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Do Zakat Disclosures Have an Impact on Islamic Banking Performance?

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ABSTRACT

This study aims to examine the impact of Zakat disclosure, especially by applying corporate social responsibility (CSR) on financial performance of Islamic banking, i.e. return on assets and return on equity. This study focuses on 8 Islamic commercial banks in Indonesia by taking data from 2011 to 2020. The sample was selected based on transparency in annual reports regarding Zakat disclosure. This study uses a panel data approach. The results show that the contribution of Zakat disclosure as corporate social responsibility has a positive and significant effect on Islamic banks' financial performance in Indonesia. This study shows that CSR through Zakat can support the stakeholder theory where Islamic banks which focus on social obligations will experience improvement in their financial performance. This study provides a theoretical contribution by explaining that disclosure of Zakat is an obligation for Islamic banks and provides significant empirical evidence for policy implications. Thus, Islamic bank management may find the importance of CSR in Zakat disclosure through reporting sources of funds and distribution of Zakat funds in their financial statements for the benefit of stakeholders.

Keywords: Zakat disclosures, CSR, Financial Performance, Islamic Bank.

JEL Classification: M14, M40, L25, G21

INTRODUCTION

Zakat is the third pillar of Islam, where the obligation to pay Zakat is equivalent to the obligation of a Muslim to pray. Zakat must be paid on assets that meet the requirements as muzakki (obligatory Zakat) and it is to be paid to mustahik (Zakat recipients) to purify wealth. Zakat is a tool used to help and support the welfare of the ummah, including the poor and needy, to free debtors who are in debt, for the way of Allah, and travelers, as stated in Q.S At-Taubah Verse 60.

In achieving the goals of equity, justice, and the welfare of the ummah, the obligation to pay Zakat lies not only with Muslim individuals but also with businesses. Business is one of the most important economic activities promoted by the Prophet Muhammad (pbuh) and his companions. All types of business activities aimed at accumulating wealth are subject to the obligation of Zakat. According to Abbas et., (2018), all types of businesses that involve goods or services and have met specific requirements and criteria are subject to Zakat. That also includes financial institutions, such as Islamic banks.

Islamic banks are financial institutions which carry out operational activities based on Shari'ah principles. Based on Islamic law, an Islamic bank must pay Zakat-ul-maal if the net profit generated in one year exceeds the nisab (Afandi, 2019). Based on the Financial Services Authority (OJK) report, from a total of 14 Islamic Commercial Banks operating in Indonesia, total assets in 2020 reached IDR 1,802 trillion, an increase of 13 percent from 2019 (Snapshot Perbankan Syariah Indonesia 2020). Islamic banking shows positive developments with total financing (PYD) and third-party funds (TPF) from previous years. In addition, factors affecting the growth of Islamic banking in 2020 are supported by increased capital, adequate liquidity, quality of financing, and profitability of Islamic banks.

National Zakat collection in 2020 only reached 3.8 percent or only 12.3 trillion rupiah of the total potential Zakat (Pusat Kajian Strategis BAZNAS, 2020). This amount includes the potential for Zakat from various sectors, including the business sector of Islamic banking. The awareness of paying Zakat for companies or business entities is not as great as individual Zakat (Afandi, 2019). Regulations regarding corporate Zakat have been regulated in Article 22 of Law No.23/2011 and Article 23 paragraph (2); the amount of Zakat deducted from the balance sheet or company profits of 2.5 percent can be an incentive to reduce the company's taxable income. However, unfortunately, the application of corporate Zakat has not been optimal in Islamic banking in Indonesia (Sidik & Reskino, 2016).

Islamic banks, as Islamic financial institutions, must, of course, be able to carry out their role by assisting in distributing Zakat to the community, both those who have micro-businesses and other sectors. This is to reduce poverty in Indonesia through a mandatory corporate program, namely corporate social responsibility (CSR). Zakat is part of the CSR concept, which will guide companies to pay attention to social interests and the company's interests (Ilmi, 2011; Nurmalia & Ardana, 2019; Ahmad, 2019; Anriani Siregar, & Siregar, 2020). Distribution and disclosure of Zakat in a company will be a positive signal for the community and attract stakeholders' sympathy and support (Mispiyanti & Junaidi, 2016). This initiative can help companies in growing an excellent corporate image over time. Reputation and company performance are interrelated because a good company reputation will create a competitive advantage to improve sustainable company performance (Louisot & Rayner, 2012).

CSR or corporate social responsibility becomes very important in determining a company's success because customers will prefer economically and socially responsible companies. Disclosure of corporate social responsibility (CSR) refers to improving financial performance, providing significant and positive results through customer loyalty, and reducing risks directed at their reputation, especially during unfavorable economic conditions (Quazi, Amran, & Nejati, 2016). In addition, corporate social responsibility is part of realizing sustainable development in Industrial and Infrastructure Innovation. The advancement of a company's innovation is the key to responding to economic challenges and promoting company efficiency (Khansa & Violita, 2021).

Many financial institutions have started introducing CSR practices in their operational strategies in recent years. Several studies on whether CSR contributes to the financial performance of Islamic banks have also been carried out quite a lot throughout the world, with quite mixed results. Several financial ratios can be measured to see a business's financial performance, such as the Return on assets (ROA) ratio and the return on equity (ROE) ratio. Return on assets is used to measure financial performance from a management perspective (Platonova, Asutay, Dixon, & Mohammad, 2018). On the other hand, return on equity measures financial performance and it shows shareholders' perspective (Mollah & Zaman, 2015).

Among several previous studies on the same topic, almost all of them stated that the variable CSR of Zakat disclosure showed a positive relationship with financial performance of Islamic banks. These studies include researches by Sidik and Reskino (2016), Jan et al. (2019), and Rehman et al. (2020). In contrast, results of research conducted by Samad et al. (2018) found a negative relationship between the Zakat variable and the performance of Islamic banks. Furthermore, Auliyah and Basuki (2021) research shows that the Zakat variable has no significant effect on financial performance as measured by ROE.

This study aims to identify the impact of Zakat disclosures of corporate social responsibility (CSR) on Indonesia's Islamic commercial banks' financial performance. There is a gap in research on the Zakat disclosures as corporate social responsibility in Islamic banks in Indonesia. This is the latest study of Islamic banks in Indonesia which examines the role of the level of Zakat disclosure on financial performance. This study refers to the research of al-Homaidi et al. (2021), who made Yemen the object of study.

Based on the background described above, the study has two main objectives: (1) Examining the impact of Zakat disclosure as corporate social responsibility (CSR) on financial performance as measured by ROA and ROE; (2) Examining the impact of other control variables (CAP, CAR, FDR, and Size) on Islamic banking financial performance. The paper is organized as follows: Section 2 discusses the theoretical background that supports research on Zakat disclosure as corporate social responsibility on financial performance and will summarize various previous studies. Furthermore, Section 3 describes the data and research methods used in this study. Section 4, the core part, will present the analysis and discussion of these findings. The final section contains conclusions and suggestions, along with recommendations from the research findings and analysis.

LITERATURE REVIEW

Background Theory

According to Al-Qardawi (1986), in the perspective of Shari'ah, Zakat comes from an Arabic word that means something that grows, develops, increases, blesses, and also means purity and improvement. Meanwhile, Zakat from the Shari'ah point of view refers to the portion of wealth whose requirements have been determined by Allah SWT to be distributed to specific groups. Therefore, Zakat aims to achieve circulation of wealth (Bayinah, 2015). it aims to reduce the socioeconomic gap between the rich and the poor by preventing the rich from getting richer and the poor from getting poorer.

In one sense, Zakat comes under corporate social responsibility in businesses. It is emphasized at several places in the Quran and As-Sunnah to pay Zakat dutifully. Islam as a religion offers a complete guide to life, which discusses faith, ethics, morality, and belief in Allah in every area of life, whether in political, business, social, or economic matters. The main goal of Islam is achievement of holistic welfare. CSR is defined as a company's activities to improve the welfare of society (Pearch II & Doh, 2005). According to Dusuki (2008), CSR in the context of Islam is based on Quran and Sunnah, which provide a substitute or a better framework for the philosophy of human interaction with fellow human beings. The Quran implies that a company or institution should be socially responsible by giving charity and helping people in need (Hasan, 2001). Anriani et al. (2020) state that Zakat is consistent with the concept of CSR since CSR guides companies to pay attention to social interests and the interests of the company itself.

Disclosure of Zakat is an obligation for Islamic banks that must be reported through reports on sources of funds and the distribution of Zakat funds in their financial statements (Auliyah & Basuki, 2021). This refers to Islamic Financial Accounting Standards/Sharia PSAK No. 109 concerning Zakat and Infaq that Zakat accounting must follow Shari'ah principles. It can certainly play an essential role in business through increasing corporate transparency, developing corporate image, and providing helpful information to investors (Rehman et al., 2020). In stakeholder theory, it is explained that when companies meet different expectations of their stakeholders, they will be able to create better company performance (Freeman, 1984).

Khansa and Violita (2021) stated that management disclosure of accountability reported in entity performance that contains Shari'ah values would increase public interest and attractiveness to conduct transactions using Islamic banks. Several previous studies have described how important it is to disclose corporate social responsibility based on an Islamic perspective (Khan & Yunis, 2019; Arifin & Wardani, 2016; Yusuf & Bahari, 2015). Thus, Corporate Social Responsibility is an indicator used to support a company's performance. Companies with good financial performance are said to carry out their operational activities successfully. Financial performance is an analysis to measure the company's level of success in managing the organization as a whole by following the correct financial implementation rules.

A financial ratio is a measure used to assess a company's performance (Xu, Xiao, Dang, Yang, & Yang, 2014). According to Mithas et al. (2012), the profitability ratio is used to measure how much is the company's ability to earn a profit. Thus, the company's ability to generate profits in its operations becomes the main focus in assessing its performance. In addition to being an indicator of the company's ability to fulfill obligations to funders, company profits are also an element in creating company value that shows the company's prospects in the future. The level of profitability can be used as the basis for making investment decisions to measure the company's ability to generate returns on investments made.

Return on assets (ROA) is a ratio to measure the company's ability to generate profits with the assets used. In financial analysis, ROA is an analytical tool to measure how efficiently the assets are used in generating profits. Thus, ROA becomes essential information for investors to see how much profit is generated from the invested capital. Furthermore, return on equity (ROE) is a ratio which investors use in making investment decisions (Arifin & Wardani, 2016). Return on equity is a comparison between net income after tax and equity. According to Arifin and Wardani (2016), the selection of ROA and ROE as proxies for financial performance is considered appropriate in reflecting its efforts to generate profits from its resources.

Previous Studies

Previous researchers have extensively studied research on the relationship between Zakat and Islamic banks' performance. Ramadhani (2016) found that Islamic banks that disclose Zakat have better and more stable financial performance because Islamic banks can maintain stakeholder trust in Islamic religious provisions. Furthermore, Ibrahim et al. (2020) examined the relationship of the Zakat Disclosure Index to financial performance using the ROA model in 50 Islamic banks in Malaysia for the 2010-2014 period. The results found that higher Zakat disclosure is associated with the higher financial performance of the banks. Furthermore, Al-Homaidi and Al-Matar (2021) examined the correlation between the disclosure of Zakat information on Islamic banks' performance in Yemen from 2005 to 2014. Evaluation of the performance of Islamic banks was carried out using two proxies, i.e. ROA and ROE. The findings conclude a robust positive relationship between Zakat disclosure and financial performance in Islamic banks in Yemen during the study period.

Furthermore, researches on the contribution of Zakat as an instrument of corporate social responsibility in improving the company's financial performance are also seen in the literature. Javaid and Al-Malkawi (2018) found a strong positive relationship between Zakat as corporate social responsibility on the company's financial performance. Sidik and Reskino (2016) studied the influence of Zakat and Islamic corporate social responsibility (ICSR) on the performance of companies using a sample of 10 Shari'ah banks in Indonesia from 2011 to 2014. The results show that Zakat and Islamic corporate social responsibility (ICSR) have a significant positive impact on the performance of a company.

The same research was conducted by Romzie et al. (2019). They examined the impact of corporate social responsibilities (CSR), which is a Zakat contribution to financial performances that use proxies by return on assets, equity, and operating profit. The sample used was 15 Islamic banks in Malaysia from 2010 to 2014. The results show that Zakat as part of corporate social responsibility has a significant positive impact on the operating profit of Islamic banks. However, there is no evidence that Zakat as part of corporate social responsibility can significantly impact ROA and ROE. Auliyah and Basuki also tested the effects of Zakat and Corporate Social Responsibility (CSR) on the financial performance of 8 Shari'ah banks listed on the Indonesia Stock Exchange (IDX) from 2014 to 2018. The dependent variable was financial performance proxied by ROA and ROE, while the independent variable was Zakat and CSR. The study showed that Zakat disclosure has positive and significant effect on financial performance as measured by the ROA model. Meanwhile, Zakat disclosure shows no significant effect on financial performance as measured by the ROE model.

Meanwhile, Samad et al. (2018) research showed different results. They examined corporate Zakat on the performance of Islamic banks in Malaysia, using a sample of 16 Islamic banks for the period 2010-2015. The results show no significant relationship between the Zakat variable and the financial performance of Islamic banks during the research period. This study found a low level of commitment to pay corporate Zakat among Islamic banks in Malaysia.

Research Framework

This research is based on stakeholder theory, which states that the primary goal of an organization is the creation and maximization of stakeholder value (Thomas & Preston, 1995). According to this theory, an organization will be efficient if it pays attention to all the relationships that affect organizational goals (Freeman, 1984). The assumption of stakeholder theory becomes a valuable tool for measuring profitability. So the theory that explains CSR disclosure and its impact on company performance is stakeholder theory (Rehman, et al., 2020). The social responsibility of business organizations is to meet the needs of their stakeholders, for which they are legally and socially responsible. To examine the relationship between CSR and financial performance, it is necessary to identify appropriate proxy variables to avoid potential measurement bias (see Scholtens, 2008). In this case, the research object is the financial performance of Islamic banking, namely, return on assets (ROA) and return on equity (ROE). This proxy is a precise measure of firm performance and is widely used in the literature (Al-Homaidi & Al-Matar, 2021; Samad, Said, Mohd Nasir, Mahshar, & Kamarulzaman, 2018; Javaid & Al-Malkawi, 2018; Herwanti, Irwan, & Fitriyah, 2017). Furthermore, regarding the Zakat variable, which is the core of this research, the current study takes Zakat as a CSR proxy variable. CSR, as measured by Zakat, is expected to have a positive relationship with the financial performance of Islamic banking. Consistent with the standard CSR literature, we include four control variables: capital structure (proxied by total assets divided by total equity, capital adequacy ratio) (Romzie, Haron, & Othman, 2019), liquidity (proxied by financing to deposit ratio) (Romzie, Haron, & Othman, 2019), and firm size (total assets) (Romzie, Haron, & Othman, 2019; Samad, Said, Mohd Nasir, Mahshar, & Kamarulzaman, 2018).

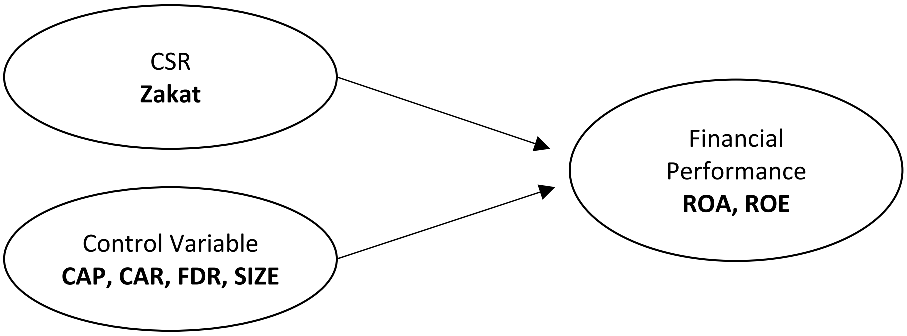

Figure 1. Research Framework

METHODOLOGY

Data

This study uses panel data set of 8 Islamic commercial banks (BUS) in Indonesia from 2011 to 2020. The model uses financial performance of 8 Islamic commercial banks in Indonesia as the dependent variable. The sample was selected based on transparency in annual reports regarding Zakat disclosure. Furthermore, the independent variables consist of CSR, CAP, CAR, FDR, and SIZE. In this study, the financial performance of banks was evaluated using ROA and ROE variables. This paper is based on secondary data, where the data are obtained from the annual financial reports of each bank.

Methods

It is a quantitative research which analyses panel data. Panel data is data that contains observations about different cross-sections across time. To examine the impact of Zakat disclosures on Islamic banking performance, the following baseline regression model was used:

$$ROA_{it} = \alpha + \beta_1 CSR_{it} + \beta_2 CAP_{it} + \beta 3CARit + \beta 4FDRit + \beta 5SIZEit + \varepsilon_{it}$$

$$ROE_{it} = \alpha + \beta_1 CSR_{it} + \beta_2 CAP_{it} + \beta 3CARit + \beta 4FDRit + \beta 5SIZEit + \varepsilon_{it}$$

Where,
ROA : Return on Asset
ROE : Return on Equity
CSR :Corporate Social Responsibility (Total Zakat/Total Assets)
CAP : Total Asset/Total Equity
CAR : Capital Adequacy Ratio
FDR : Financing to Deposit Ratio
Size : Ln of Total Assets
εit : Error in the Model
α : Intercept
i : Cross-section for Islamic Commercial Banks
t : A period of study

There were two main reasons for choosing this method: i) panel data can provide more accurate inferences of model parameters, and ii) greater capacity to capture the complexity of individual behaviour. Therefore, the use of panel data in this study is needed to see how the transparency of Zakat disclosures in Islamic banks can affect their performance.

Based on panel data estimation, three alternative models of panel data analysis can be used to estimate the behaviour of Islamic bank financing, namely the pooled least squares model or often referred to as the expected effect model, the fixed-effect model, and the random effect model (Baltagi, 2005). Furthermore, to determine the best model for estimating panel data regression, Chow test uses several techniques to choose between an expected effect or fixed-effect models. Second, the Hausman test estimates panel data regression by choosing between the fixed effect or random-effect model. Third, the Lagrange Multiplier test chooses between the common effect or the random-effect model.

After selecting the model, the next step is to test the hypothesis. Hypothesis testing can be carried out by looking at the value of the t-statistic, the value of the F-statistic, and the value of the coefficient of determination. The value of the t-statistic is used to see the effect of each independent variable on the dependent variable. Furthermore, the F test was conducted to see whether the independent variables used in the study could explain changes in the dependent variable. In other words, the F-statistic test is used to test whether the use of the model is appropriate and reliable. Finally, by looking at the value of the coefficient of determination (R), we can assess how far the regression model used can explain the changes in dependent variable.

Table 1. Descriptive Statistics

Variable	*Mean*	*Median*	*Max*	*Min*	*Std. Dev*
ROA	0.005763	0.008000	0.069300	-0.107700	0.021288
ROE	0.029067	0.031000	0.579800	-0.940100	0.172932
CSR	0.019368	0.015736	0.083356	0.000000	0.019822
CAP	13.82212	11.89584	63.93824	3.177509	8.715624
CAR	0.208558	0.183250	0.619800	0.113500	0.093602
FDR	0.873911	0.888500	1.629700	0.169800	0.159430
SIZE	16.17320	15.94294	18.65897	13.37238	1.359931

RESULT AND DISCUSSION

Result

The table above summarizes the descriptive statistics of the variables used in this study. Islamic banks recorded an average ROA performance of 0.57%, with a maximum performance value of 6.9% and a minimum performance of minus 107%. Meanwhile, the average ROE performance was 2.9%, where the highest performance was recorded at 5.7%, and the minimum performance was minus 94%. Nevertheless, overall, most Islamic banks recorded a positive performance during the study period. This can be seen from the high-performance variation between banks recorded by standard deviation.

Furthermore, the CSR variable of Islamic banks recorded an average of 1.9% of total assets, with the highest CSR value reaching 8.3%, while the lowest value was recorded at 0%. This shows that some Islamic banks do not pay Zakat at all. From the sample in this study, Bank Panin Syariah did not issue Zakat in 2011, 2012, and 2018. Meanwhile, the rest of the banks continued to pay Zakat, although the portion of the amount was quite varied.

Table 2. Model Estimation Result

Variables	***MODEL 1 ROA***	***MODEL 2 ROE***
Constant	-0.022	-0.3959
	(0.5129)	(0.2077)
CSR	0.4887***	3.8076***
	(0.0001)	(0.0004)
Controlled variable		
CAP	0.0011***	0.0056
	(0.0125)	(0.1413)
CAR	0.0369	0.1863
	(0.3251)	(0.5616)
FDR	-0.0386***	-0.1257
	(0.0104)	(0.3213)
SIZE	0.0017	0.0213
	(0.3533)	(0.2277)
R- Square	0.3292	0.2060
F-Statistic	7.265***	3.840***

Notes:
*** significant at 1% significance level, ** significant at 5% significance level, *significant at 10% significance level

Based on the estimation model selection results using several tests, the best model to explain the ROA Model uses the Common Effect Model. In contrast, the ROE model uses the Random Effect Model. Furthermore, to explain the impact of CSR on financial performance, the specific factor used in this study is CSR which is proxied by Zakat divided by total assets. Other determinants used in this study are bank-specific factors (i.e., capital, which is proxied by total assets divided by equity ratio and capital adequacy ratio, then liquidity, which is proxied by financing to deposit ratio, and bank size, which is measured by natural log of total assets).

Table 2 reveals the correlation results (t-statistics) of this examination. The results indicated that variable Zakat as corporate social responsibility (CSR) and capitalization (CAP) positively correlate with Islamic banks' performance calculated by ROA. Thus, the liquidity variable (FDR) negatively correlates with the performance of Islamic banks determined by ROA. At the same time, only the CSR variable shows a positive relationship with banks' performance calculated by ROE. The F-statistic probability value shows a significant result (below 5 percent), so the variables used in this study, namely: CSR, CAP, CAR, FDR, and SIZE, simultaneously affect the dependent variable, which is measured by ROA and ROE. So, it can be concluded that using the model in this research is appropriate and reliable. The adjusted R-square value of the ROA model is 0.3292 or 32.92 percent means that the variable ROA can be explained by variables CSR, CAP, CAR, FDR, and SIZE by up to 32.92 percent. Variables outside the model explain the remaining 63.08 percent. Then, the adjusted R-square value of the ROE model is 0.2060 or 20.60 percent means that the variable ROE can be explained by variables CSR, CAP, CAR, FDR, and SIZE by up to 20.60 percent. Variables outside the model explain the remaining 79.40 percent.

Discussion

Experts have explained that Zakat is the primary social instrument for income redistribution, building social justice, equality, and prosperity in Muslim societies (Al-Sabban, Al-Sabban, & Rahatullah, 2014; Javaid & Al-Malkawi, 2018; Abdullah, Derus, & Al-Malkawi, 2015). Furthermore, from a CSR perspective, Zakat is the obligation of companies to run their operations regardless of their economic and commercial interests. The central core of this CSR theory is that organizational goals must be in line with community goals (Gao & Bansal, 2013). The theory further supports the objective of Islamic banks to meet the demands of various stakeholders in a normative approach and take advantage of instrumental benefits in the form of better financial performance (Dusuki, 2008). All these arguments and assumptions are also following Islamic teachings on CSR.

The findings show that CSR has a significant and positive effect on the operating profit of Islamic banks, including both ROA and ROE. This shows that CSR through Zakat can support the stakeholder theory where Islamic banks that focus on social obligations will improve their financial performance (Romzie, Haron, & Othman, 2019; Ahmad, 2019; Anriani, Siregar, & Siregar, 2020; Javaid & Al-Malkawi, 2018; Al-Homaidi & Al-Matar, 2021). The existence of a positive and significant relationship can also attract the attention of investors to consider the bank's CSR activities (Platonova, Asutay, Dixon, & Mohammad, 2018). This is supported by several previous studies, which noted a positive and relatively large relationship between the profitability of companies and the magnitude of their CSR (Jan, Marimuthu, & Isa, 2019; Sidik & Reskino, 2016; Rehman, et al., 2020).

The transparency of the performance of entities that contain Shari'ah values is believed to increase the public's desire to transact with Islamic banks (Khansa & Violita, 2021). Islamic banks that adhere to Shari'ah principles must apply ethical principles in their policies, such as transparency in reporting to attract stakeholder trust, honesty in every transaction, and involvement in social and non-profit programs (Ibrahim, Hashim, & Ariff, 2020). Islamic banks tend to disclose matters relating to Zakat and other charitable instruments because this disclosure will improve the bank's image. Thus, the perspective of Zakat disclosure becomes an exciting way to explore the relationship between ethical values and bank performance.

Further results show that capitalization has a positive and significant effect on banking performance, as shown in the ROA model. Furthermore, the FDR variable as a proxy for banking liquidity also shows significant results but negatively affects ROA. Other internal banking variables, namely bank size, show insignificant results in both models. This study is in line with research conducted by Al Homaidi & Al-Matar (2021), which shows that bank size does not affect the performance of Islamic banks.

CONCLUSION

This study indicates that the variable Zakat disclosures as Corporate Social Responsibility has a positive and significant effect on the financial performance of Islamic banking in Indonesia, which is addressed in the ROA and ROE models. Thus, Zakat as CSR in the financial statements of Islamic banking in Indonesia is recommended to be carried out to encourage increased company performance. In addition, this study shows that CSR through Zakat can support the stakeholder theory where Islamic banks that focus on social obligations will improve their financial performance. This finding reflects the importance of Islamic banks in focusing on CSR, especially on the contribution of Zakat to the financial performance of Islamic banks and in building the reputation of various stakeholders.

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APPENDIXES

EVIEWS RESULT

Descriptive Statistics

	ROA	ROE	CSR	CAP	CAR	FDR	SIZE
Mean	0.005763	0.029067	0.019368	13.82212	0.208558	0.873911	16.17320
Median	0.008000	0.031000	0.015736	11.89584	0.183250	0.888500	15.94294
Maximum	0.069300	0.579800	0.083356	63.93824	0.619800	1.629700	18.65897
Minimum	-0.107700	-0.940100	0.000000	3.177509	0.113500	0.169800	13.37238
Std. Dev.	0.021288	0.172932	0.019822	8.715624	0.093602	0.159430	1.359931
Skewness	-2.733784	-2.657611	1.146351	3.054776	1.862919	0.161862	0.037734
Kurtosis	16.08890	17.30576	3.739794	16.46789	7.223315	12.58800	2.015603
Jarque-Bera	670.7118	776.3541	19.34591	729.0356	105.7275	306.7821	3.249110
Probability	0.000000	0.000000	0.000063	0.000000	0.000000	0.000000	0.196999
Sum	0.461000	2.325330	1.549420	1105.769	16.68460	69.91290	1293.856
Sum Sq. Dev.	0.035801	2.362535	0.031041	6001.006	0.692140	2.008025	146.1036
Observations	80	80	80	80	80	80	80

Model ROA

CEM

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.022375	0.034030	-0.657506	0.5129
CSR	0.488754	0.117421	4.162395	0.0001
CAP	0.001136	0.000444	2.561131	0.0125
CAR	0.036952	0.037300	0.990666	0.3251
FDR	-0.038638	0.014687	-2.630769	0.0104
SIZE	0.001795	0.001921	0.934178	0.3533
Root MSE	0.017325	R-squared		0.329284
Mean dependent var	0.005763	Adjusted R-squared		0.283965
S.D. dependent var	0.021288	S.E. of regression		0.018014
Akaike info criterion	-5.123351	Sum squared resid		0.024012
Schwarz criterion	-4.944699	Log-likelihood		210.9340
Hannan-Quinn criter.	-5.051724	F-statistic		7.265961
Durbin-Watson stat	1.669208	Prob(F-statistic)		0.000014

FEM

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.054550	0.081853	0.666432	0.5074
CSR	0.482171	0.144551	3.335640	0.0014
CAP	0.001437	0.000458	3.135594	0.0025
CAR	0.032370	0.039678	0.815827	0.4175
FDR	-0.031259	0.016096	-1.942013	0.0563
SIZE	-0.003550	0.004645	-0.764314	0.4474
		Effects Specification		
Cross-section fixed (dummy variables)				
Root MSE	0.015882	R-squared		0.436327
Mean dependent var	0.005763	Adjusted R-squared		0.335371
S.D. dependent var	0.021288	S.E. of regression		0.017355
Akaike info criterion	-5.122223	Sum squared resid		0.020180
Schwarz criterion	-4.735143	Log-likelihood		217.8889

Hannan-Quinn criter.	-4.967031	F-statistic	4.321936
Durbin-Watson stat	1.892758	Prob(F-statistic)	0.000047

REM

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.022916	0.034145	-0.671130	0.5042
CSR	0.491617	0.115223	4.266670	0.0001
CAP	0.001167	0.000430	2.713718	0.0083
CAR	0.036429	0.036279	1.004147	0.3186
FDR	-0.037738	0.014293	-2.640289	0.0101
SIZE	0.001757	0.001924	0.913010	0.3642
Root MSE	0.017211	R-squared		0.328984
Mean dependent var	0.005407	Adjusted R-squared		0.283646
S.D. dependent var	0.021143	S.E. of regression		0.017895
Sum squared resid	0.023698	F-statistic		7.256121
Durbin-Watson stat	1.683087	Prob(F-statistic)		0.000014

CHOW TEST

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.817644	(7,67)	0.0982
Cross-section Chi-square	13.909751	7	0.0528

HAUSMAN TEST

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	9.679617	5	0.0848

LM TEST

	Cross-section	Time	Both
Breusch-Pagan	0.020799	2.202750	2.223549
	(0.8853)	(0.1378)	(0.1359)

MODEL ROE

CEM

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.389783	0.298686	-1.304995	0.1959
CSR	3.749919	1.030616	3.638521	0.0005
CAP	0.005054	0.003893	1.298160	0.1983
CAR	0.205249	0.327383	0.626938	0.5326
FDR	-0.146133	0.128910	-1.133612	0.2606
SIZE	0.022337	0.016864	1.324588	0.1894
Root MSE	0.152061	R-squared		0.217022
Mean dependent var	0.029067	Adjusted R-squared		0.164118
S.D. dependent var	0.172932	S.E. of regression		0.158106
Akaike info criterion	-0.779065	Sum squared resid		1.849814
Schwarz criterion	-0.600413	Log-likelihood		37.16258
Hannan-Quinn criter.	-0.707438	F-statistic		4.102182
Durbin-Watson stat	1.764829	Prob(F-statistic)		0.002421

FEM

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.204189	0.713933	0.286006	0.7758
CSR	3.804835	1.260790	3.017819	0.0036
CAP	0.007837	0.003996	1.961075	0.0540
CAR	0.111898	0.346074	0.323335	0.7474
FDR	-0.056857	0.140392	-0.404985	0.6868
SIZE	-0.020453	0.040513	-0.504845	0.6153

Effects Specification			
Cross-section fixed (dummy variables)			
Root MSE	0.138527	R-squared	0.350199
Mean dependent var	0.029067	Adjusted R-squared	0.233816
S.D. dependent var	0.172932	S.E. of regression	0.151371
Akaike info criterion	-0.790503	Sum squared resid	1.535179
Schwarz criterion	-0.403423	Log-likelihood	44.62011
Hannan-Quinn criter.	-0.635312	F-statistic	3.009034
Durbin-Watson stat	2.028525	Prob(F-statistic)	0.002022

REM

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	-0.395952	0.311502	-1.271107	0.2077
CSR	3.807688	1.024295	3.717373	0.0004
CAP	0.005610	0.003773	1.486965	0.1413
CAR	0.186311	0.319531	0.583076	0.5616
FDR	-0.125784	0.125968	-0.998539	0.3213
SIZE	0.021319	0.017527	1.216381	0.2277

Root MSE	0.149788	R-squared	0.206030
Mean dependent var	0.025398	Adjusted R-squared	0.152383
S.D. dependent var	0.169163	S.E. of regression	0.155742
Sum squared resid	1.794909	F-statistic	3.840494
Durbin-Watson stat	1.800953	Prob(F-statistic)	0.003786

CHOW TEST

Effects Test	**Statistic**	**d.f.**	**Prob.**
Cross-section F	1.961666	(7,67)	0.0735
Cross-section Chi-square	14.915056	7	0.0371

HAUSMAN TEST

Test Summary	**Chi-Sq. Statistic**	**Chi-Sq. d.f.**	**Prob.**
Cross-section random	9.335453	5	0.0964

LM TEST

	Cross-section	**Time**	**Both**
Breusch-Pagan	0.166205	6.493106	6.659311
	(0.6835)	(0.0108)	(0.0099)