

GOOD CORPORATE GOVERNANCE DISCLOSURES AND FINANCIAL PERFORMANCE: ISLAMIC SOCIAL REPORTING AND ZAKAH DISCLOSURES AS MEDIATING

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Abstract

This study examines the effect of good corporate governance (GCG) disclosure on financial performance proxied by Return on Assets. In addition, this study also aims to examine the mediating role of Islamic social reporting (ISR) disclosure and zakat disclosure on the financial performance of Islamic commercial banks (BUS). As a BUS, there is a responsibility to comply with zakat disclosure, not just ISR disclosure as stipulated rules. The quantitative research method with the selected research sample is all BUS registered on the IDX from 2018 to 2021. Data is processed using AMOS, where test results show that GCG disclosure directly affects ISR and zakat disclosure. ISR disclosure affects financial performance. Zakat disclosure does not affect financial performance. Indirectly, GCG disclosure affects financial performance through ISR disclosure. However, GCG disclosure does not affect financial performance through zakat disclosure. The implications of the results of this study show that GCG disclosure has a significant impact on company management to comply with reporting and disclosing ISR and zakat. This disclosure effort is a way for the company to convey information that the company has obediently carried out the provisions set as a BUS and can provide positive signals to the public to increase trust and impact company profitability.

Keywords: *Good Corporate Governance Disclosures; Islamic Social Reporting Disclosures; Zakah Disclosures; Financial Performance*

Abstrak

Penelitian ini bertujuan untuk menguji pengaruh pengungkapan good corporate governance (GCG) terhadap kinerja keuangan yang diproksikan dengan Return on Asset. Selain itu, penelitian ini juga bertujuan untuk menguji peran mediasi dari pengungkapan Islamic social reporting (ISR) dan pengungkapan zakat terhadap kinerja keuangan bank umum syariah (BUS). Sebagai BUS, terdapat tanggung



jawab untuk patuh dalam melakukan pengungkapan zakat, bukan hanya pengungkapan ISR sebagaimana aturan yang telah ditetapkan. Metode penelitian kuantitatif dengan sampel penelitian yang dipilih adalah seluruh BUS yang terdaftar di BEI dengan tahun amatan 2018 sampai 2021. Data diolah menggunakan AMOS dimana diperoleh hasil pengujian yang menunjukkan bahwa secara langsung pengungkapan GCG berpengaruh terhadap pengungkapan ISR dan pengungkapan zakat. Pengungkapan ISR berpengaruh terhadap kinerja keuangan. Pengungkapan zakat tidak berpengaruh terhadap kinerja keuangan. Secara tidak langsung pengungkapan GCG berpengaruh terhadap kinerja keuangan melalui pengungkapan ISR. Namun demikian, pengungkapan GCG tidak berpengaruh terhadap kinerja keuangan melalui pengungkapan zakat. Implikasi hasil penelitian ini menunjukkan bahwa pengungkapan GCG memiliki dampak yang cukup signifikan bagi manajemen perusahaan untuk secara patuh melaporkan dan melakukan pengungkapan terhadap ISR serta zakat. Dilakukannya upaya pengungkapan ini merupakan cara perusahaan menyampaikan informasi bahwa perusahaan telah dengan taat menjalankan ketentuan yang telah ditetapkan sebagai BUS, serta mampu memberikan sinyal positif kepada masyarakat guna meningkatkan kepercayaan dan berdampak pada kenaikan profitabilitas perusahaan.

Kata kunci: Pengungkapan Good Corporate Governance; Pengungkapan Islamic Social Reporting; Pengungkapan Zakat, Kinerja Keuangan

INTRODUCTION

Indonesia is the second country in ASEAN that is quite aggressive in developing Islamic banking after Malaysia (Chemala et al., 2019). The Islamic banking industry in Indonesia has continued to grow significantly (Sharia Bank Statistics, 2021). It is proven by the potential of Islamic financial assets, which reached 99 billion in 2020. Therefore, Indonesia is fourth place in the world in Islamic banking. In addition, Indonesia's Islamic finance was also ranked 2nd in the Islamic Finance Development Indicators (IFDI) in 2020. Some instrumental factors used as the main indicators of IFDI calculations are quantitative growth, management, governance, awareness, and Corporate Social Responsibility (CSR) (Eliana et al., 2020).

The achievement of Indonesian Sharia excellence is none other than the result of the achievement of the financial performance of all Islamic banking companies in Indonesia. As of 2020, there are 14 Islamic banks, which will be 12 in 2021 due to three Islamic banks merging. Financial performance is one of the factors that can be used as a benchmark for a company's success in managing and deploying its resources to obtain profits for the company. The financial performance also describes the hard work of



all management in the company to achieve company goals legally and not contrary to morals and ethics (Rivai & Basri, 2004); (Mahrani & Soewarno, 2018); (Syurmita & Fircarina, 2020).

Financial performance measures the level of profitability the company achieves. Investors will compare profit growth rates yearly to analyze the company's achievements. Good and significant profit growth from year to year will be able to attract investors to invest in the company. On the contrary, low-profit growth will make investors withdraw their funds from the company (Purnama & Trisnaningsih, 2021). Formal rules are needed that focus on how the company manages the company well by providing benefits to the company to ensure that the company's operational activities run well and do not harm related parties (Purnama & Trisnaningsih, 2021).

Good Corporate Governance (GCG) is a concept prepared to regulate how the organization is operated and appropriately controlled through the principles in the mechanism of its application, namely transparency, independence, accountability, accountability, and fairness (Purnama & Trisnaningsih, 2021). Empirical research conducted by (Sarafina & Saifi, 2017); (and Mahrani & Soewarno, 2018); proves that good corporate governance significantly affects company performance. However, several studies state that good corporate governance has no significant effect on profitability.

Based on the presentation of some of the research results above, there are differences, causing inconsistent results. Therefore, further research must provide adequate results with relevant data. In addition, the inconsistency of the research results shows the need for other variables mediating the influence of good corporate governance on company performance. This study uses Islamic social reporting disclosure variables and Zakah disclosures as mediation variables.

Islamic social reporting (ISR) is a disclosure indicator used to measure Islamic corporate social responsibility (ICSR). Corporate social responsibility can be described as the availability of financial and non-financial information related to the company's interaction with its physical and social environment which is presented in the company's annual report or separate social report (Arshad et al., 2012). Good corporate governance and corporate social responsibility are two interrelated phenomena. Companies must improve their compliance with the law and develop their policies in the context of implementing social responsibility activities (Ramdhaningsih & Utama, 2013). Unlike conventional banks, Islamic banks have values that apply within the scope of sharia, which are implemented not only in their



transaction activities but also in the broad role of Islamic banks in society (Dusuki, 2010) and (Hashim et al., 2015).

(Syurmita & Fircarina, 2020) If the company has interests and responsibilities to stakeholders, the company's performance will be maximized optimally because, indirectly, ICSR is the company's most significant achievement that must be fulfilled. Research conducted by (Indriastuti & Najihah, 2020) and (Wardiwiyono & Jayanti, 2021) stated that ICSR proxied by ISR disclosure has a positive and significant influence on the financial performance of Islamic banks. In contrast to the results of previous studies, (Xue et al., 2023) found that voluntary CSR disclosure negatively affects profitability. However, companies with good corporate governance can reduce the negative effect of voluntary CSR disclosure on profitability.

In addition to ISR disclosure, this study uses Zakah disclosure variables to indirectly predict the influence of good corporate governance on company performance. As it is known that AAOFI (Accounting and Auditing Organization of Islamic Financial Institutions) has set rules regarding Zakah disclosure that all Islamic banks must obey in Indonesia (Sawmar & Mohammed, 2021); (Ardian & Adityawarman, 2015). The voluntary Zakah disclosures show the sincerity of Islamic banks in applying Sharia principles that must be adhered to; this distinguishes Islamic banks from conventional banks. Good company management in Islamic banks is expected to increase awareness of Islamic banks to disclose corporate Zakah; indirectly, it can positively impact the company's performance.

This research is interesting because researchers raised the variable of Zakah disclosure. Research on Zakah disclosure related to company performance and the antecedent of good corporate governance disclosure still needs to be improved; this makes researchers interested in conducting this research in contrast to previous studies that used Zakah funds, as well as research conducted by (Sidik & Reskino, 2016). The study's results stated that Zakah and financial performance have a positive and significant relationship. Furthermore, (Al-Malkawi & Javaid, 2018) explains that Zakah contributes positively to the company's performance and value. It is also considered one of the win-win solution strategies to maximize return rates and improve performance by considering the community as a whole.

In addition, this study also discusses how a good corporate governance disclosure scheme can significantly affect Sharia companies to disclose Islamic social reporting and the disclosure of zakat. The disclosure is a way for the company to inform stakeholders that the company has implemented good corporate governance and carried out all forms of social responsibility. The hope is to attract trust from all stakeholders because this



disclosure is a form of a positive signal and can increase the company's profitability in the future. Another expected contribution of this research is to increase the knowledge of investors and customers of Islamic banks in making decisions in investing and using Islamic banking service products in terms of the Good Corporate Governance Disclosures on company performance mediated by the Islamic Social Reporting Disclosures and Zakah disclosures.

LITERATURE REVIEW

Corporate Governance in Indonesia (FCGI) is a set of rules and systems that regulate and control companies to create added value for stakeholders related to the rights and obligations of these parties. The principles of GCG include transparency, accountability, responsibility, independency, and fairness. It is hoped that implementing GCG principles can help realize healthy business competition and free monopoly practices (Ramdhaningsih & Utama, 2013).

Financial performance appraisal is assessed using a ratio approach (Chemala et al., 2019; Qoyum et al., 2022). Several financial ratio approaches measure financial performance, including liquidity ratios, profitability, solvency, activity, and markets. Investors' policies and decisions in investing in a company are more influenced by the profitability ratio owned by a company compared to other ratios because investors think that the profitability ratio can provide an idea of the rate of return or profit that investors will get from their investments (Qoyum et al., 2022).

The concept of ISR is seen as a strong rationale regarding the importance of CSR initiatives from an Islamic religious point of view. ISR is also a concept of corporate social responsibility with Islamic economic dimensions, legal, Islamic ethics, and Islamic philanthropy based on Islamic values in the Qur'an and Al-Hadith (Abdou et al., 2014). ISR helps decision-making for Muslims and helps companies fulfil obligations to Allah SWT and the community. ISR has two main objectives, namely (1) as a form of accountability to Allah SWT and the community and (2) increasing transparency of business activities by presenting relevant information by taking into account the spiritual needs of Muslim investors or sharia compliance in decision making (Nurhayati et al., 2022). In addition, (Nurhayati et al., 2022) also explained that ISR has advantages in accountability and transparency.

According to Law No. 21 of 2008 concerning Islamic banking, Islamic banks carry out their social functions by receiving funds derived from Zakah, infak, and alms and distributing them to waqf managers (nazir). The Zakah



disclosures are identical to the dimension of Zakah, which discusses how widely information on Zakah management is disclosed. (Samad & Said, 2016) develops the dimension of Zakah to reveal Zakah and not reveal Zakah. The Zakah disclosures in financial statements are considered a benefit supported by Shari'a. Zakah disclosures under PSAK 109 are included in the mandatory disclosure, while disclosure of information outside PSAK 109 is voluntary.

Good corporate governance and corporate social responsibility are two interrelated phenomena. Companies must improve company compliance with the law and develop policies in the context of implementing social responsibility activities (Ramdhaningsih & Utama, 2013). Syurmita & Fircarina (2020) stated that if the company has interests and responsibilities to stakeholders, then the company's performance will be maximized optimally because, indirectly, ICSR is the company's biggest achievement that must be fulfilled.

In addition, this study also uses zakat disclosure variables to indirectly predict the effect of good corporate governance on company performance. As is known that AAOFI (Accounting and Auditing Organization of Islamic Financial Institutions) has set rules regarding zakat disclosure that must be obeyed by all Islamic banks in Indonesia (Sawmar & Mohammed, 2021); (Ardian & Adityawarman, 2015). Voluntary disclosure of zakat shows the sincerity of Islamic banks in applying Sharia principles that must be obeyed, which distinguishes Islamic banks from conventional banks. Good corporate management at Islamic banks is expected to increase awareness of Islamic banks to disclose corporate zakat and indirectly can have a positive impact on company performance. Based on the explanation above, the conceptual framework can be arranged as follows (Figure 1):

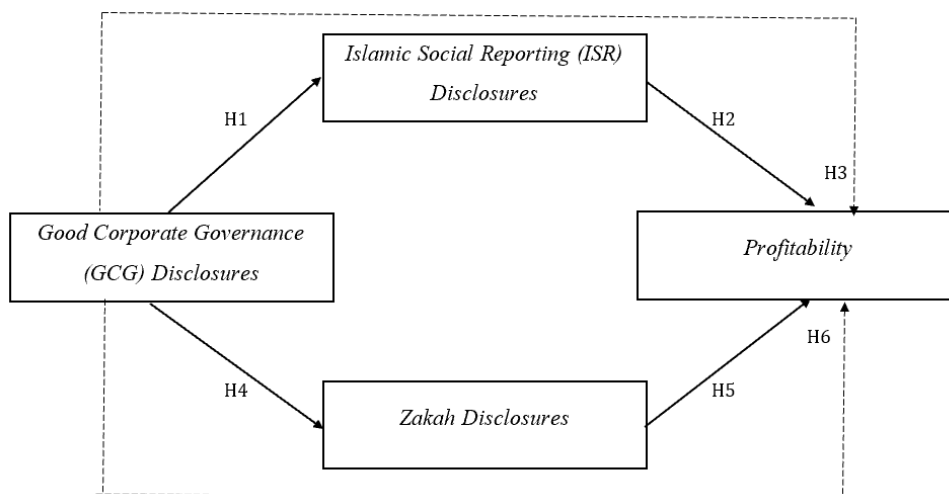


Figure 1. Conceptual Framework
Source: Authors Processed (2023)



HYPOTHESIS

The level of health of the bank is essential to maintain. One way that can be done to maintain the level of bank health is through the implementation of Good Corporate Governance (Nurhayati et al., 2022). The Good Corporate Governance Disclosures show that the company has implemented good corporate governance based on applicable regulations. Management will manage the company in a more structured manner. In addition, the values contained in Good Corporate Governance will make the company instil honest, transparent, and reliable performance (Kumalasari & Pratikto, 2018). Based on the research results, Sari & Helmayunita (2019) reveals that there is an influence between Good Corporate Governance and Islamic Social Reporting. This indicates that the characteristics of Good Corporate Governance have increased supervision properly to encourage widespread Islamic Social Reporting Disclosures (Nurhayati et al., 2022).

H1: Good Corporate Governance Disclosures affects the Islamic Social Reporting Disclosures on Islamic commercial banks in Indonesia

Wardiwiyo & Jayanti (2021) Explained that the concept of implementing Islamic Social Reporting by Sharia Commercial Banks (BUS) could be seen in how BUS seeks to fulfil its responsibilities to employees, financiers, account owners, financing customers, and other stakeholders, including the natural environment and social environment. Implementing Islamic Social Reporting shows BUS's commitment to safeguarding stakeholders' interests. If it is widely publicized to the public, then the image of BUS is in the eyes of stakeholders and the community. This will impact increasing the support of stakeholders and the community to BUS and will make it easier for BUS to carry out company operational activities, which will affect the improvement of BUS performance. This is in line with the results of research (Wijayanti & Setiawan, 2022), (Indriastuti & Najihah, 2020) and (Wardiwiyo & Jayanti, 2021) which states that social reporting has been found to harm ROA. However, it has a positive impact on MTBV, and Tobin's Q. Data shows that while voluntary reporting practices can lead to short-term declines in profitability, they can positively impact a company's long-term value.

H2: Islamic Social Reporting Disclosures affects the financial performance of Islamic commercial banks in Indonesia

Lidyah et al. (2019) Stated that the higher the Islamic Social Reporting Disclosures will increase the company's value. This shows that ISR disclosure is important in increasing the company's value. Companies with high ISR



disclosures will be more positively accepted in the social environment of the community because they are considered to have more responsibility and attention to the social environment and participate in maintaining the environment. In addition, according to (Jihadi et al., 2021), companies with a high level of ISR disclosure are considered to be able to pay more attention to the company's prospects. Furthermore, the investor's valuation will be positive and will have an impact on increasing the value of the company. Research with the disclosure of ISR as a mediating variable has been carried out by (Lidyah et al., 2019), (Jihadi et al., 2021), and Susbiyani et al. (2022). Based on the explanation above, the hypothesis proposed is:

H3: Good Corporate Governance Disclosures affects the Performance of Islamic commercial banks in Indonesia through Islamic Social Reporting Disclosures

Implementing high Good Corporate Governance with the value of honesty in company management will encourage BUS to try to carry out all the provisions and rules that have been set. Following the principle of accountability, BUS will strive to disclose Zakah based on AAOIFI provisions (Ardian & Adityawarman, 2015). Concerning this research, the higher the disclosure of good corporate governance on BUS will encourage BUS to disclose Zakah. This is a form of BUS's compliance with applicable rules. In addition, Zakah disclosure carried out by BUS is one way the company can inform the public and stakeholders about the management of Zakah funds that have been carried out by the company properly (Ardian & Adityawarman, 2015).

H4: Good Corporate Governance Disclosures affects the Zakah disclosures in Islamic commercial banks in Indonesia

Zakah disclosures made by the company include Zakah disclosures on reported in the profit and loss statement and disclosed in more detail on the Zakah fund disclosure report can indicate that BUS has fully committed to assisting fund owners in complying with Islamic law, especially in terms of paying Zakah. Based on Sharia enterprise theory, BUS that manages Zakah and pays Zakah shows that BUS has tried to carry out its responsibility to Allah SWT. From the Islamic perspective, if Muslims try to draw closer to Allah by obeying Allah's commands, Allah's mercy will be abundant. In this case, the profits obtained by BUS will increase. In addition, support from the community will make it easier for BUS to run its business, which impacts BUS's financial performance (Wardiwiyono & Jayanti, 2021). Based on the explanation above, the hypothesis proposed is:



H5: Zakah disclosure affects the performance of Islamic commercial banks in Indonesia

H6: Good Corporate Governance Disclosures affects the Performance of Islamic commercial banks in Indonesia through Zakah Disclosure

METHOD

This study examines the effect of good corporate governance disclosure on the financial performance of Islamic commercial banks in Indonesia from 2018 to 2021, with the Islamic Social Reporting Disclosures and the Zakah disclosures as a mediation variable. The sample determination method is a saturated or census sample, where the entire study population is designated a sample. The population in this study is all Islamic commercial banks in Indonesia.

The research data used is secondary data in the form of financial statements of Islamic commercial banks in Indonesia, which can be accessed through the websites of each bank. The research data were analyzed using path analysis with the help of the Analysis Moment of Structural (AMOS) version 24 application. The use of this path analysis is to determine the direct influence and indirect influence of the observed variables.

Indirect influence can be determined by comparing the calculated t value with the t table. If the calculated value of t is greater than the t table, then there is a significant indirect influence. Vice versa, if the value of the t count is smaller than the t-table, then there is no significant indirect influence. The calculated t value can be obtained using the calculation formula (1), (2) as follows:

$$T_{value} = a \times b / S_{ab} \quad (1)$$

$$S_{ab} = \sqrt{b^2 S_{a^2} + a^2 S_{b^2} + S_{a^2} S_{b^2}} \quad (2)$$

Good Corporate Governance Disclosures are measured using the General Guidelines of Indonesian Corporate Governance KNKG 2006. The guidelines contain 16 disclosure indicators, with 103 items disclosed. Financial performance is proxied by Return on Asset (ROA). Return on Asset is a ratio used to measure how much net profit can be obtained from all assets owned and invested in a company. The formula used to obtain the ROA value is to divide the profit after tax by the total assets multiplied by a hundred per cent.



In measuring how far Islamic banks apply good Islamic principles in the disclosure of social responsibility, this study refers to the Islamic Social Reporting Index (ISR) model, consisting of 38 disclosure items based on the provisions of the AAOIFI in 2002. The instruments used to measure Zakah disclosure are indicators adapted from (Samad & Said 2016). The Zakah disclosure indicators adapted from (Samad & Said 2016) are divided into two dimensions: revealing Zakah and not revealing Zakah. The Zakah disclosure indicator totals 18 items consisting of 16 that reveal Zakah and two that do not.

RESULTS AND DISCUSSION

Corporate governance is a crucial aspect of modern business management. It plays a significant role in shaping the overall direction and performance of companies, particularly in the financial sector. GCG is one of the essential components that ensure accountability, transparency, and responsibility within organizations. Based on the problem, the path analysis calculation results show in Figure 2. Then, Table 1 shows the research data has been distributed normally in multivariate. The data is normally distributed multivariate when the value of "c.r." is located between -2.58 and 2.58. Table 2 shows the model fit of summary. It can be concluded that the research model is said to have been fit because the real goodness of fit index has approached the limit of the value of the model's feasibility criteria. Based on the test results, the model is feasible, and hypothesis testing can be carried out.

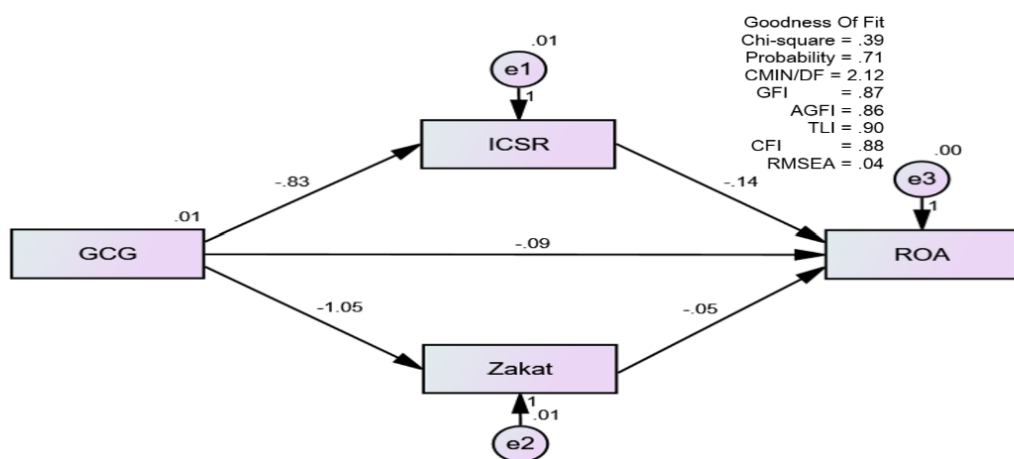


Figure 2. AMOS Test Result
 Source: AMOS Output

Table 1. Assessment of normality

Variable	Min	Max	Skew	c.r.	Kurtosis	c.r.
GCG	0.517	0.803	0.468	1.097	-0.880	-1.032
Zakah	0.290	0.722	0.044	0.102	-1.009	-1.183
ISR	0.533	0.977	-0.374	-0.877	-0.475	-0.557
ROA	0.000	0.136	2.887	6.771	7.794	9.022
Multivariate					2.576	1.068

Source: Author Analysis (2023)

Table 2. Model Fit Summary

The Goodness of Fit Index	Cut-Off Value	Model Result*	Conclusion
χ^2 - Chi-square	Diharapkan Kecil	0.398	Good Fit
Sign. Probability	≥ 0.05	0.711	Good Fit
CMIN/DF	≤ 2.00	2.120	Good Fit
GFI	≥ 0.90	0.876	Fit Enough
AGFI	≥ 0.90	0.868	Good Fit
TLI	≥ 0.95	0.906	Good Fit
CFI	≥ 0.95	0.887	Good Fit
RMSEA	≤ 0.08	0.043	Good Fit

Source: Author Analysis (2023)

The estimation scale Table 3 shows the direct influence between the variables studied. The GCG Disclosure variable significantly affects ISR Disclosure and Zakah Disclosure. In addition, the ISR disclosure variable directly affects financial performance (ROA). However, the GCG disclosure and Zakah disclosure variables did not significantly affect financial performance (ROA).

Indirect influence can be determined by comparing the calculated t value with the t table. If the calculated value of t is greater than the t table, then there is a significant indirect influence. Vice versa, if the value of the t-count is smaller than the t-table, then there is no significant indirect influence.

Based on the calculation using the formula (1) (2), the following results are obtained (Table 4). Table 4 shows that the Good Corporate Governance Disclosures indirectly significantly affect financial performance (ROA) through the Islamic Social Reporting Disclosures with a t value calculating \geq the t table value, which is $2.0968 \geq 2.0452$. The results of the calculation above also found that the Good Corporate Governance Disclosures did not have a significant indirect effect on financial performance (ROA) through the Zakah disclosures with a t value calculating the t table value, which is $0.9101 \leq 2.0452$

Table 3. Scalar Estimates Regression Weights

	Estimate (a/b)	S.E. (Sa/Sb)	C.R. (t count)	P (Sig.)	Conclusion
GCG → ISR	-0.828	0.196	-4.234	0.000	Significant
GCG → Zakah	-1.048	0.217	-4.830	0.000	Significant
ISR → ROA	-0.139	0.056	-2.488	0.013	Significant
Zakah → ROA	-0.053	0.050	-1.049	0.294	Not Sign.

Source: Author Analysis (2023)

Table 4. Indirect Effect

	T table	T Count	Result
GCG ---> ISR ---> ROA	2.0452	2.09684	Significant
GCG ---> Zakah ---> ROA	2.0452	0.91016	Not Sign.

Source: Author Analysis (2023)

DISCUSSION

The results showed that Good Corporate Governance Disclosures significantly influence Islamic Social Reporting Disclosures. The findings indicate that Islamic commercial banks that have been well managed based on the principles of good corporate governance, then disclose the management carried out in the annual report will also encourage Islamic commercial banks to disclose the Islamic social reporting that has been implemented. This is important because stakeholders need all information related to corporate governance and how the company carries out its social responsibility activities. The results of this study are supported by several previous studies, including (Sari & Helmayunita, 2019), (Prihatiningsih & Hayati, 2021), and (Kasih & Dewi, 2021), which state that good corporate governance affects Islamic Social Reporting Disclosures.

The results of this study show that Islamic Social Reporting Disclosures affect financial performance, which is proxied by Return on Asset (ROA). The study results indicate that companies that have carried out their social responsibilities and reported activities related to them in the Islamic social reporting disclosure report will provide a good signal to stakeholders, including customers. This will impact increasing the support of stakeholders and the community to BUS and will make it easier for BUS to carry out company operational activities, which will affect the improvement of BUS performance. This study's results align with the results of research conducted by (Indriastuti & Najihah, 2020) and (Wardiwiyono & Jayanti, 2021), which found that Islamic Corporate Social Responsibility proxied by Islamic Social Reporting has a positive effect on BUS performance.



The results of the hypothesis analysis show that the disclosure of good corporate governance significantly affects BUS's financial performance through the disclosure of Islamic social reporting. These results show that investors and stakeholders currently consider companies that greatly impact the environment and stakeholders (Hebb et al., 2014) and (Junkus & Berry, 2015). Investors are interested in giving back to society, not just focusing on monetary gains, so they invest their funds by looking at different factors, such as whether the company aligns with their environment, ethics, and social values. It also includes promoting long-term, environmentally friendly, sustainable investments that contribute to social and ethical values (Bilbao-Terol et al., 2016). This shows that ISR disclosure is an important factor in increasing company value. As explained (Jihadi et al., 2021), companies with a high level of ISR disclosure are considered able to pay more attention to company prospects. So that investor assessment will be positive and will have an impact on increasing the value of the company. The results of this study are in line with research that has been conducted by (Lidyah et al., 2019), (Jihadi et al., 2021) and (Susbiyani et al., 2022).

The results of hypothesis testing show that the Good Corporate Governance Disclosures significantly affect the Zakah disclosures. These results show that the higher disclosure of good corporate governance on BUS will encourage BUS to disclose Zakah, a form of BUS's compliance with applicable rules. In addition, Zakah disclosure carried out by BUS is one way the company can inform the public and stakeholders about the management of Zakah funds that have been carried out by the company properly (Ardian & Adityawarman, 2015).

The results showed that Zakah disclosure did not significantly affect BUS's financial performance. The Zakah disclosures carried out by BUS have yet to be able to provide a positive signal to stakeholders and customers to improve BUS's operational activities that can improve its financial performance. The research of Nurhayati & Rustiningrum (2021) supports the findings of this study, which states that Zakah has no significant effect on financial performance, possibly because the Zakah funds realized to be distributed by BUS are pretty small in value compared to those distributed by BAZNAS and LAZNAS. This is because people prefer to distribute their Zakah to muzakki. The impact of Zakah funds managed is quite small in value, causing many disclosure items not disclosed because of the lack of Zakah fund management activities on BUS.

The research results also show that Zakah disclosure cannot mediate the influence of good corporate governance disclosure on financial performance, as Nurhayati & Rustiningrum (2021) explained that Zakah



managed by BUS consists of Zakah from inside and Zakah from outside BUS. Zakah from within is Zakah for assets owned by BUS, while Zakah from outside is for customers and the general public. The management of Zakah funds is unrestricted by Zakah from the general public and customers. So that even though there is good company management because Zakah management is not the main activity of BUS, it does not affect the function of Islamic banks.

CONCLUSION

Based on the analysis and discussion above, Good Corporate Governance Disclosures significantly affect Islamic Social Reporting Disclosures and Zakah disclosures. The Islamic Social Reporting Disclosures significantly affect BUS's financial performance. Still, the Good Corporate Governance Disclosures and Zakah disclosure do not significantly affect BUS's financial performance. The results of this study also show that Good Corporate Governance Disclosures have a significant indirect effect on financial performance through Islamic Social Reporting Disclosures. However, the Good Corporate Governance Disclosures do not have a significant indirect effect on financial performance through the Zakah disclosures. The implications of the results of this study show that GCG disclosure has a significant impact on company management to comply with reporting and disclosing ISR and zakat. This disclosure effort is a way for the company to convey information that the company has obediently carried out the provisions set as a BUS and can provide positive signals to the public to increase trust and impact company profitability

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