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The Influence of Islamic Corporate Social Responsibility and Operational Efficiency on the Financial Performance of Bank Muamalat

Vini Kumala [1], Lely Ana Ferawati Ekaningsih[2]

[1,2] Ekonomi Syariah, Universitas KH Mukhtar Syafaat, Banyuwangi, Indonesia

A B S T R A K

Perkembangan perbankan syariah di Indonesia didorong oleh kesadaran masyarakat akan sistem keuangan sesuai prinsip Islam. Penelitian ini bertujuan menganalisis pengaruh Islamic Corporate Social Responsibility (ICSR) yang diproksikan dengan Islamic Social Reporting (ISR) dan Efisiensi Operasional yang diukur melalui rasio Beban Operasional terhadap Pendapatan Operasional (BOPO) terhadap kinerja keuangan Bank Muamalat, dengan Return on Assets (ROA) sebagai indikatornya. Metode penelitian menggunakan pendekatan kuantitatif dengan data sekunder laporan keuangan triwulan Bank Muamalat periode 2017–2024. Analisis data dilakukan dengan regresi linear berganda. Hasil penelitian menunjukkan bahwa secara parsial, ISR dan BOPO berpengaruh negatif dan signifikan terhadap ROA. Secara simultan, kedua variabel juga berpengaruh signifikan terhadap ROA dengan koefisien determinasi sebesar 86,3 persen. Simpulan penelitian mengindikasikan bahwa peningkatan ISR dan BOPO justru menurunkan ROA dalam jangka pendek, meskipun implementasi ICSR yang baik berpotensi membangun citra positif dan kepercayaan masyarakat untuk keberlanjutan jangka panjang.

Kata Kunci : Islamic Corporate Social Responsibility, Efisiensi Operasional, Kinerja Keuangan

A B S T R A C T

The development of sharia banking in Indonesia is driven by public awareness of financial systems aligned with Islamic principles. This study aims to analyze the influence of Islamic Corporate Social Responsibility (ICSR), proxied by Islamic Social Reporting (ISR), and Operational Efficiency measured by the Operating Expenses to Operating Income Ratio (BOPO) on the financial performance of Bank Muamalat, with Return on Assets (ROA) as the indicator. The research method employs a quantitative approach using secondary data from Bank Muamalat's quarterly financial reports for the 2017–2024 period. Data analysis was conducted using multiple linear regression. The results indicate that partially, both ISR and BOPO have a significant negative effect on ROA. Simultaneously, both variables also significantly affect ROA with a coefficient of determination of 86.3 percent. The study concludes that increases in ISR and BOPO actually reduce ROA in the short term, although good ICSR implementation has the potential to build a positive image and public trust for long-term sustainability.

Keywords: Islamic Corporate Social Responsibility, Operational Efficiency, Financial Performance

1. INTRODUCTION

Islamic banking in Indonesia has experienced rapid development, in line with growing public awareness of the importance of a financial system aligned with Islamic principles. The public's need for financial services is not solely profit-oriented but also upholds ethical values and social responsibility, which are key drivers of the growth in the financial sector. The sustainability of Islamic banks is considered more assured in delivering benefits and fulfilling responsibilities to society and stakeholders. Strong financial performance of Islamic banks will bolster public confidence and trust in conducting transactions, thereby enhancing the stability of the banking sector as a whole.

*Corresponding author
E-mail addresses: vinikumala28@gmail.com

Financial performance is a primary variable that reflects the operational and managerial success of a bank. At Bank Muamalat Indonesia, financial performance is measured, among other indicators, using Return on Assets (ROA). ROA indicates how efficiently a bank utilizes its assets to generate profit (Putri-Kartika, 2013). As a pioneer in Islamic banking, Bank Muamalat plays a crucial role in implementing Sharia principles, both in its products and in carrying out corporate social responsibility, known as Islamic Corporate Social Responsibility (ICSR).

Islamic Corporate Social Responsibility (ICSR) is a social responsibility concept that integrates Islamic values. Its implementation is no longer voluntary but a mandatory obligation, as stipulated in Law Number 40 of 2007 Article 74 (Kartini, 2013:128, cited in Ekaningsih et al., 2023). The principle of social responsibility in Islam has long existed and is emphasized in the Quran, which strongly advocates environmental preservation and encourages acts of goodness such as charity (Yusuf, 2017). The implementation of ICSR is built upon four main elements: Al-Adl (justice), Al-Ihsan (benevolence), Benefit, and Amanah (trustworthiness)(Fadli & Yuliani, 2022), and aligns with the spirit of *ihsan* as a form of worship (Ekaningsih & Istiqomah, 2023).

Operational efficiency serves as a crucial factor in determining a bank's financial performance, typically measured using the Operating Expense to Operating Income Ratio (BOPO). The BOPO ratio reflects a bank's ability to manage its operational costs (Budianto & Dewi, 2023). A lower BOPO ratio indicates higher operational efficiency, thereby enhancing the bank's profit potential (Nanda & al., 2019). In accordance with Bank Indonesia Regulation No. 13/1/PBI/2011, the ideal BOPO standard is approximately 80%, with a maximum allowable threshold of 90%. A strong Return on Assets (ROA) demonstrates effective asset management in generating sustainable profit growth (Asraf, 2020).

The research problem addressed in this study is how Islamic Corporate Social Responsibility (ICSR) and Operational Efficiency (BOPO) influence the financial performance of Bank Muamalat, as measured by Return on Assets (ROA). A high BOPO ratio can exert downward pressure on profitability, while the implementation of ICSR may impact short-term operational costs. To address this issue, a research plan has been designed utilizing a quantitative approach. This study will analyze secondary data from Bank Muamalat's quarterly financial reports to assess the partial and simultaneous effects of Islamic Social Reporting (ISR) as an ICSR proxy and the BOPO ratio on ROA.

The objective of this study is to analyze the influence of Islamic Corporate Social Responsibility (ICSR) and Operational Efficiency on the financial performance of Bank Muamalat Indonesia. Specifically, the research aims to identify the partial and simultaneous effects of these two variables, as well as to assess the contribution of operational efficiency and the integration of Shariah principles within social responsibility as part of the bank's sustainability strategy. The findings of the study are expected to provide management with recommendations for enhancing financial performance through an approach consistent with Shariah principles.

2. METHOD

This study employs a quantitative approach, specifically an explanatory research design, which aims to uncover causal relationships between variables and predict changes in a phenomenon when associated with other variables (Strydom, 2013 as cited in Sari & al., 2022). The research location is Bank Muamalat Indonesia. Data collection is conducted using documentation techniques, involving the access and compilation of secondary data from officially published quarterly financial reports of Bank Muamalat. The primary data source consists of financial reports from the period of 2017 to 2024, downloaded from the bank's official website (https://www.bankmuamalat.co.id/).

The dependent variable in this study is Financial Performance (Y), which is measured using Return on Assets (ROA). ROA measures a company's ability to generate profits by utilizing all of its assets (Brigham & Houston, 2019; Putri-Kartika, 2013).

$$\text{ROA} = \frac{Net\ Income}{Total\ Asset}\ x\ 100\% \quad (1)$$

The first independent variable in this study is Islamic Corporate Social Responsibility (ICSR) (X1), which is operationalized through Islamic Social Reporting (ISR) disclosure. Its measurement refers to the index developed by Othman & Tani, (2010) and has been adapted to the Indonesian banking context (Faradiz & al., 2023). The ISR index uses a content analysis method for annual reports, where each disclosure item that aligns with the ISR theme is scored 1 if disclosed and 0 otherwise.

$$\text{Indexs ISR} = \frac{\textit{Total Disclore Score}}{\textit{Ideal Maximum Score}}\ x\ 100\%\ (2)$$

The second independent variable in this study is Operational Efficiency (X2), which is measured using the Operating Expenses to Operating Income (BOPO) ratio. This ratio indicates the proportion of expenses incurred to generate revenue (Budianto & Dewi, 2023 ;Kalsum & Hidayat, 2023). The lower the BOPO value, the more efficient the bank's operations.

$$\text{BOPO} = \frac{\textit{Total Operating Expenses}}{\textit{Total Operating Income}}\ x\ 100\%\ (3)$$

The collected data was analyzed statistically using SPSS software. The analysis began with the Classical Assumption Test, including a normality test to ensure the data were normally distributed, a prerequisite for regression analysis. Next, a Multiple Linear Regression Analysis was performed to examine the effect of the independent variables (ISR and BOPO) on the dependent variable (ROA) simultaneously and partially. Statistical significance was tested using the t-test to determine the partial effect of each independent variable and the F-test to determine the simultaneous effect of both independent variables on ROA.

3. RESULTS AND DISCUSSION

Result

Results of Classical Assumption Tests

Normality Test

The normality test aims to determine whether the research data are normally distributed. Data are considered suitable if their distribution meets the assumption of normality. In this study, the normality test was conducted using the Kolmogorov-Smirnov test by comparing the Asymp. Sig. (2-tailed) value. Data are considered normally distributed if the Asymp. Sig. (2-tailed) value is greater than 0.05.

Table 1. Normality Test Results Using the Kolmogorov Smirnov Test

One-Sample Kolmogorov-Smirnov Test

		Standardized Residual
N		32
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.96720415
Most Extreme Differences	Absolute	.126
	Positive	.120
	Negative	-.126
Test Statistic		.126
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Based on the results of the test in Table 1, using the Kolmogorov-Smirnov Test, the Asymp. Sig. (2-tailed) value was 0.200 (> 0.05). This indicates that the research data is normally distributed.

Multicollinearity Tes

The multicollinearity test aims to determine whether there is a high correlation between independent variables in a regression model. Symptoms of multicollinearity can be detected by examining the pair-wise correlation matrix between independent variables. A model is free of multicollinearity if the correlation coefficient between independent variables does not exceed 0.70 (Suliyanto, 2011).

Table 2. Multicollinearity Test Results

Coefficient Correlations[a]

Model			ISR	BOPO
1	Correlations	ISR	1.000	-.134
		BOPO	-.134	1.000
	Covariances	ISR	1.543E-6	-7.764E-7
		BOPO	-7.764E-7	2.177E-5

a. Dependent Variable: ROA

Based on the test results in Table 2, the correlation coefficient between the ISR and BOPO variables is -0.134 (<0.70). Thus, the regression model does not exhibit multicollinearity.

Heteroscedasticity Test

The heteroscedasticity test aims to determine whether there is inequality in the variance of the residuals. In this study, the test was conducted using the Park method. Symptoms of heteroscedasticity are indicated by the significance of the regression coefficient of the independent variable on the ln squared residual (LnU^2). If the significance value (Sig.) is > 0.05, the model does not experience heteroscedasticity (Suliyanto, 2011).

Table 3. Heteroscedasticity Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-40.179	229.465		-.175	.862
	InBOPO	7.892	25.270	.058	.312	.757
	Inisr	-3.465	4.661	-.138	-.743	.463

a. Dependent Variable: Inu2

Based on the results of the testing in Table 3, using the Park test, the significance value for LnBOPO was 0.757 and for LnISR was 0.463. Both are greater than 0.05, thus concluding that the model does not experience heteroscedasticity.

Results of Regression Analysis and Hypothesis Testing

T-Test (Partial)

The t-test is used to determine whether each independent variable has a partial effect on the dependent variable in a multiple linear regression analysis. In other words, this test examines the effect of each independent variable on the dependent variable, to determine whether the effect is significant or not.

Table 4. T-Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	608.837	45.310		13.437	.000
	BOPO	-.058	.005	-.869	-12.530	.000
	ISR	-.004	.001	-.231	-3.332	.002

a. Dependent Variable: ROA

Based on the results of the test in Table 4, the t-value for a sample size (N) of 32 and a significance level of 0.05 is -2.045. The results of the t-test can be explained as follows:

1) The BOPO variable has a calculated t-value of -12.530 (|thitung| > t tabel 2.045) and a significance level of 0.000 (<0.05). The regression coefficient is negative (-0.058). These results prove that BOPO has a negative and significant effect on ROA.
2) The ISR variable has a calculated t-value of -3.332 (|thitung| > t tabel 2.045) and a significance level of 0.002 (<0.05). The regression coefficient is negative (-0.004). These results prove that ISR has a negative and significant effect on ROA.

F TEST (Simultaneous)

This test is used to determine whether the independent variables simultaneously have a significant effect on the dependent variable. If the calculated F value is greater than the F value in the table and the significance value (p-value) is less than 0.05, it can be concluded that the independent variables simultaneously have a significant effect on the dependent variable (Mardiatmoko, 2020).

Table 5. F Test Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2699.978	2	1349.989	91.280	.000[b]
	Residual	428.897	29	14.790		
	Total	3128.875	31			

a. Dependent Variable: ROA

b. Predictors: (Constant), ISR, BOPO

Based on the results of the test in Table 5, the F-value for the table with a sample size (N) of 32 and a significance level of 0.05 is 3.328. The F-test results yield a calculated F-value of 91.280, which is greater than the F-value of 3.328 (calculated F-value 91.280 > F-value 3.328), with a significance value of 0.000, which is less than 0.05 (0.000 < 0.05). These results indicate that the BOPO and ISR variables simultaneously have a significant effect on ROA.

Coefficient of Determination Test (R^2)

The coefficient of determination test shows how much the independent variables influence or contribute to the dependent variable collectively. This analysis is used to measure the percentage contribution of all independent variables simultaneously to the dependent variable in a regression model (Mardiatmoko, 2020).

Table 6. R^2 Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.929[a]	.863	.853	3.84572

a. Predictors: (Constant), ISR, BOPO

b. Dependent Variable: ROA

Based on the test results in Table 6, the R-square value is 0.863. This means that 86.3% of the variation in ROA changes can be explained by the BOPO and ISR variables in the model, while the remaining 13.7% is explained by other factors outside the model.

Discussion

The effect of ICSR on ROA

Based on the t-test, the calculated t-value was -3.332 > t-table -2.045 and the significance value was 0.002 < 0.05. These results indicate that ISR has a negative effect on ROA, meaning that the higher the Islamic Social Reporting (ISR) value, the lower the ROA value will be. The ISR variable shows a negative and significant effect on ROA. This can be explained from the perspective of sharia social responsibility reporting. ISR includes reporting on social activities such as zakat, donations, educational programs, environmental protection, and community development. Although these activities are very important from an Islamic perspective, the allocation of funds for ISR is generally non-commercial and does not provide direct income for the company in the short term. Therefore, increasing the intensity of these social activities can actually increase the cost burden and reduce net profit, thus affecting the decline in ROA.

Although Islamic Social Reporting (ISR) negatively impacts ROA in the short term, this does not mean that ISR is unimportant. On the contrary, good ISR implementation can improve a company's image, customer trust, and public loyalty to Islamic financial institutions in the long term, ultimately leading to sustainable financial performance.

The results of this study align with those of (Astuti & al., 2023) and (Faradiz & al., 2023) However, it is important to understand that the financial impact of ISR is strategic and long-term. Good ISR implementation serves to build a positive image, Sharia legitimacy, and stakeholder trust (amanah), which ultimately supports business sustainability (Ekaningsih & Istiqomah, 2023).

The Effect of BOPO on ROA

The t-test showed a calculated t-value of -12.530 > t-table of -2.045, with a significance value of 0.000 < 0.05. These results indicate that BOPO negatively affects ROA, meaning that the higher the BOPO value, the lower the ROA value. An increase in the BOPO value indicates that the bank is wasteful in managing its operational costs, which ultimately leads to a decrease in net profit. Because ROA is calculated from the ratio of net profit to total assets, a decrease in profit will directly impact ROA. Therefore, a high BOPO value indicates inefficiencies in bank operations, which results in a decrease in profitability.

The results of this study align with previous research showing that BOPO has a significant negative effect on ROA, consistent with operational efficiency theory and previous research (Setyowati, 2019). A high BOPO ratio indicates inefficiency, where operating costs burden revenue, resulting in decreased net profit and profitability (ROA). These results underscore the importance of cost control to improve Bank Muamalat's financial performance.

The Effect of ICSR and BOPO on ROA

Based on the results of multiple linear regression analysis, it was found that the variables Islamic Social Reporting (ISR) and Operating Expenses to Operating Income (BOPO) simultaneously had a significant effect on Return on Assets (ROA). This is evidenced by the F-test significance value of 0.000, which is lower than the 0.05 level of significance. Therefore, this regression model is deemed appropriate, and both independent variables together explain the variation in ROA.

Partially, the ISR variable has a significant negative effect on ROA, as indicated by a significance value below 0.05 and a negative regression coefficient. This indicates that the higher the intensity of Sharia-based social responsibility disclosure, the lower the bank's net profit tends to be in the short term. This is because the implementation of ISR such as zakat, donations, social activities, education, and environmental preservation requires significant expenditures, thus reducing the bank's profits. However, in the long term, ISR plays an important role in building a positive image and public trust in Islamic banking, in line with the values of Maqashid Sharia, especially in terms of hifz al-mal (protecting wealth), hifz al-nafs (protecting the soul), and hifz al-bi'ah (protecting the environment).

Meanwhile, the BOPO variable also has a negative and significant effect on ROA. The higher the BOPO value, the greater the bank's operational costs compared to the operating income generated. This reflects inefficiencies in bank operational management, resulting in a decline in net profit and a direct impact on ROA.

Together, operational efficiency (BOPO) and Islamic social responsibility (ISR) are important determinants of Bank Muamalat's financial performance, contributing significantly (86.3%). These findings support research by (Pratama, 2024) and (Khasanah & al., 2022) Consequently, bank management needs to find an optimal balance between reducing operational costs for short-term efficiency and investing in ISR as a strategy to build reputation and loyalty for sustainable performance, in accordance with the principles of Al-Ihsan and Manfaat (Benefit) in ICSR (Fadli & Yuliani, 2022).

4. CONCLUSION

Based on the findings of this study, it can be concluded that both Islamic Corporate Social Responsibility (ICSR), proxied by Islamic Social Reporting (ISR), and Operational Efficiency, measured by the BOPO ratio, have a significant influence on the financial performance of Bank Muamalat as indicated by Return on Assets (ROA). The research confirms that, in the short term, both variables exert a significant negative partial effect on ROA. This indicates that increased spending on sharia-based social initiatives and higher operational costs directly reduce profitability as measured by ROA.

Simultaneously, both factors are significant determinants of the bank's financial performance, collectively explaining 86.3% of the variation in ROA. The negative short-term relationship for ICSR suggests that current social responsibility expenditures are perceived as costs that reduce net profit. For BOPO, the negative impact reinforces that operational inefficiency remains a direct drag on profitability. Therefore, the central research problem is answered: while both ICSR implementation and operational efficiency significantly influence ROA, their short-term effect is inversely related to profitability, highlighting a potential trade-off between ethical expenditures, cost management, and immediate financial returns.

Based on the findings, two main recommendations are proposed. First, for Islamic bank management and financial regulators: Management must strategically balance ethical commitments and financial health by improving cost efficiency to lower BOPO, while framing ICSR as a long-term investment in trust and loyalty. Clear communication of ICSR's social and business impacts is essential. Regulators can support this by enhancing ISR reporting standards to include socio-economic impact metrics and by incentivizing institutions that excel in both efficiency and social responsibility.

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