# CSR AS A SOCIAL ACTIVITY AND ISLAMIC PERFORMANCE INDEX ON THE PROFIT GROWTH OF ISLAMIC BANK IN SUPPORTING ECON0MIC

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## ABSTRACT

Earnings growth is an indicator of company performance by using previous period earnings to calculate future earnings. Measures managerial efficiency in the economy of operating companies. There are several factors that can affect the profit growth of Islamic banks in general, including CSR as a corporate responsibility activity towards social and Islamic performance index. The purpose of this study is to determine whether the social activities of Islamic banks through CSR are able to influence the increase in profit or profit growth. The research method in this study is descriptive quantitative method. The population in this study is an Islamic bank in Indonesia. The sampling technique uses purposive sampling, namely Islamic banks registered with the Financial Services Authority and reporting annual financial reports from 2015 to 2022, so the sample in this study was 7 Islamic banks. The data used in this study are secondary data obtained from the financial statements of each bank sampled, CSR data obtained from the disclosure of CSR activities in the financial statements covering 8 dimensions of corporate social responsibility measurement GRI indicators, namely: Vision & Mission Statement, Board of Directors and Top Management, Products and Services, Zakat, Charity, and Benevolent Funds, Commitment to employees, Commitment to debtors, Commitment to customers, and Sharia Supervisory Board or DPS Sharia reported, and calculate the formula for each variable. Data analysis in this study used panel data regression, and the model chosen was the fixed effect model. The data analysis technique in this study is panel data analysis (chow test, hausman test, classical assumption test, f test, t test, and coefficient of determination). The results showed that partially CSR social activities affect the profit growth of Islamic commercial banks in Indonesia, namely by helping the community in financial management, education, economy, health, environment, and transparency, Islamic banks can build a good image in the eyes of the community and strengthen relationships with stakeholders, which can have a positive effect on the profitability of Islamic banks. Islamic Performance Index has no effect on the profit growth of Islamic commercial banks in Indonesia. And in the simultaneous test CSR and Islamic Performance Index simultaneously affect profit growth.

**Keywords:** Profit Growth, CSR, Islamic Performance Index.

## ABSTRAK

*Pertumbuhan laba merupakan indikator kinerja perusahaan dengan menggunakan laba periode sebelumnya untuk menghitung laba*

*di masa depan. Mengukur efisiensi manajerial dalam perekonomian perusahaan yang beroperasi. Ada beberapa faktor yang dapat mempengaruhi pertumbuhan laba bank syariah secara umum, antara lain CSR sebagai kegiatan tanggung jawab perusahaan terhadap sosial dan Islamic performance index. Tujuan dari penelitian ini adalah untuk mengetahui apakah kegiatan sosial bank syariah melalui CSR mampu mempengaruhi peningkatan laba atau pertumbuhan laba. Metode penelitian dalam penelitian ini adalah metode deskriptif kuantitatif. Populasi dalam penelitian ini merupakan bank syariah di Indonesia. Tekhnik pengambil sampel menggunakan purposive sampling yaitu bank syariah terdaftar di Otoritas Jasa Keuangan dan melaporkan laporan keuangan tahunan tahun 2015 hingga 2022, maka sampel dalam penelitian ini sebanyak 7 bank syariah. Data yang digunakan dalam penelitian ini merupakan data sekunder yang didapatkan dari laporan keuangan masing-masing bank yang menjadi sampel, data CSR didapatkan dari pengungkapan kegiatan CSR pada laporan keuangan meliputi 8 dimensi indikator GRI pengukuran tanggung jawab sosial perusahaan, yaitu: Pernyataan Visi & Misi, Direksi dan Manajemen Puncak, Produk dan Jasa, Zakat, Amal, dan Dana Kebajikan, Komitmen pada karyawan, Komitmen pada debitur, Komitmen pada nasabah, dan Dewan Pengawas Syariah atau DPS Syariah yang dilaporakan, dan menghitung rumus setiap variabel. Analisis data pada penelitian ini menggunakan regresi data panel, dan model yang dipilih adalah fixed effect model. Tekhnik analisis data pada penelitian ini yaitu analisis data panel (uji chow, uji hausman, uji asumsi klasik, uji f, uji t, dan koefisien determinasi). Hasil penelitian menunjukkan bahwa secara parsial kegitan sosial CSR berpengaruh terhadap pertumbuhan laba bank umum syariah di Indonesia yaitu dengan membantu masyarakat dalam pengelolaan keuangan, pendidikan, ekonomi, kesehatan, lingkungan, dan transparansi, bank syariah dapat membangun citra yang baik di mata masyarakat dan memperkuat hubungan dengan para stakeholder, yang dapat berpengaruh positif pada profitabilitas bank syariah. Islamic Performance Index tidak berpengaruh terhadap pertumbuhan laba bank umum syariah di Indonesia. Dan pada uji simultan CSR dan Islamic Performance Index berpengaruh secara simultan terhadap pertumbuhan laba.*

***Kata kunci:*** *Pertumbuhan Laba, CSR, Islamic Performance Index.*

## A. INTRODUCTION

Economic development in a country can be measured by economic growth, so that economic growth becomes the main goal of a country's economy. Currently, the contribution of the financial sector to the real economic sector has become a study, so that many studies discuss the importance of sector development. finance for economic growth. The existence of Islamic banks may not have an impact on profitability. In general, the Islamic banking industry in Indonesia has shown a fairly good development, which is characterized by an increase in services. These services, such as the financing channeled by Islamic banking, are able to encourage the rotation of the business cycle in the economic sector (Emy Widyastuti and Nena Arinta 2020).

Islamic banks in Indonesia are growing quite rapidly at this time. As a financial institution, banks strive to meet all the needs of their customers. Customers come from time to time, both as buyers and sellers of services. Both conventional and Islamic banking exist in Indonesia (Yusnita 2019). In Indonesia, Islamic banks emerged in response to market demand for financial institutions that have a halal banking system and fulfill Sharia principles. Its annual growth indicates that Islamic banks have the capacity to boost Indonesia's economic expansion (Murniati 2021).

Profit growth, whether it is rising or falling, also reveals something about how Islamic banks are developing. Profit growth in the banking sector can be calculated by dividing the difference in profit from year to year divided by the value of profit, therefore, it can be said that profit for the future cannot be predicted with certainty (Suleman, Machmud, and Dungga 2023). The percentage increase in a bank's profit is called profit growth. A high profit growth rate indicates good performance, which will increase the value of the business (Indaryani, Maryono, and Agus Budi Santosa 2022). Islamic banking profit growth in Indonesia can be influenced by a number of factors, including capital, financing, non-performing finance, public funds, and operating costs (Suryani and Ika 2019). Profit growth is one of the metrics that stakeholders use to assess a company's historical financial performance (Nikmah and Wahyuningrum 2020). The formula for calculating profit growth rate is : Profit growth rate (%) = (Profit in current period - Profit in previous period) / Profit in previous period x 100%. As more and more Islamic Banks and Islamic business units emerge in Indonesia, there is an increasing trend in Islamic banking profits (Anon 2018). As seen in the following graph :



**Pertumbuhan Laba Bank Umum Syariah**
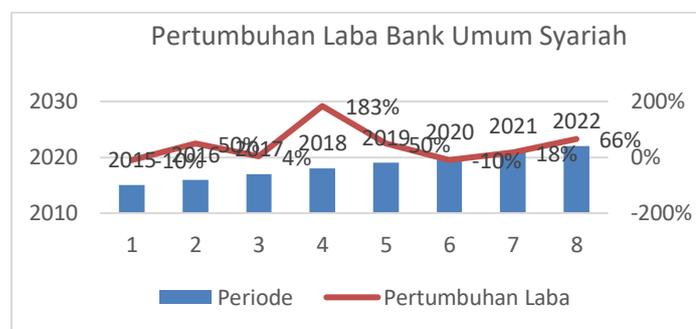
Figure 1. Profit Growth Chart of Islamic bank

Can be seen from the data sourced from Islamic banking statistics. And it can be seen from the graph above that the profitability of Islamic bankhas increased and decreased quite significantly. With a decrease in profits in 2015 and 2020 up to -10% and a very high increase also occurred in 2018 the increase increased to 183%.

Islamic bank profitability is important to study because it can provide an overview of the bank's the ability to handle profit in the given period. The primary differences between Islamic and conventional banks lie in the underlying principles that are applied. Syariah banks are based on Islamic law or the rulings of the Majelis Ulama Indonesia (MUI). In contrast, conventional banks focus on profit with free value or general public principles.

Therefore, the assessment of its performance will be different because its operations are different (Sobarna 2021).

The tool used to measure the financial of islamic bank labor force is the Islamic Performance Index (IPI), which uses its internal rasio to adjust the bank's syariah labor force. IPI calculates the Islamic bank's kinerja from the banking sector as well as from the view of the principles of justice, halalness, and sanctity applied by these banks (Indah, Ramadhan, and Rahmawati 2023). Research has found the Islamic Performance Index measurement to measure the performance of Islamic financial institutions. That can be seen from:

1. Profit-sharing ratio (PSR) is the ratio in which the profits or losses of a business are shared among the partners. In the context of a partnership business, the profit-sharing ratios are set out in the partnership agreement and represent the portion of the profits or losses each partner will receive (Hameed et al. 2004). With the formula :
PSR = Mudharabah + Musyarakah / Total Financing

2. Islamic bank profit can be influenced by Zakat Performance Ratio (ZPR). ZPR is a ratio used to measure the performance of Islamic banks based on zakat payments from net assets. The greater the net assets, the more zakat is distributed by Islamic banks, which can result in better overall financial performance (Hameed et al. 2004). With the formula : ZPR = Zakat / Net Asset

3. Equitable Distribution Ratio (EDR) in The Islamic bank financial standing, calculates how much income is given to various stakeholders, namely social communities, investors, employees, and companies. EDR is very helpful for the financial performance of Islamic banks in Indonesia (Hameed et al. 2004). With the formula : EDR = Average Distribution to Stakeholders / Total Stakeholders

4. Islamic Income vs Non-Islamic Income is used to evaluate the performance of Islamic banks. Islamic Income is income generated from sharia activities, while Non-Islamic Income is income generated from non-sharia activities (Hameed et al. 2004). With the formula : Islamic Income = Islamic Income / Islamic Income – Non Islamic Income

5. Islamic Investment vs Non Islamic Investment refer to the comparison of investments that comply with Islamic sharia principles with conventional investments. This ratio compares the value of investments that comply with Islamic sharia principles with investments that do not comply with sharia principles (Hameed et al. 2004). With the formula : Islamic Investment = Islamic Investment / Islamic Investment – Non Islamic Investment

In addition to the Islamic Performance Index, which focuses on bank financing, implementing customer-centric Corporate Social Responsibility policies, which concentrate on comprehending and satisfying customer wants, is another way to measure the profitability of Islamic banks (Indaryani et al. 2022). Islamic Performance Index can affect the profit growth of Islamic bank because by measuring financial performance, it can find out how profit growth can be seen from the difference in profits from year to year (Felani, Wahyuni, and Pratama 2020).

Corporate Social Responsibility (CSR) is a social activity carried out by companies that focuses on building the welfare and quality of life of the communities around them. CSR involves the involvement of companies in building the welfare and quality of life of the community, which includes programs in education, health, women's empowerment, and support for local communities (Rashid et al. 2013). Social activities are important for Islamic banks in Corporate Social Responsibility (CSR) activities because social activities channeled by Islamic banks can build a positive image in the eyes of the community. Social activities oriented towards labor and environmental protection have a significant impact on the bank's image. Social activities can be used to reduce the constraints that exist in the implementation of CSR, such as cost issues, distribution of activities, targeting, lack of partnerships, socialization of activities, and understanding of implementation and evaluation in the field (Muslihati, Siradjuddin, and Syahruddin 2018). This has been proven in research by Oktaviana and Wicaksono (2022) customer centric CSR has contributed to the significant growth and performance of Islamic banks. Although the specific impact on profits may vary, the focus on customer satisfaction and solutions is highlighted as a key factor in supporting the performance of Islamic banks.

Corporate Social Responsibility (CSR) in the Global Reporting Initiatives (GRI) refers to companies' efforts to address the social and environmental impacts of their business activities. GRI is a widely recognized framework for sustainability reporting that helps organizations report on their economic, environmental and social impacts. GRI emphasizes the relevance of sustainability issues to an organization's operations and transparency in reporting sustainability information. Through GRI, companies can demonstrate their accountability for their impacts on the environment, economy, and society (García-Rivas et al. 2023). CSR can effort to show that an organization cares about social and environmental issues, but it can also help sustainable development by balancing economic and social development with environmental protection. Organizations, especially business organizations, are now trying to design and develop programs that lead to social responsibility in an effort to respond to change and build trust (Marnelly 2012). There are 8 dimensions of corporate social responsibility measurement indicators, namely : Vision & Mission Statement, Board of Directors and Top Management, Products and Services, Zakat, Charity, and Benevolent Funds, Commitment to employees, Commitment to debtors, Commitment to customers, and Sharia Supervisory Board or SSB Sharia (Rashid et al. 2013). To get the overall score of the CSR calculation score can be done by using a dichotomous approach, which is every disclosure that the company discloses in its CSR report if the company discloses a score of 1, if it does not disclose it is given a score of 0 (Kalbuana, Utami, and Pratama 2020). CSR formula: CSR = $\Sigma xky / Ny$

Description:

CSR: Corpoorate Social Responsibility.

$\Sigma Xky$: Total of 1 = information disclosed in the annual report, 0 = information not disclosed.

Ny: Number of items of company year y

Islamic banking is described as a socially reputable institution. It is officially recognized by many banks that social activities and responsibilities are emphasized in Islamic banking as this is part of the purpose and function of the Islamic bank itself The social responsibility of a business is an important concept that relates to the economic durability of an entity, this is because it will have an impact on reputation, resources, and relationships with stakeholders (Mubarak, Pramono, and Bayinah 2019).

Due to its rapid growth, there has been interest in Indonesia's growth of Islamic banks. The positive profit growth of Islamic banks indicates that they are doing well and will raise the company's value (Murniati 2021). However, keep in mind that external performance and market conditions may affect the profit growth of Islamic banks. One component of the CSR of Islamic banks is their external performance. CSR is the commitment using Islamic banks to enhance community well-being and enhance communal standards of living (Fauziah and Fakhriyah 2020).

This research is different from the research in which the research examines the relationship of Customer Centric CSR with firm value, while this research combines Customer Centric CSR with profit growth. There is also not much direct research on the concurrent effect of customer centric CSR and Islamic Performance Index on profit growth. Therefore, more investigation is required to ascertain how these two factors affect earnings growth. The aim of this research is to ascertain the effects of Corporate Social Responsibility as social activity and Islamic Performance Index on Profit Growth at Indonesian Islamic Bank in supporting economic growth.

## B. RESEARCH METHOD

This study used a descriptive quantitative research methodology. CSR data obtained from the disclosure of CSR activities in the financial statements covering 8 dimensions of corporate social responsibility measurement indicators, namely: Vision & Mission Statement, Board of Directors and Top Management, Products and Services, Zakat, Charity, and Benevolent Funds, Commitment to employees, Commitment to debtors, Commitment to customers, and Sharia Supervisory Board or DPS Sharia reported and calculate the formula the variables Customer Centric Corporate Social Responsibility (X1) Islamic Performance Index (X2), and dependent variable profit growth (Y). This research uses secondary data. In this study the data used is data from the annual financial statements of Islamic Bank companies registered with the Financial Services Authority (OJK). The data source used is obtained from each bank's website in the form of Annual Financial Statements. This research using panel data regression analysis where this is a combination of cross section and time series, with the selected model Fixed Effect Model.

**Population and Sampel**

The population of this study is registered ini the Financial Services Authority (OJK). In this research, the technique used for sampling is purposive sampling. and the following banks were selected 7 samples, namely PT. Bank Muamalat Indonesia, PT Bank Victoria Syariah, PT. Bank Mega Syariah, PT. Bank Jabar Banten Syariah, PT. Bank Panin Dubai

Syariah, PT. Bank KB Bukopin Syariah, PT. Bank BCA Syariah. And this reserch data 2015-2023 of each bank published on the bank's website.

**Data Collection Techniques**

In this study, researchers used documentation techniques, namely by collecting, recording and reviewing secondary data in the form of Islamic bank financial reports 2015-2022.

**Data Analysis Method**

The first step in data analysis is calculate the formula of each variable. CSR data is obtained from the disclosure of CSR activities in the financial statements covering 8 dimensions of corporate social responsibility measurement GRI indicators, namely: Vision & Mission Statement, Board of Directors and Top Management, Products and Services, Zakat, Charity, and Benevolent Funds, Commitment to employees, Commitment to debtors, Commitment to customers, and Sharia Supervisory Board or DPS Sharia reported then CSR disclosure can be calculated using the formula CSR, and calculate the formula of each variable from Islamic Performance Index. In this study, researchers used descriptive statistical data analysis techniques and panel data regression analysis with E-Views 10, then the data analysis stage is as follows:

1. Descriptive Statistical Analysis: In this study, the analysis used is descriptive statistical analysis. Descriptive statistical analysis itself is data processing that aims to describe or provide an overview of the object under study using sample or population data.

2. Panel Data Regression: The regression model that will be carried out is the panel data regression model, which is a combination of cross-sectional and time series data, where the same cross-sectional unit is measured at different times. Panel data regression analysis is a regression analysis that observes the relationship between a dependent variable and one or more independent variables based on panel data.

3. Specification Test Panel Data Model: Some tests that can be conducted to select the most appropriate model include the Chow Test, Hausman Test, and Lagrange Multiplier Test.

4. Classical Assumption Test: The classical assumption test is a series of statistical tests used to verify whether the classical assumptions in statistical analysis are met. Classical assumptions are basic assumptions that need to be met so that the results of statistical analysis are reliable. Classical assumptions include normality, homoscedasticity, absence of autocorrelation, and absence of multicollinearity.

5. Model Feasibility Test: This test has two stages, the first test hypothesis testing (namely the f test where testing is simultaneously and the t test where testing is partially), and the second test coefficient of determination.

## C. RESULTS AND DISCUSSION

During the research period of 2015–2022, seven Islamic banks served as the study's samples, for a total N of 56. The descriptive statistical data analysis findings are displayed in the table below, which includes the mean, median, maximum, minimum, and standard deviation values:

**Table 1. Descriptive Analysis**

|  | Mean | Median | Maximum | Minimum | Std. Dev. |
|---|---|---|---|---|---|
| **Y** | -9.596.607 | -1.670.000 | 8.058.700 | -9.559.000 | 4.811.832 |
| **X1** | 8.362.500 | 8.400.000 | 9.800.000 | 6.000.000 | 1.128.404 |
| **X2** | 6.110.554 | 6.208.500 | 9.890.000 | 1.422.000 | 2.236.709 |
| **X3** | 2.529.107 | 0.025000 | 9.190.000 | 0.000000 | 3.663.522 |
| **X4** | 3.012.143 | 2.230.000 | 9.557.000 | -5.132.000 | 2.036.869 |
| **X5** | 9.994.893 | 9.996.500 | 9.999.000 | 9.975.000 | 0.055126 |
| **X6** | 9.791.071 | 1.000.000 | 1.000.000 | 9.000.000 | 2.943.571 |

Source: Data processed with E-Views 10, 2024

**Regression Model**

The purpose of the model specification test is to identify the regression model that best fits the variable data that is being studied at the moment. The Common Effect Model, Fixed Effect Model, and Random Effect Model are the three regression models that are tested using panel data estimation approaches. The Chow, Hausman, and Lagrange Multiplier (LM) test phases are used for this purpose, and the result:

**Table 2. Regression Model**

| No | Test | Results | Criteria | Model |
|---|---|---|---|---|
| 1 | Chow | 0.0098 | Prob <0.05 | FEM |
| 2 | Hausman | 0.0193 | Prob <0.05 | FEM |
| 3 | L.M | - | - | - |

Source: Data processed with E-Views 10, 2024

The Lagrange multiplier test was not performed in this investigation due to the findings of the research data processing. The fixed effect model is the most effective model, as demonstrated by the results of the preceding two tests.

**Classic Assumtion Test**

The traditional assumption test seeks to evaluate the state of the study data as it relates to data processing. This study employs the standard assumption tests of autocorrelation, heteroscedasticity, multicollinearity, and normality. Determining if the fixed effect model chosen as a viable model can satisfy the conditions of BLUE, or Best Linear Unbiased Estimator, is the goal of the classical assumption test.

**Table 3. Classic Assumtion Test**

| No | Test | Result | Criteria | Caption |
|---|---|---|---|---|
| 1 | Normality | 0.118579 | Prob. > 0.05 | Passed |
| 2 | Autocorrelation | 2.907473 | dW > dU | Passed |
| 3 | Heteroscedasticity | X1=0.0966 | Prob > 0.05 | Passed |
|  |  | X2=0.2584 |  |  |
|  |  | X3=0.7954 |  |  |
|  |  | X4=0.6513 |  |  |
|  |  | X5=0.0793 |  |  |
|  |  | X6=0.1062 |  |  |
| 4 | Multicolliniearity | X1=1.000000 | CM < 0.80 | Passed |
|  |  | X2=1.000000 |  |  |
|  |  | X3=1.000000 |  |  |
|  |  | X4=1.000000 |  |  |
|  |  | X5=1.000000 |  |  |
|  |  | X6=1.000000 |  |  |

Source: Data processed with E-Views 10, 2024

It is possible to conclude that the data in the study passes all traditional assumption tests based on the outcomes of the researchers' performed test.

**Hypothesis Testing**

Hypothesis testing is carried out in order to see the significance of the regression coefficient. In making a decision on this test by looking at and comparing the t statistical value to the t table, or it could also be by comparing the profitability value to the value of the significance level. In hypothesis testing, two stages are carried out or divided into two stages, namely the T test and the F test.

**Table 4. T-test**

| Variable | Coefficient | t-Statistic | Prob. |
|---|---|---|---|
| X1 | 2.560923 | 4.573889 | 0.0000 |
| X2 | -0.197483 | -0.446130 | 0.6577 |
| X3 | 3.012399 | 0.983933 | 0.3307 |
| X4 | -0.023127 | -0.075633 | 0.9401 |
| X5 | 112.7572 | 1.020260 | 0.3133 |
| X6 | -2.112039 | -0.979570 | 0.3328 |

Source: Data processed with E-Views 10, 2024

Based on the t-test in the table above, a decision can be made: X1 has a significant effect on variable Y because probability value of < 0.05. And meanwhile, X2, X3, X4, X5, X6 have no effect on variable Y because probability value is > 0.05.

**Table 5. F-test**

| F-statistik | 4.175779 |
|---|---|
| Prob (F-statistik) | 0.000246 |

Source: Data processed with E-Views 10, 2024

The F-statistic value is 0.000246 according to the f test findings in the preceding table. Since this result is less than the significance level of less than 0.05, the independent factors are influencing the dependent variable at the same time.

**Coefficient of Determination Test**

The coefficient of determination test is used to determine how well the Customer Centric Corporate Social Responsibility and Islamic Performance Index variables can explain the profit growth variable. The R-Squared value, which is shown in the table below, is what is used in this test :

**Table 6. Coefficient of Determination Test**

| R-squared | 0.538177 |
| --- | --- |

Source: Data processed with E-Views 10, 2024

The coefficient of determination test results in the table above shows the value of R-Squared obtained with a value of 0.538177. This means that the Customer Centric Corporate Social Responsibility and Islamic Performance Index variables are able to explain the profit growth variable by 53.82%, while the remaining 46.18% is explained by other variables outside this research model.

**Model Interpretation Fixed Effect Model**

$$Y = -11281.78 + 2.560923X_1 - 0.197483X_2 + 3.012399X_3$$
$$- 0.023127X_4 + 112.7572X_5 - 2.112039X_5$$

The explanation of the interpretation of the model above is:

a) The equation's results indicate that -11281.78 is the model's constant value. This indicates that the value of variable Y, or the profit growth value of Islamic bankin Indonesia, is -11281.78 if the independent variable (corporate social responsibility, Islamic Performance Index, which includes: Profit Sharing Ratio, Zakat Performance Index, Equitable Distribution Ratio, Islamic Income, and Islamic Investment) does not exist.

b) With a value of 2.560923, the customer-centric corporate social responsibility coefficient of variable X1 has a favorable impact on the profit development of Indonesia's Islamic bank. This indicates that a 1% rise in the Customer Centric Corporate Social Responsibility variable will result in a 2.5% increase in the profit growth variable.

c) The profit growth of Indonesia's Islamic bankis negatively impacted by the variable coefficient X2, or profit sharing ratio, with a value of -0.197483. This indicates that the profit growth variable falls by 0.19% for every 1% rise in the profit sharing ratio variable.

d) The variable coefficient X3 (Zakat Performance Ratio) has a positive effect on the profit growth of Islamic bankin Indonesia with a value of 3.012399. This means that, if the Zakat Performance Ratio variable increases by 1%, the profit growth variable increases by 3.01%.

e) With a value of -0.023127, the variable coefficient X4 (Equitable Distribution Ratio) has a negative impact on the growth in profits of Indonesia's Islamic bank. This indicates that the profit growth variable falls by 0.02% for every 1% increase in the Equitable Distribution Ratio variable.

f) With a value of 112.7572, the variable coefficient X5 (Islamic Income) has a favorable impact on the increase in profits of Indonesia's Islamic bank. This indicates that a 1% rise

in the Islamic Income variable will result in a 112.75% increase in the profit growth variable.

g) The profit growth of Indonesia's Islamic bankis adversely impacted by the coefficient of variable X6, "Islamic Investment," which has a value of -2.112039. This indicates that the profit growth variable falls by 2.11% for every 1% increase in the Islamic Investment variable.

**The Impact of Customer-Centric Corporate Social Responsibility as Social Activity on Indonesian Islamic Bank Profit Growth**

Based on the conducted hypothesis testing, the t test yielded positive and statistically significant results, with a probability value of 0.0000, which is less than 0.05. Thus, it can be concluded that Indonesian Islamic umu banks' profit growth is impacted by their disclosure of customer-centric corporate social responsibility. The findings of this investigation are consistent with Tamim and Sofiaty (2020) research which assert that the acceptance of the first hypothesis has an impact on the profit growth of Indonesia's Islamic bankwhen it comes to the disclosure of customer-centric corporate social responsibility.

The measurement of customer centric corporate social responsibility disclosure in this study is by looking at the Customer Centric Coorporate Social Responsibility disclosure indicators set by GRI. The practice of customer centric corporate social responsibility activities has agreed with stakeholder theory. Where in its activities, internal parties or Islamic banks affect directly or indirectly to external parties or stakeholders. The implementation of corporate social responsibility affects the company's strategy and will ultimately affect the bank's financial performance and will affect profit growth. This is also an incentive for companies to fulfill their social responsibilities. All corporate activities related to social responsibility must provide benefits to stakeholders, and these activities will then be properly evaluated by the company.

The financial performance of a company is positively impacted by its disclosure of Corporate Social Responsibility (CSR), which also enhances the company's reputation among investors and financial analysts. Investors might receive indications from the disclosure of Customer Centric Corporate Social Responsibility (CSR), leading companies that engage in CSR to anticipate favorable feedback from investment players. This demonstrates how disclosing Customer Centric CSR may benefit the business financially by, for example, raising the company's perceived worth among investors. Corporate Social Responsibility (CSR) activities that can affect the profit growth of Islamic banks include: Expenditure of zakat funds: Islamic banks can pay corporate zakat through the National Zakat Agency (Baznas) or the Zakat Amil Agency (BAZ) as part of the social responsibility of Islamic financial institutions, Expenditure of social funds: Islamic banks can make social fund expenditures as part of their social functions in the form of baitul maal institutions, which receive funds from zakat, infaq, sadaqah, grants or other social funds and distribute them to zakat management organizations, Sharia Business Financing Program (PUSYAR): Islamic banks can conduct sharia business financing as part of the CSR program, Public education: Islamic banks can conduct public education as part of corporate social responsibility, which can accommodate the needs of the community and stakeholders,

Programs related to the environment: Islamic banks may conduct environmental programs as part of their corporate social responsibility, Programs related to ownership and deprivation: Islamic banks may conduct programs related to ownership and shortages as part of their corporate social responsibility, Employee-related programs: Islamic banks may conduct employee-related programs as part of their corporate social responsibility, Customer-related programs: Islamic banks may conduct customer-related programs as part of their corporate social responsibility, Programs related to nature: Islamic banks may conduct nature-related programs as part of their corporate social responsibility, and Programs related to direct and indirect stakeholders: Islamic banks can conduct programs related to direct and indirect stakeholders as part of corporate social responsibility. In addition, Islamic banks can also prioritize CSR activities that have greater potential in accommodating the needs of the community and stakeholders, such as the expenditure of zakat funds, sharia business financing, and programs related to the environment.

**The Effect of Islamic Performance Index on Profit Growth of Islamic bankin Indonesia**

Islamic Performance Index testing there are 5 ratios, namely:

a) Profit Sharing Ratio

The likelihood value, which is greater than the significance level of 0.05 and indicates that the profit-sharing ratio has no effect on the profit growth of Islamic bankin Indonesia, is 0.06577 based on the findings of the t statistical test. This demonstrates that PSR has no direct impact on cost and revenue growth. The findings demonstrated that the Profit-Sharing Ratio significantly and negatively affects Indonesia's Islamic banking industry's financial performance. where Islamic banks' ability to raise their profits can be impacted by their financial performance.

Because profit sharing financing is comparatively smaller than sale and purchase financing, PSR has less of an impact on financial performance. As a result, Islamic bankcapacity to make profits has not been maximized by the profit-sharing income contribution received from the distribution of profit-sharing funding. Because it does not result in a notable increase in Islamic bank earnings, the Profit-Sharing Ratio thus tends to have a negative impact on the level of profitability in Islamic banks. Naturally, this is one of the things impeding Islamic bankability to turn a profit financially. The study's findings are consistent with research Indah et al (2023) and Arafah and Manggala Wijayanti (2023) which states that the degree of profitability is significantly impacted negatively by the profit sharing ratio. It indicates that Indonesia's Islamic bankprofit growth is unaffected by the profit-sharing ratio.

b) Zakat Performance Ratio

The t test results show that the zakat performance ratio has no effect on the rise in profits of Indonesia's Islamic bank, with a probability value of 0.3307, meaning that the value of probability above the significance level of 0.05. The wealthiest Islamic banks should increase in proportion to the amount of zakat contributions they make, even though there are still Islamic banks that have not distributed their zakat funds. The quantity of zakat that Islamic banks distribute has no bearing whatsoever on their profitability. The monies used

for zakat by Islamic bankusually originate from both internal and external sources inside the Islamic banking institution.

Variations in the percentage value level of zakat management in Islamic banks can occasionally result in a sequence of expenses that subsequently reflect a change in the bank's profit margin. To put it another way, even though zakat payments are little and unrelated to the assets held, the considerable wealth of Islamic banks has no bearing on their growth. The source of funds that is the bank's duty to issue zakat significantly dominates the role of zakat outside of Islamic banking institutions because the amount of zakat issued by each bank is still very small. The study's findings are consistent with previous research Pratama (2022) and Indah et al (2023) it claims that the degree of profitability is significantly impacted negatively by the Zakat Performance Ratio. This indicates that Indonesia's Islamic bankprofit growth is unaffected by the Zakat Performance Ratio.

c) Equitable Distribution Ratio

According to the t test results, which indicate a probability value of 0.9401, indicating that the value of probability exceeds the significance level of 0.05, the Equitable Distribution Ratio has no bearing on the increase in profits of Indonesia's Islamic bank. Because Islamic banks in Indonesia devote a larger portion of their revenues to staff salary payments and dividend distribution than to charitable donations, the Equitable Distribution Ratio does not ensure higher profit growth at these banks.

Customers conclude from the distribution that Islamic banks give internal banks, stockholders and employees, priority when it comes to receiving their payments. In light of this circumstance, the general public will reconsider transferring money to Islamic banks, preventing an increase in those banks' profitability. This is a result of the fact that only a small number of stakeholders still receive money. The average bank places emphasis on the distribution of revenue among its primary stakeholders, who are shareholders and workers, as determined by the income equity ratio (EDR). The study's findings are consistent with previous research Hayati and Ramadhani (2021) and Destiani et al (2021) it claims that the profitability level is significantly impacted negatively by the Equitable Distribution Ratio. This indicates that Indonesia's Islamic bank profit growth is unaffected by the Equitable Distribution Ratio.

d) Islamic Income

According to the t test results, which indicate a probability value of 0.3133, indicating that the value of probability exceeds the significance level of 0.05, the conclusion is that Islamic income has no bearing on the increase in profits of Indonesia's Islamic bank. This is due to the fact that non-halal revenue and money are typically included in the funds that cannot be avoided.

The receipt of fines from financing customers and current account services from non-sharia or conventional banks is described as the beneficent fund in Islamic banking in the notes to the financial statements. Islamic banking that derives non-halal revenue from non-Islamic operations indicates that the bank has not operated in a manner compliant with

Islamic law. Furthermore, these non-halal funds are then used as charitable monies, which are donated to other organizations Mayasari (2020) and Fajar et al (2022) the findings of this study are consistent with previous studies indicating that Islamic income significantly lowers profitability. Thus, the growth in profits of Indonesia's Islamic bankis unaffected by the Islamic income.

e) Islamic Investment

According to the results of the t test, which show a probability value of 0.3328, which indicates that the probability value is larger than the significance value of 0.05, Islamic investment has no effect on the profit development of Islamic bankin Indonesia. This suggests that the rise of profits in Islamic bankis not influenced or contributed to by the magnitude of the Islamic Investment Ratio value. There is no discernible impact of the Islamic Investment Ratio on Indonesia's Islamic l bank growth in profits. The higher the Islamic Investment Ratio, the lower the profitability of Islamic bank.

This may also result from a lack of awareness of halal investment among the community, making halal investment less alluring to Indonesians. Nonetheless, the Islamic Investment calculation results are fairly good, as the Islamic Bank included in the study's sample do a decent enough job of allocating their funds to sharia-compliant investments. The study's findings are consistent with previous research Ikrima (2020) and Atho'illah et al (2024) which claims that the degree of profitability is significantly impacted negatively by Islamic investments. Thus, the profit growth of Indonesia's Islamic bank is unaffected by Islamic investments.

## D. CONCLUSION

The profitability growth of Indonesia's Islamic bank is impacted by the Customer Centric Corporate Social Responsibility variable, as determined by the Customer Centric Corporate Social Responsibility disclosure indicators established by the GRI. This demonstrates how CSR as a social activity can influences the fluctuations in the profit growth of Indonesia's Islamic bank by assisting communities in financial management, education, economy, health, environment, and transparency. Social activities greatly affect the reputation and trust of Islamic banks. Public knowledge about Islamic banks, bank reputation, and customer trust in Islamic banks adhering to sharia principles have a significant influence on interest in saving at Islamic banks. The profit growth of Islamic bank in Indonesia is unaffected by the Islamic Performance Index variable, which also includes the Profit-Sharing Ratio, Zakat Performance Index, Equitable Distribution Ratio, Islamic Income, and Islamic Investment. This indicates that Indonesia's Islamic bank ability to expand their profits is unaffected by the existence or nonexistence of the Islamic Performance Index. The Islamic Performance Index and customer-centered CSR factors have an impact on profit growth of Islamic banks in Indonesia and can support economic growth.

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