-driven and capable of detailed interpretation and

explanation (Sandilands et al., 2013). Despite the use of more advanced models such as neural networks (Anwar & Ismal, 2011), SEM is still commonly used in Islamic economics research due to its capacity to evaluate relational hypotheses between latent and observable variables thoroughly (Abduh and Abdul Razak, 2012). According to Kaplan (2008), who classified SEM into two statistical techniques, the first is statistical factor analysis, the model established in this work is simultaneous equation modelling.

The process for employing SEM, according to Shealy and Stout (1993), consists of two steps: (1) As indicated in Figure 1, hypotheses are generated based on specific sources of relevant theory. (2) statistical testing of the hypotheses that have been created. In terms of differential function, it first confirms the generated hypothesis using the theories utilized as a postulated source. The statistical testing then creates a relationship statement among variables, the proposed model's goodness-of-fit condition, and the relationship test statement among the variables in the second phase (Abduh and Abdul Razak, 2012).

The study will assess if the model is approved or not based on the goodness-of-fit value based on the statistical results. Furthermore, if the model is accepted, the study will continue to interpret the relationship condition based on the path coefficient value, because the significant path coefficient as a proxy for a substantial relationship will be meaningless in a poor fit model.

The data that were used in this investigation are listed in table 1 below. As a result, the mean values of CSR, ZAKAT, UP, and ROA are 66.23, 6,705,533, 30.67, and 0.85, respectively. CSR is described as cooperative behaviours that contribute to the community in a beneficial way, rather than focusing just on profit maximization. Charitable giving, investing in green solutions, adopting progressive human resource methods, and participating in community development are among the activities (McWilliams, 2015).

**Table 1. Statistical Data Description**

Variable	N	Mean	Median	Min	Max	Standard Deviation
CSR	25	66.23	67.44	53.49	74.42	6.37
ZAKAT	25	6,705,533	5,541,000	428,907	22,662,472	4,938,541
UP	25	30.67	30.77	29.10	31.11	1.08
ROA	25	0.85	0.59	-0.03	2.63	0.73

The outer model is then evaluated based on the R-square value, composite reliability, Cronbach's alpha, and AVE. The following are the outcomes of data analysis.

**Table 2. Latent Variables Coefficients**

	CSR	ZAKAT	Profitability	UP	UP*CSR	UP*ZAKAT
R-Squared			0,526	0,580		
Composite reliable	1000	1000	1000	1000	1000	1000
Cronbach's Alpha	1000	1000	1000	1000	1000	1000
AVE	1000	1000	1000	1000	1000	1000

R-square values of 0.526 and 0.580 are shown in the table above. The previous express changes in ROA, which can be explained 52.6 per cent by CSR and ZAKAT factors, with the remaining 47.4 per cent explained by other variables. The latter depicts variations in the company size variable (UP), of which CSR, ZAKAT, and ROA may account for 58% of. Other variables, on the other hand, account for the remaining 42%. As a result, with composite reliability values and Cronbach's alpha over 0.70, and AVE values above 0.70, all variables provide a high level of dependability. As a result, all variables in this study have met the requirements for reliability. The next stage is to use the goodness-of-fit value to perform a structural evaluation (inner model). Average path coefficient (APC), Average R-square (ARS), Average Adjusted R-Square (AARS), Average block VIF (AVIF), and Average Full Collinearity VIF are the five sorts of values that define the fit model in this study (AFVIF). The following are the outcomes of data analysis.

**Table 3. Model Fit and Quality Indices**

	Sig	p-value
Average path coefficient (APC)	0,269	0,033
Average R-square (ARS)	0,553	0,001
Average adjusted R-square (AARS)	0,471	0,001
Average block VIF (AVIF)	1.704	acceptable if <=5, ideally,<=3.3
Average full collinearity) VIF (AFVIF)	2.248	acceptable if <=5, ideally,<=3.3

Table 3 shows that the APC, ARS, and AARS values are more significant than the p-value, indicating that the goodness-of-fit of the model evaluated is acceptable. Similarly, AVIF and AFVIF values of less than 3.3, (1.704), and (2.248) correspondingly confirm the model's goodness-of-fit.

The model is adequate to see the influence of ZAKAT and CSR in affecting financial performance as a proxy for barakah appearance, as this result can be used to answer research question number one. Meanwhile, the moderating variable can be utilized to investigate the transmission of barakah when exogenous variables have an impact on the financial performance of an Islamic bank. Furthermore, this research interprets the parameters estimated by SEM to comprehend the relationships among variables, depending on the acceptance of the proposed model based on a goodness-of-fit test value. The path coefficient generates a correlation value between constructs and a level of significance, as indicated in Table 4, which is then compared to the hypothesis in this study. Simultaneously, the significance level chosen in this investigation is 5%.

**Table 4. Path Coefficients and P-value**

Path Coefficients	CSR	ZAKAT	Profitability	UP	UP*CSR	UP*ZAKAT
CSR						
ZAKAT						
Profitability	-0.106	0.294		-0.243	-0.062	0.295
UP	0.537	0.350				
UP*CSR						
UP*ZAKAT						
P-value						
CSR						
ZAKAT						
Profitability	0.290	0.049		0.089	0.376	0.048
UP	<0.001	0.022				
UP*CSR						
UP*ZAKAT						

CSR does not affect ROA, as shown in table 4 because its path coefficient value is smaller than the p-value threshold of 0.290. (-0.106). ZAKAT, on the other hand, has a considerable impact on ROA, with a path value more than the p-value threshold of 0.049. (0.294). Furthermore, based on its path value, which is smaller than its p-value threshold of 0.089, changes in UP as a moderating variable do not affect ROA (-0.243).

The UP has no significant effect when it moderates CSR in affecting ROA under the same conditions since its path value is smaller than its p-value threshold of 0.376. (-0.062). Surprisingly, UP has a considerable beneficial effect in reducing ZAKAT's effect on ROA, with a path coefficient value greater than the p-value threshold of 0.048. (0.295).

According to the path coefficient data, ZAKAT has a considerable impact on ROA, either in direct or indirect correlation, which UP moderates. The number of CSR revealed, on the other hand, has little effect on ROA in both direct and indirect conditions. The findings contrast those of a Malaysian study done by Samad et al. (2015). In contrast, according to the Pearson Correlation Coefficient study, ZAKAT payment and firm performance have a negative association. This is since in Malaysia, ZAKAT payments are voluntary, and there is no disclosure in the calculation of ZAKAT payments, whereas, in Indonesia, Islamic banks are mandatory to make ZAKAT payments..

This study confirmed the findings of Al-Tally (2014), who discovered that ZAKAT has a substantial positive impact on the performance of Islamic financial institutions. The graphic component of the WarpPLS 6.0 program illustrates the correlation pathway between variables. Both CSR and ZAKAT have a strong beneficial effect on changes in the size of the company (UP), as shown in figure 2, with path coefficient values more than their p-value threshold. In the meantime, the correlation condition between variables that directly affect ROA reveals that only ZAKAT has a favourable impact on Islamic bank profitability. It is decided by the path coefficient value, which is more than the p-value threshold, which was 0.29 and 0.11,

respectively. The CSR disclosure variable, on the other hand, has had a strong negative impact on changes in Islamic bank profitability, as evidenced by its path coefficient value of -0.11 and 0.29, respectively, which is negative and more significant than its p-value threshold.

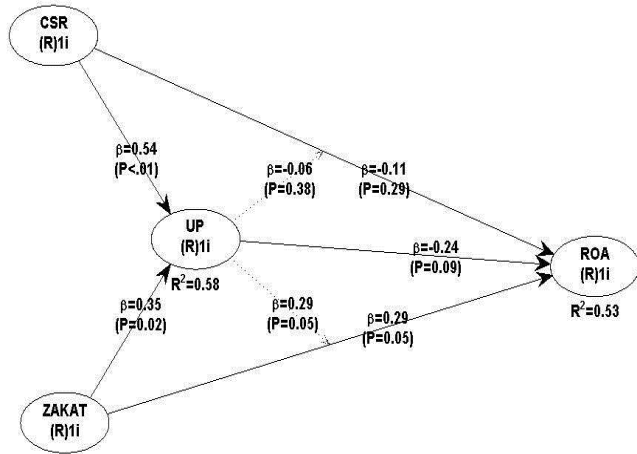


Figure 2. The Model Examination

Furthermore, the contribution of moderating variables such as company size (UP) has a direct negative impact on changes in Islamic bank profitability, as evidenced by its negative path coefficient value, which is more significant than the p-value threshold of -0.24 and 0.09, respectively. This study is comparable to Aam (2015), who discovered that UP in terms of total assets moderates the influence of profitability on Islamic Banks' ZAKAT payment in Indonesia.

Furthermore, the moderating variable, the so-called firm size (UP), plays a different role in increasing the two endogenous variables, CSR and ZAKAT. As evidenced by its negative coefficient effect, which is smaller than its p-value threshold of 0 -0.06 and 0.38, UP amplifies negatively and significantly the negative direct effect of CSR in ROA changes. On the other hand, UP acts in the opposite direction, strengthening ZAKAT contribution in impacting ROA, resulting in a considerable rise in the ZAKAT effect. Its positive coefficient effect, which is bigger than its p-value threshold of 0.29 and 0.05, respectively, demonstrates this. Furthermore, UP's enhancing power on the ZAKAT impact is 4.8 times (0.29/0.06) greater than its enhancing strength on the CSR effect.

### 5.2. Discussion

The second research question will be addressed using path analysis provided by structural equation modelling. As a result, ZAKAT has a strong beneficial impact on profitability. CSR, on the other hand, has a large and negative influence, despite the fact that both ZAKAT and CSR increase the asset's size, with CSR providing a greater contribution than ZAKAT, as evidenced by path coefficient values of 0.54 and 0.35, respectively. Surprisingly, only the moderating variable from ZAKAT has a significant and beneficial impact on profit. Both CSR and ZAKAT have a

large impact on asset accumulation, but only ZAKAT has a significant beneficial impact on profit, according to this study.

The findings contrast with those of Ilmi (2015), who discovered that both CSR and ZAKAT have a considerable effect on profit; however, CSR has a partially positive effect while ZAKAT has no effect. This discrepancy is attributable to the fact that the research was conducted at separate times. Ilmi (2015) employs a study period that concludes in the year 2014. This was the first occasion in Indonesian Islamic banks' history that assets grew at a negative rate (Anwar et al., 2010).

Finally, the path analysis demonstrated how barakah operates in Indonesian Islamic banks. Barakah, according to Demirel and Sahib (2015), improves the quality and quantity of God's blessing to mankind in unforeseen ways. According to the findings, blessing, or an increase in quality and quantity, is demonstrated by an increase in ROA in terms of quantity and quality as a proxy for barakah assessment. The blessing is transmitted through the asset enhancement method, which involves enhancing the health of Non-Performing Financing to simultaneously repair and increase the number of assets, as well as safeguarding asset growth sustainability through healthy profit creation. Flammer (2015) discovered a mechanism by which CSR has a positive impact on financial performance, which is transmitted through increased labour productivity and sales growth.

According to these findings regarding the barakah mechanism that operates under ZAKAT activities, it is suggested that Islamic banks in Indonesia establish a ZAKAT payment target as a groundwork before establishing other goals as derivative works. As a result, they will be able to generate a healthy profit, ensuring long-term growth.

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