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Determinants of Islamic Bank Performance: Board Size and Zakat Disclosure

Wulan Suci Rachmadani[1], Toufan Aldiansyah[2], Bayu Mitra A. Kusuma[3], Siti Malikah[4]

Abstract

This study investigates the determinants of financial performance in Islamic banks by focusing on board diversity and zakat disclosure, addressing the persistent gap between Sharia compliance expectations and actual disclosure practices. While prior research often examines governance and disclosure jointly, evidence on their independent effects remains limited. The purpose of this study is to analyze how governance structures and zakat disclosure individually influence financial performance. A quantitative approach is employed using time series data from 10 Islamic banks in Indonesia over the 2023–2024 period, comprising 80 observations. The data are analyzed using Ordinary Least Squares (OLS) with robust standard errors. The findings reveal that the board of directors has a positive and significant impact on financial performance, highlighting the importance of managerial capacity and strategic decision-making. In contrast, the board of commissioners shows no significant effect, while the Sharia Supervisory Board exhibits a weak negative influence, suggesting its role is more compliance-oriented. Zakat disclosure demonstrates a negative effect on financial performance when measured by Return on Assets, but becomes insignificant under Return on Equity, indicating sensitivity to performance measures. This study concludes that governance effectiveness and Sharia-based disclosure act as distinct drivers of performance. The research contributes to the literature by providing clearer causal insights and offers practical implications for improving governance quality and transparency in Islamic banking.

Keywords : Board Diversity, Zakat Disclosure, Financial Performance, Islamic Banks, Sharia Compliance.

[1]Universitas Islam Negeri Sunan Kalijaga, Yogyakarta, Indonesia.
[2]Universitas Islam Negeri Sunan Kalijaga, Yogyakarta, Indonesia.
[3]National Dong Hwa University, Hualien County, Taiwan.
[4]Universitas Negeri Semarang, Semarang, Indonesia.
Email : wulan.rachmadani@uin-suka.ac.id

INTRODUCTION

The existence of Islamic Commercial Banks is essentially built on social responsibility, creating a relationship among activities in the financial industry concerning Sharia (Memon et al., 2025). Unlike conventional banking institutions, the sustainability of these organizations is closely related to compliance with Sharia principles, which is an important element in their business operations (Hussain et al., 2016). Because legitimacy does not come only from financial performance, but mainly from compliance with Islamic principles (Sahara & Setiawan, 2022), any perceived deviation can create a gap that erodes public trust and damages the institution's reputation.

Zakat disclosure represents more than a reporting requirement. As a pivotal instrument in the Islamic economy, it reflects a dual accountability mechanism that advances social welfare and financial discipline (Baehaqi et al., 2025). By consistently paying zakat, Islamic banks demonstrate their religious commitment and build a trustworthy brand image for the public (Satiawan et al., 2026). This paradigm corresponds with stakeholder theory, which asserts that business responsibility extends beyond shareholders to encompass all parties impacted by institutional activities, such as customers, regulatory bodies, and the broader community (Freeman, 1984). In this regard, Islamic thought shifts the focus of business evaluation away from exclusive profitability toward the broader delivery of communal benefits (Mutiarni et al., 2023).

This critical condition indicates a significant gap between the Sharia requirements for precise zakat computation and the actual data presented in financial statements, which are often still designed for conventional financial objectives (Kadir et al., 2019). Consequently, the development and application of the Zakat Disclosure Index (ZDI) have become crucial to standardize reporting and ensure that Islamic ethical values are authentically manifested in institutional operations (Mahmod et al., 2024).

While the consistent payment of zakat serves as a strategic signal of an Islamic bank's commitment to Sharia principles and enhances its public image (Satiawan et al., 2026), compliance remains a persistent issue (Menchaoui et al., 2025), as disclosure without independent verification is not credible for the public. In this context, the efficiency of zakat disclosure greatly depends on the governance structure that verifies it, particularly board size. In the context of agency theory, the connection between principals and management often experiences information asymmetry and conflicts of interest (Jensen & Meckling, 1976). In Islamic banking, board size as an internal governance system is important in strengthening the legitimacy and operational efficiency of Islamic banks through strict supervision of zakat fund management (Ali et al., 2023a; Hudayati et al., 2023).

The study further contributes by integrating Agency Theory, Stakeholder Theory, and Legitimacy Theory into a unified framework, where board diversity reflects internal monitoring and stakeholder representation, zakat disclosure captures accountability and social legitimacy, and financial performance represents the organizational outcome. Finally, this current research employs the Zakat Disclosure Index (ZDI) as a refined proxy for Sharia accountability, which remains underexplored in empirical research, particularly in emerging markets. By focusing on Islamic banks in Indonesia, this study provides context-specific evidence that enriches the global discourse regarding governance and performance within Islamic finance.

LITERATUR REVIEW

Stakeholder theory posits that corporate responsibility extends beyond shareholders to encompass all parties impacted by institutional activities (Freeman, 1984), a scope that becomes significantly broader in Islamic banking due to its dual economic and socio-religious mandates (Firdaus et al., 2024). In this context, zakat serves as a pivotal instrument of social and spiritual responsibility, where its disclosure functions as a form of ethical communication that reflects a bank's commitment to justice and sustainability (Firdaus et al., 2024).

As explained by legitimacy theory, organizations need to operate in a manner consistent with established societal norms and values to sustain legitimacy in the public's perception (Suchman, 1995). According to legitimacy theory, a company is perceived positively when it follows community expectations, as firms must fulfill social expectations by providing financial, social, and political information to gain societal acceptance (Salman, 2023).

Based on agency theory, stakeholder theory, and legitimacy theory, it can be concluded that the extent to which board size, zakat disclosure, and financial outcomes in Islamic banking are multidimensional. Board size acts as an internal control mechanism and representation of stakeholder interests; zakat disclosure serves as a means of accountability and social responsibility. In contrast, Sharia compliance acts as a legitimacy factor that strengthens or weakens the effectiveness of these relationships. The combination of these three theoretical perspectives provides a holistic conceptual foundation for analyzing the dynamics of governance and financial performance in the Islamic banking sector.

Board of directors members exert a positive impact on financial performance, particularly concerning profitability, with Return on Assets (ROA) serving as the measurement proxy, and in reducing the risk of non-performing financing (NPF). This finding suggests that a more extensive board structure can enhance the quality of Sharia supervisory practices and contribute to the financial robustness of Islamic banks. A larger SSB is also associated with greater skill diversification, enabling more comprehensive discussions regarding investment decisions and Sharia compliance. This, in turn, contributes in improving financial standing of Islamic banks (Haddad et al., 2023; Sueb et al., 2022).

H_1: The board of directors has a positive and significant effect on the financial performance of Islamic banks.

The board of commissioners positively and significantly impacts ROA among Islamic banks. ROA is a key indicator reflecting the efficiency of asset utilization in generating corporate profits (Darwanto & Anis, 2019). These findings are in line with the study of Halim et al. (2024), which demonstrates that the size of the board of commissioners contributes to improved market performance through enhanced implementation of Islamic Social Reporting disclosure. This suggests that board effectiveness functions as an essential factor in strengthening corporate governance and fostering market trust.

H_2: The board of commissioners has a positive and significant effect on the financial performance of Islamic banks.

Quttainah et al. (2017) find that Islamic banks with well-integrated Sharia supervisory boards within their governance mechanisms tend to surpass those without such arrangements, as reflected in higher Return on Assets (ROA), Return on Equity (ROE), and Asset Growth (AG). This perspective is consistent with that of Farag et al. (2018) and Sueb et al. (2022), who contend that a larger SSB enhances supervisory effectiveness and operational efficiency, ultimately exerting a positive and statistically significant influence on the financial outcomes of Islamic banks.

H_3: The Sharia Supervisory Board has a positive and significant effect on the financial performance of Islamic banks.

Transparency and comprehensiveness in zakat disclosure are associated with improved financial performance of Islamic banks (Al-Homaidi et al., 2021). This suggests that enhanced disclosure practices strengthen stakeholder confidence and facilitate enhanced financial outcomes. These findings are consistent with those of Ali et al. (2023), who report that zakat disclosure has a positive and meaningful impact on the financial performance of Islamic banking institutions.

H_4: Zakat disclosure has a positive and significant effect on the financial performance of Islamic banks.

RESEARCH METHOD

This study employs a quantitative analysis framework using secondary data derived from Islamic banking institutions in Indonesia. The research design is explanatory, aiming to assess the linkage between corporate governance mechanisms and zakat disclosure in affecting financial performance. The methodological framework is further strengthened by integrating empirical findings and discussion results to ensure consistency between research design and analytical outcomes.

Research Design

The study adopts a panel data regression design employing both cross-sectional and time-series aspects. The cross-sectional data consist of 15 Islamic commercial banks in Indonesia, while the time-series data cover quarterly financial reports from 2023 to 2024. The total sample dataset comprises 80 observations, enabling a more comprehensive analysis of both inter-bank variations and temporal dynamics in financial performance. This design is particularly suitable given empirical findings indicating variability in financial performance across banks, as reflected in the descriptive statistics for profitability (ROA and ROE).

Participants/Sample Selection and Data Sources

The population of this study consisted of 120 bank-quarter observations from all Islamic commercial banks operating in Indonesia during the 2023–2024 period. However, following the application of purposive sampling criteria, the final sample was reduced to 40- 80 firm-quarter observations representing 10 Islamic banks. The purposive sampling criteria included: (1) Islamic banks that consistently published complete quarterly financial statements throughout the 2023–2024 period, and (2) the availability of governance and zakat disclosure data required for the analysis. Five Islamic banks were excluded from the sample because they did not provide complete financial reports and governance-related disclosures for the entire observation period. The study relies on secondary data collected from audited quarterly financial statements and other publicly available disclosures obtained from official sources, including the Otoritas Jasa Keuangan (OJK). The use of audited and publicly accessible data enhances the reliability and validity of the research dataset.

Instrumentation/Data Collection

Data were collected using a documentation method by extracting financial and governance variables from published reports. Financial performance is the dependent variable, with Return on Assets (ROA) as its proxy and further tested using Return on Equity (ROE) for robustness. Independent variables include corporate governance indicators (board of directors, board of commissioners, and Sharia supervisory board) and zakat disclosure index. The operationalization of variables follows established measurement approaches in prior literature, with minor adjustments to reflect the Indonesian Islamic banking context. The descriptive evidence suggests that governance structures across banks are relatively moderate and homogeneous, while zakat disclosure remains relatively low, suggesting room for improvement in transparency practices.

Data Analysis/Estimating Model/Variable

The data were analyzed using pooled Ordinary Least Squares (OLS) regression with heteroskedasticity-robust standard errors to address possible heteroskedasticity problems. Before conducting the regression analysis, tests of classical assumptions such as multicollinearity and normality were performed. The results show no multicollinearity problem, while non-normality in residuals is mitigated through robust standard errors, ensuring valid statistical inference.

The general model specification is expressed as:

$$Yit= \alpha+\beta 1DIR +\beta 2COM+\beta 3DPS +\beta 4ZAKAT+Eit$$

Where Yit represents financial performance (ROA/ROE), DIR denotes the board of directors, COM represents the board of commissioners, DPS refers to the Sharia supervisory board, and ZAKAT is the zakat disclosure index.

Validity and Reliability

The validity of the study is ensured through the use of secondary data obtained from audited and publicly available financial reports of Islamic banks, which enhances data accuracy and credibility. Construct validity is supported by adopting measurement proxies that are widely used in prior empirical studies in banking and corporate governance research. Reliability is strengthened by the consistent application of measurement methods across all observations and periods. Additionally, robustness testing was conducted by replacing the dependent variable from Return on Assets (ROA) to Return on Equity (ROE). The consistency of key findings, particularly the positive and significant impact of the board of directors, indicates that the model produces stable and reliable results across different performance measures.

Variable Measurement

Table 1. Variable Measurement

Variables	Descriptions	Sources
Financial Performance (ROA)	Measured by Return on Assets (ROA), which is expressed as net income relative to total assets. This indicator reflects how efficiently a company utilizes its assets to produce financial gains.	(Wooldridge, 2016; Levine, 2004)
Financial Performance (ROE)	Measured by Return on Equity (ROE), computed by dividing net income by shareholders' equity. Used as a robustness test to measure return to investors.	(Ross et al., 2013)
Board of Directors (DIR)	Assessed based on the total number of directors in each Islamic bank. Reflects managerial capacity, expertise diversity, and strategic decision-making ability.	(Hillman et al., 2009; Khan et al., 2021)
Board of Commissioners (COM)	Assessed by counting the total number of commissioners. Represents the supervisory function in corporate governance, particularly in monitoring management.	(Adams & Ferreira, 2010)
Sharia Supervisory Board (DPS)	Determined relation to the membership size of the Sharia supervisory board. Reflects the strength of Sharia governance and compliance oversight.	(Farag et al., 2018)
Zakat Disclosure (ZAKAT)	Measured using a disclosure index developed through content analysis of financial reports. Each item is scored using a dummy variable (1 = disclosed; 0 = not disclosed). The index is calculated as total disclosed items divided by total items. The index takes values between 0-1, where higher values reflect greater transparency.	(Haniffa & Cooke, 2002; Farook et al., 2011)

Source : Authors' compilation from various sources (2026)

RESULTS AND DISCUSSION

Results

Descriptive Statistics

Descriptive statistics are employed to offer a general summary of the research data characteristics, covering both dependent and independent variables. Based on the data processing results, the total number of observations in this study is 80, consisting of several banks over the 2023–2024 period.

Table 2. Descriptive statistics

Variable	Mean	Median	Max	Min	Std. Dev.
ROA	1.5385	1.5750	9.9800	-7.1300	2.6378
ROE	7.8836	8.6750	21.2900	-47.100	8.9567
Number of Board of Directors	4.7750	4.0000	10.0000	2.0000	1.9092
Number of Board of Commissioners	3.8875	3.0000	10.0000	1.0000	2.1932
Number of Sharia Supervisory Board	2.3125	2.0000	5.0000	2.0000	0.7563
Zakat Disclosure	0.2813	0.5000	0.5000	0.0000	0.2366
N	80	80	80	80	80

Source: Processed data (2026)

Financial performance, assessed through Return on Assets (ROA), has an average of 1.538, with the lowest value recorded at -7.130 and the highest value reaching 9.980. This indicates relatively high variation in performance among banks, with some banks experiencing negative performance while others achieve relatively high profitability levels. Meanwhile, Return on Equity (ROE) records an average value of 7.883, with the lowest value of -47.100 and the highest value at 21.290, indicating more extreme fluctuations compared to ROA.

From a governance structure perspective, the number of board of directors has an average value of 4.775, ranging from 2 to 10 members. The board of commissioners records an average of 3.887 members, with the lowest value of 1 and the highest value of 10. Meanwhile, the Sharia Supervisory Board is relatively smaller, with an average of 2.312 members and a range between 2 and 5. These findings suggest that, overall, the governance systems of the sampled banks are at a moderate level and relatively homogeneous. The zakat disclosure variable, measured using an index score, has an average value of 0.281 with a maximum value of 0.500. The median value of 0.500 suggests that some banks have disclosed zakat to a certain extent; however, on average, the level of disclosure remains relatively low. This indicates that zakat transparency practices in the Islamic banking sector have not yet been fully optimized.

Multicollinearity Test

Multicollinearity is used to detect whether there are strong correlations among independent variables, which may lead to instability in the estimation of regression coefficients. In general, multicollinearity is considered problematic when the correlation value among independent variables is greater than 0.8 (Gujarati & Porter, 2009).

Table 3. Correlation Matrix among Independent Variables

Variable	Board of Directors	Board of Commissioners	Sharia Supervisory Board (SSB)	Zakat Disclosure
Number of Board of Directors	1.000	-0.044	-0.227	-0.158
Number of Board of Commissioners	-0.044	1.000	0.023	0.014
Sharia Supervisory Board	-0.227	0.023	1.000	0.222
Zakat Disclosure	-0.158	0.014	0.222	1.000

Source: Processed data (2026)

The test results indicate that all interrelationships among the independent variables are below the critical level. This suggests that the model does not exhibit multicollinearity issues, so that each variable can explain variations in financial performance relatively independently.

Regression Analysis Results

Regression analysis is employed to investigate the influence of the composition of the board of directors, board of commissioners, Sharia supervisory board members, and zakat disclosure on financial performance, as measured by Return on Assets (ROA). The estimation method used is pooled Ordinary Least Squares (OLS) with White heteroskedasticity-consistent standard errors, which aims to produce estimators that remain consistent despite potential heteroskedasticity in the data (Wooldridge, 2016). This approach is commonly used in finance research to enhance the reliability of statistical inference.

Regression Model Estimation Results

Table 4. OLS Regression Results (White Robust Standard Errors)

Variables	Coefficient	Robust Std. Error	t-Statistic	p-value
Constant (C)	0.5386	0.7235	0.7444	0.4590
Board of Directors	1.1249	0.3901	2.8835	0.0051***
Board of Commissioners	-0.2489	0.1691	-1.4714	0.1454
Sharia Supervisory Board	-1.1656	0.6984	-1.6690	0.0993**
Zakat Disclosure (Index)	-2.5190	1.1802	-2.1345	0.0361***
Model Statistics				
R-squared	0.1742			
Adjusted R-squared	0.1302			
F-statistic	3.9553			
Prob. (F-statistic)	0.0058			
Notes:				
The symbols *, **, and *** indicate that the estimated coefficient is statistically significant at the 10%, 5%, and 1% significance levels, respectively				

Source: Processed data (2026)

Model Interpretation

The regression findings indicate that the model is generally statistically significant, as revealed by the F-test probability value of 0.0058 (< 0.05). This suggests that corporate governance variables and zakat disclosure collectively affect financial performance. However, the coefficient of determination (R^2) of 0.1742 indicates that the model has relatively limited explanatory power in explaining variations in financial performance. This implies that other factors, such as macroeconomic conditions, operational efficiency, and capital structure, are also instrumental in determining firm profitability (Levine, 2004; Adams & Mehran, 2012).

Interpretation of Regression Coefficients

The variable representing the composition of the board of directors has a positive and statistically significant influence on financial results. The Sharia supervisory board variable shows a negative effect with limited significance (10%). Meanwhile, zakat disclosure shows a statistically significant negative influence on financial performance. This outcome can be understood from the lens of legitimacy theory, where firms increase social disclosure to uphold organizational legitimacy in the view of stakeholders, particularly when financial performance is not optimal (Suchman, 1995). In addition, zakat disclosure may also generate additional costs that affect operational efficiency in the short term (Haniffa & Cooke, 2002).

Summary of Hypothesis Testing Results

Table 5. Summary of Hypothesis Results

Hypothesis	Statement	Result
H_1	Board of Directors	Accepted
H_2	Board of Commissioners	Rejected
H_3	Sharia Supervisory Board	Rejected
H_4	Zakat Disclosure	Rejected

Source: Processed Data (2026)

Robustness Test

A robustness check was undertaken to confirm that the research outcomes are not overly sensitive to the choice of proxy for the dependent variable. Within this study, the test was executed by replacing the financial performance indicator from Return on Assets (ROA) with Return on Equity (ROE). This approach is commonly used in the finance literature to examine the consistency of empirical results across different measures of firm performance, considering that ROA and ROE represent different dimensions of performance. (Fama & French, 1998; Levine, 2004).

Table 6. Robustness Test Result (ROE Model with White Robust Standard Errors)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant (C)	-2.9520	2.8972	-1.0189	0.3115

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Board of Directors (Size)	3.0994	1.4517	2.1350	0.0360*
Board of Commissioners (Size)	-0.5681	0.7575	-0.7499	0.4557
Sharia Supervisory Board (Size)	-0.6391	2.1026	-0.3039	0.7620
Zakat Disclosure (Index)	-0.9880	3.9320	-0.2513	0.8023

Model Summary	Value
R-squared	0.2380
Adjusted R-squared	0.1974
F-statistic	5.8562
Prob. (F-statistic)	0.0004

Notes	Description
Significance Level	Significant at α = 5%
Estimation Method	White Robust Standard Errors

Source: Processed Data (2026)

The estimation findings suggest that the variable representing the composition of the board of directors remains positive and has a statistically significant influence on financial outcomes as measured by ROE. This consistency suggests that the board of directors' involvement in strategic decision-making has a stable influence on firm performance, in relation to both asset efficiency and returns to shareholders. These results correspond with previous studies emphasizing the importance of the board's role in enhancing decision-making effectiveness and firm performance. The robustness test results indicate that some findings are consistent, particularly for the variable representing the board of directors. This suggests that the research model demonstrates an adequate level of robustness and that the results are relatively stable across different proxies of financial performance.

Discussion

The Effect of Board of Directors Size on Financial Performance

The results reveal that the number of board of directors exerts a positive and notable influence on financial outcomes. This finding indicates that an expanded board size strengthens the firm's capacity to manage operations and make strategic decisions, thereby improving profitability. Theoretically, this aligns with the resource dependence theory, which suggests that expanded board provides greater access to resources, expertise, and networks that support firm performance.

These findings align with various empirical studies showing that board size has a favorable relationship with firm performance, as it improves decision-making quality and internal monitoring (Abbas et al., 2023; Khan et al., 2021). Moreover, in relation to Islamic banking, which involves high operational and compliance complexity, diversity of expertise within the board becomes an important factor in enhancing managerial effectiveness. Therefore, an increase in the size of the board of directors can improve internal coordination and the quality of business strategies, ultimately leading to improved financial standing

The Effect of Board of Commissioners Size on Financial Performance

The analysis reveals that the number of board of commissioners does not exert a substantial influence on financial standing. This implies that the presence of commissioners has not yet contributed significantly to improving firm profitability. This finding strengthens the argument that board size does not necessarily represent the efficiency of the oversight mechanism.

Empirically, this result aligns with studies showing that the scale of the supervisory board does not exhibit a consistent relationship with firm performance, particularly when monitoring functions are not optimally implemented (Habbash, 2010; Guest, 2009). However, other studies suggest that supervisory boards can enhance performance if they possess strong independence and quality (Adams & Ferreira, 2010). Therefore, the insignificance in this study may be explained by the possibility that the efficiency of the board of commissioners is defined more by quality, independence, and monitoring intensity rather than the number of members. In practice, the commissioners' limited involvement in daily operations may also constrain their influence on financial performance.

The Effect of Sharia Supervisory Board on Financial Performance

The outcome shows that the number of Sharia supervisory board members has a negative effect and meets only the 10% level of statistical significance, indicating a relatively weak influence on financial performance. This suggests that the function of the Sharia Supervisory Board (SSB) is more oriented toward ensuring Sharia compliance rather than directly enhancing profitability.

This outcome agrees with prior literature stating that the SSB functions primarily as a governance mechanism to ensure compliance with Sharia principles rather than as a strategic business decision-maker (Ahmed, 2011). However, other studies suggest that strong Sharia governance can enhance investor trust and long-term performance through improved reputation (Farag et al., 2018). Therefore, the negative short-term effect may be attributed to compliance costs or limited involvement in operational activities, while its benefits are more long-term and indirect.

The Effect of Zakat Disclosure on Financial Performance

The analysis reveals that zakat disclosure is negatively and meaningfully associated with financial performance. This finding suggests that increased transparency in zakat reporting does not necessarily lead to improved profitability. Theoretically, this can be explained through the lens of legitimacy theory, where firms utilize social disclosure as a tool to gain legitimacy from stakeholders, particularly when financial performance is not optimal.

This finding is consistent with previous studies suggesting that social disclosure in the Islamic context does not necessarily improve financial performance in the short term (Haniffa & Cooke, 2002). A possible explanation is that broader zakat disclosure requires additional administrative and reporting costs, which may temporarily reduce profitability, particularly when measured by ROA. However, the long-term benefits of enhanced disclosure, including stronger stakeholder trust and institutional legitimacy, may emerge over time (Farook et al., 2011).

Therefore, the negative coefficient should be interpreted as a short-term trade-off between the costs of comprehensive zakat disclosure and its potential long-term benefits.

CONCLUSION

This study aims to investigate the impact of corporate governance mechanisms comprising the board of directors, board of commissioners, and Sharia supervisory board along with zakat disclosure on the financial performance of Islamic banks in Indonesia.

The findings reveal that the board of directors exhibits a positive and significant effect on financial performance, indicating that managerial capacity and strategic decision-making are instrumental in enhancing profitability. In contrast, the board of commissioners shows no significant influence, suggesting that supervisory effectiveness is more related to quality rather than quantity. The Sharia supervisory board demonstrates a negative but weakly significant influence, implying that its role is more focused on compliance than profit generation. Meanwhile, zakat disclosure is shown to exert a significant adverse influence on financial performance (ROA), although this effect becomes insignificant when using ROE, indicating sensitivity to performance measurement. Overall, the model shows moderate explanatory power, highlighting that other factors beyond governance and disclosure also influence financial performance.

This research has several constraints. First, the comparatively limited sample size and short observation period (two years) may restrict the generalizability of the findings. Second, the zakat disclosure index uses a simple dichotomous approach, which may not fully represent the depth and quality of disclosure practices. Third, the model does not incorporate macroeconomic or bank-specific control variables that could potentially influence financial performance.

Based on these limitations, future studies should broaden the observation period and include a larger sample of Islamic financial institutions to improve generalizability. Researchers are also encouraged to develop a more comprehensive zakat disclosure index, possibly using weighted or qualitative scoring methods. Additionally, incorporating control variables like bank size, capital structure, and macroeconomic factors would provide a more robust analysis. From a practical perspective, Islamic banks are advised to enhance the effectiveness of their governance system, particularly the board of directors, and to improve the quality of zakat disclosure in a way that balances social responsibility with financial performance sustainability.

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