

Correlation between Corporate Zakat, Capital Structures and Firm's Performance: Case Study of Jakarta Islamic Index, Indonesia

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ABSTRACT

The most important issue in corporate finance are how firms dealing with the structure of their capital and related to his performance. However, zakat payment and corporate tax will exist into the consideration of combination of debt and equity of the firms. In addition, there is an impact of capital structure on the performance of financial and non-financial firms operating in Indonesia for the period between 2013 an 2017. The data sampling taken from Jakarta Islamic Index companies, who has the report of zakat payment in their annual report.

Keywords: Zakat, Capital Structure, Firms' Performance, Islamic Banking, JII

INTRODUCTION

Capital structure of the firm are remain challenge, even many theorists have explain the variation debt ratio portion of the companies. As a pioneering studies about capital structures hypothesis on perfect market conditions, such as Campbell and Rogers (2018) which discussed about the corporate finance trilemma that occurs since companies would like to decide on their debt, cash holdings, and equity payout policies at the same time, but firms cannot. However, Ardalan (2018) proved that there prevails an optimal capital structure for the firm.

The most important business decisions that make by financial manager are about capital structure and the firms' performance. Capital structure of the firm is defined as the mix of debt and equity in term of finance their operation (Damodaran, 2001). The literature about capital structure more explained by Modigliani and Miller (1958), Myers (1977), Jensen and Meckling (1976), and also Harris and Raviv (1991). However, these papers did not reach a consensus of

the optimal capital structure which a firm should adopt in order to maximize its profitability.

According to the seminal paper argued by Modigliani and Miller (1958), the perfect market conditions characterized by capital market with no taxes, no transaction costs and homogenous expectation, capital structure is irrelevant to firm's value. On the other hand, many studies argue that the existence of market imperfections suggest that the capital structure decision is relevant since it affects shareholders wealth. In consideration of corporate tax existence, Modigliani and Miller (1963) modified their paper and suggested that firms should use as much debt as possible in order to maximize their value by maximizing the benefit from the interest tax shield.

Since then, several theories have been developed to explain the capital structure of a firm including the Pecking Order Theory, Static Tradeoff theory, and the Agency Cost theory. The firm's decision of its source of capital will affect its competitiveness among its peers.

Therefore, a firm should use the appropriate mix of debt and equity that will maximize its profitability.

The main objectives of this study was to investigate that zakat (Islamic tax) as a one from three important element affect firms' profitability in Indonesian companies, beside debt and equity (to find the degree t which zakat is influenced by capital structure and the degree to which zakat affects financial performance.

LITERATURE REVIEW

Indonesian Stock Market

The Indonesian capital market had existed since 1880s, at that time, there was securities trading, but was not well recorded yet. Afterwards, in 1912, the official stock exchange was established in Jakarta. However, because of the World War II in 1940, Jakarta Stock Exchange was closed. And after Indonesia had their independence in 1945, Indonesian people thought that the capital market was needed to reestablished in Indonesia. The first Bonds issued by Indonesia government are in 1950. Then, the establishment of

Jakarta Stock Exchange regularly in 1976 and they promote the development of securities market in Indonesia. Until 1988, only 24 companies were listed in Indonesia by the end of 1988. In other side, Jakarta Islamic Index which launched in Indonesia capital market on July, 2000. It was consists of the 30 most liquid shares on JII constituents held twice a year, on May and November, adjusted by OJK. In May 2018, JII70 the sharia stock index were launched. There are consists of 70 of the most liquid sharia stocks listed.

Indonesia is a vast maritime archipelago at the equator, slightly above Australia. There are consists of 17,000 island has potential to be a source of several natural resources, such as liquid natural gas (LNG), geothermal reserves, and minerals (bauxite, coal, copper and gold). In the new era regime, was centrally planned. Political dynamics were represented by government to minimize the political destabilizing effects on macroeconomic conditions. The beginning of this era was marked by a high dependence on the mining and agriculture sectors.

Table 1. Selected Asian Countries' Average Growth (%)

Country	010	011	012	013	014	015	016	017
China	0.6	.5	.9	.8	.3	.9	.7	.6
India	0.3	.6	.5	.5	.2	.9	.8	.2
Indonesia	.4	.2	.0	.6	.0	.9	.0	.1
Malaysia	.5	.3	.5	.7	.0	.0	.2	.5
Philippine	.6	.7	.7	.1	.2	.9	.8	.8
Thailand	.5	.8	.2	.7	.9	.9	.2	.0

Indonesia's economic development can be divided into three periods. First, from 1965-1975, began with the

stabilization of sociopolitical situation and openness to foreign capital. Stabilization was considered the primary requirement to

carry out economic development as stated in the national Five-year Development Plan (1969-1975). The foreign capital started to flow into the country with various restrictions and rigidity. As a result, incoming foreign direct investment (FDI) was very limited, despite its contribution to the growth acceleration.

In the second period (1975-1981), by using oil profits, the government built the economy in a few basic sectors: infrastructure, basic industries, agriculture and education. In the name of nationalism, the government adopted an import-substitution policy to decrease Indonesia's dependency on imported goods. The government's roles in the economy were dominant, it created several state-owned enterprises (SOEs), mostly in basic industries.

However, as the third period, declines in demand for oil in 1982 drove prices down dramatically. State revenues fell, and the country faced an economic crisis. In 1983, the government had to respond by devaluating the currency, searching for foreign aid, reopening the door to foreign capital, and lifting protections on domestic industries. Since then, when the government relaxed the restrictions and promoted export-oriented policies, FDI increased. It contributed to higher diversification in manufacturing industries in Indonesia.

Theories Underlying Capital Structure and Firms' Performance

Modigliani and Miller (1958) study gave substantial boost to the development of a theoretical framework that has since been used by most financial studies (Abor 2005). Modigliani and Miller (1958) concluded that capital structure is irrelevant to determining a firm's value (Ebaid 2009). Modigliani and Miller's proposition is built on the assumption of a perfect market where there is no tax and bankruptcy disasters. As a response to this statement, the trade-off theory and

pecking order theory were introduced. These theories were developed in opposition to the unrealistic assumption of Modigliani and Miller's proposition of perfect capital structure. These theories were developed to explain the rules of debt and equity in firms' capital structure performance in the real capital structure market founded on tax and bankruptcy disasters.

Pecking Order Theory

Shyam-Sunder and Myers (1999) conducted a study to test the pecking order theory against the trade-off theory. They found that is more suitable descriptor of a firm's financial behavior than trade-off theory. They discussed the pattern of debt financing over time and concluded that under the pecking order theory, a regression of net debt financing of the firm's deficit was observed to yield a slope coefficient close to one. However, Myers (1984) referred to this as pecking order theory of financing. He states that firms prefer to finance new investment first internally with retained earnings, second with debt, and last by issuing new equity.

We can conclude, this theory suggests that firms consider all the financing methods available and choose the least expensive option. This offers a framework for the firms for using internal equity, debt and use external equity in order to finance new project. The pecking order theory predicts that high growth firms, typically with large financing needs, will end up with high debt ratios due to their managers' unwillingness to issue equity.

Trade-off Theory

This theory has become the most acceptable n reliable theory to explain optimal capital structure in the real world. It was developed as a response to the original theory of Modigliani and Miller (1958), Scott (1976) and Copeland and Weston (1988). According to their

research, the trade-off theory concludes that an optimal capital structure derives from balancing the benefits of tax that has come from using debt, against the costs associated with debt, such as bankruptcy, financial distress, and agency costs.

Based on this theory, to achieve suitable capital structure, firms must balance capital structure component costs successfully. This can be achieved by creating a balance between the tax savings that arise from debt, thereby decreasing agency costs, bankruptcy threat and financial distress (Ayen & Oruas 2008). Moreover, trade-off theory suggested that to maximizing the firms' value, they can be traded for the cost of issuing debt. In other words, the benefits of trade-off theory are traded against their costs to maximize a firm's value. In Indonesia, zakat has been tax deductible income since 1999 (based on Act No. 38/ 1999 on zakat management). This legislation supported by Ministry of Religious Affairs Decision No. 581/1999, which was replaced by Ministry of Religious Affairs Decision No. 36/2003. Supporting regulation was issued by Ministry of Finance Act No. 17/2000 on taxable income, which was replaced by Act No. 36/2008. Then it was regulated under Governmental Regulation No. 60/2010 on zakat and religious charity and then described as the guidance on regulation of Minister of Finance No. 254/PMK.03/2010. It is regulated by tax office regulation No. PER-6/PJ/2011 on payment practice and No. PER-33/PJ/2011 on institutions registered as zakat receivers.

A recent study by Charalambakis and Garrett (2010) showed that firms with average tax prefer to issue debt to equity, and firms with a high probability of financial distress are less likely to issue debt. In their study, they focused on debt-equity choices instead of debt ratio. They argued that corporate tax status and the probability of financial distress are naturally associated with debt ratios and

that there is a mechanical association between profitability and debt ratios. They stated that this association might limit the ability to understand how firm-specific factors affect corporate financing decisions. However, in their study, the debt ratio was used to examine its relationship with firms' profitability indicators.

Capital Structure and Financial Performance

Many studies have been undertaken to examine the determinants of capital structure and the choice between equity and debt financial instruments. Such Modigliani and Miller (1958) believed that the firms' value is determined by its real assets and not by the amount of debt and equity available in part of their capital structure. Another theory, trade-off theory, they discussed that an optimal capital mix that can help maximize a firm's market value by considering both the costs of bankruptcy and the tax-shield advantage of debt capital (Adeyem & Oboh, 2011). Furthermore, this theory predicts a positive relationship between a firm's choice of capital structure and its market value. Myers (1984) argued that if this theory was valid, then tax indicators should provide an important hint about the optimum capital structure decision that should increase the value of the firm.

Performance Analysis

It is important into consideration that the most useful tool to measure firms' performance. Qualitative methods build on the decision-making process, while quantitative methods include such things as turnover, ROA, ROE, net profits and other financial and accounting measurements. A qualitative method depends on explaining a decision process or manager's behavior that is expected to have driven the firm's quantitative performance. It emphasizes relationship rather than numbers (Reid 1993). Hence,

qualitative and quantitative methods can both be used to assess the performance of firms; however, when measuring firms' financial performance, quantitative tools preferred first.

Some studies found that there were 49 accounting performance measures, such as ROE and ROA, and 12 market performance measures, such as earning per share (EPS) and price-earning ratio (P/E) used in those studies. The majority of researches which based on accounting and marketing measurements are focus on return, rather than risk.

Ratio Analysis

Financial statement items can be related in between by using financial ratios. They are a tool that can be used to conduct a quantitative financial analysis by a firm's managers. This ratios can help to measure the achievement of objectives, serve a financial control and help plan for the firm's future objectives. And also, it can be used by investors to examine the situation of a company and analyze security. Moreover, financial ratios can help investors the right time to choose where they can invest their money.

In order to evaluate firms' financial and operational performance, there are types of ratios can be used, such as solvency ratios, liquidity ratios, profitability ratios and efficiency ratios. Liquidity ratios (working capital ratios) measure the ability of a firm to pay its short term obligation when due. Solvency ratios (leverage ratios) measure the ability of a firm to survive over a long period. Profitability ratios are important ratios that receive attention from both investors and managers. These ratios assess the income and profit generated by a firm during a given period. In addition, efficiency ratios are used to assess how well a firm is using the firms' assets to maximize its value.

ROA and ROE, as accounting-based measures, are the most commonly used performance measurements. Subramaniam (2000) examined which

factors affect the choice between these two measures of performance. Performance measurement conducted by size, capital, ownership structure and growth opportunities. While firms are smaller and have higher leverage, lower growth opportunities, and lower stock ownership by management, they are more likely to choose the ROE performance measure as opposed to the ROA performance measure.

Zakat

Zakat is one of the ideal of Islamic teaching, it based on justice and consider benefits of all parties. One of the clearest differences between zakat and western tax is that zakat adheres to the obligatory pillars of Islam, while tax is positive law. The zakat principle cannot be changed over time, while tax can be changed according to human considerations and as a consequence of changes in economic or political situations. Furthermore, zakat should be taken from surplus money or wealth and given to the needy, while tax is taken from both the wealthy and poor and is mostly used by the government. Thus, zakat is not a tax, and tax cannot be considered zakat. However, in a society where Muslim and non-muslim people live together, there can be coordinated and integrated process between zakat and tax, which helps achieve social and economic development in accordance with the provisions and principles of Islamic law (Shehata 2012).

Zakat is the third pillar of Islam and is stressed by the Quran. In the Quran, Allah is recorded as stating:

O ye who believe! There are indeed many among the priests and anchorites, who in Falsehood devour the substance of men and hinder (them) from the way of Allah. And there are those who buy gold and spend it not in the

way of Allah. Announce unto them a most grievous penalty—On the Day when heat will be produced out of that (wealth) in the fire of Hell, and with it will be branded their foreheads, their flanks, and their backs, their flanks, and their backs—This is the (treasure) which ye buried for yourselves: taste, then, the (treasure) ye buried! (19:34-35).

Zakat literally means purification and the increase of wealth. Al-Ajmi, abo Hussain and Al-Saleh (2009) defined zakat as the corporate taxation levied on any wealth that remains idle and unused by a business for the entire Islamic calendar of year. Samad and Glenn (2010) said that zakat is the portion of a man's wealth which is designated for the poor. Zaim (1998) defined it as a compulsory levy imposed on the Muslims so as to take surplus money or wealth from the comparatively well-to-do members of the Muslims society and give it to the destitute and needy. From these definition, the social objective of zakat is clear. It seeks to distribute wealth among society to ensure high income earners support low income earners. This reflects the value that Islam places on social solidarity and welfare (Abdul Wahab & Abdul Rahman 2011).

The main challenge for zakat remains operational in nature, how can companies calculate and define zakat base? How can the conditions of zakat be applied to the business environment? According to studies that conclude by Uthman (1997), the conditions such as:

1. Absolute ownership: The wealth or assets that are subject to zakat should be owned completely by the firm or the individual. This condition also implies the exclusion of any form of debt or

wealth that cannot be attributed to a private entity or trusts, or is illegally acquired.

2. Real or assumed growth: The growth of wealth can be by reproduction, such as with livestock; the result of growth of goods, such as agricultural products; or can grow in value via exchange, such as money, gold, silver and other tradable goods;
3. Minimum amount liable to zakat (nisab): Each type of asset has a minimum amount that is due to zakat, if earnings are below this minimum amount, no zakat is collected.
4. Excess over basic needs: there is no zakat on assets used for basic needs, such as motor vehicles, clothes and houses. Basic needs must be met before zakat is taken
5. Elapsing of lunar months: One year must pass on the ownership of a particular form of wealth before zakat can be claimed. However, this condition applies only to livestock, money, gold, silver and tradable items; it is not applicable to agricultural product, honey and minerals. This is because agriculture products are the result of growth and cannot grow any further, however, the other groups, such as money, gold, silver and livestock, need time to grow and increase.

In business, zakat principle is based on *urud at-tijarah* (trade goods), which refers to anything obtained for the purpose of trade for profit (Abdul Rahman 2007; Al-Qardawi 1999). With the rate of 2.5 per cent, zakat should be paid once each year (usually at the end of the financial year). There are equity and debt included in a company's capital structure. Equity is amount of money one may

invest in a joint stock company. Equity owners might have more than one share certificate, which presents in total the amount investors own in the company. Euity returns are usually presented at the end of the financial year withi profit or loss. Hence, equity is a part of the company capital structure and is subject to zakat.

Firms' Zakat and Its Components

Abdul Rahman (2007) stated, Muslim-owned companies are expected to pay zakat on their business wealth as part of their obligations towards the rightful recipients of zakat. Accordingly, it is expected that Muslim states allow companies that pay zakat on their business wealth to claim rebates from their tax liability to help ease their financial burden. Tax rebates also encourage companies that are owned by a majority of Muslims to pay zakat.

When calculating the zakat base for a company, some items must be added to the zakat base and some items can be deducted from the zakat base. Entity capital and net profit are two important items added to the zakat base. Some considerations must be met by items added to the zakat base. One of these conditions is that should be held to account for one year. Another condition is that the item should have a trading purpose and be completely owned by the company.

Fixed assets' net value is the items charged to the zakat bases. There are two conditions should be meet in order to deduct for net value of fixed assets. The assets must be fully paid and their value must not exceed the total of paid capital, the prior year's profits carried over, the provisions, the reserves or the current credit account. The value of the entity's construction in progress is an allowed deduction for zakat because it is considered a fixed asset.

As a part of monetary wealth, debt can be for a company (receivable notes or credit) or on a company (payable notes o debt). That is, a company might be a creditor, a debtor or both. In terms of zakat, the important aspect of debt is that which customers pay to the company (credit) because this is a part of the company's net worth. A company should add debt that can be received (good debt) to the zakat base when calculating it.

Capital assets or investments that using loan are added to the zakat base. And also loans for inventories financing after one year are added to the zakat base. The owner or partner's current credit account is included in the zakat base because it is considered an investment in the entity's business. Either the beginning or ending balance is included—whichever is less. The high the balance are included when the increment has resulted from closing carried profits or similar items in the account.

Table 2. Items Added to Zakat Base

Item	Details
Capital	Capital amounts that have been held to account for one year are added to the zakat base; however, increments to capital during the year are not added unless they are a capitalized equity item that has been held for one year.
Balances of all provisions and reserves	Balances of all provisions and reserves that have been held to account for one year are added to the zakat base, with exception to the balance of depreciated provision.
Carried over profit	Carried over profits are profits realized in prior years and retained (not distributed among partners). These profits are considered additions to the entity's capital.

Retained profits for distribution	This refers to the amount of profits the company has decided to distribute to shareholders, but has not yet distributed. Such profits are not added to the zakat base if they are no longer in the possession of the company, if they are deposited at a bank for the benefits of shareholders, and if the company cannot withdraw or accrue interest on them.
Year's net profit, as adjusted loans	The year's net profit, as adjusted for zakat purposes, is added to the zakat base. Loans used to finance the acquisition of capital assets or investments for the entity are added to the zakat base. Loans used to finance inventories are also added to the zakat base after one year.
Owner and partner's current credit account	The owner or partner's current credit accounts is included in the zakat base because it is considered an investment in the entity's business. Either the beginning or ending balance is included—whichever is less. The higher balance is included when the increment has resulted from closing carried profits and similar items in the account.
Subsidies	Subsidies are considered income (compensation) to recipient companies. Subsidies are added to the zakat base of recipient companies in the year of the actual receipt, and notwithstanding the one year term.

Source: KPMG (2009).

Firms' Zakat Calculation

Sulaiman (2003) found that zakat influences the measurement (valuation) aspect of accounting. Other than that, Abdul Rahman (2007) reported, the AAOIFI, based in Bahrain, issued a Financial Accounting Standard for zakat called FAS 9. This standard was effective from 1 January 1999. This standard provides guidelines for the accounting treatments related to the determination of the zakat base, measurement of items included in the zakat base and disclosure of zakat in the financial statements of Islamic banks and other financial institutions. In a result, based on these constant basic rules, the use of the standard and establish a constant zakat accounting standard that firms and businesses can adopt and apply around the world. This issue has been argued by different scholars (e.g Abdul Rahman 2007; Abu Bakar 2007).

One of the problems that faced by researchers when they investigate how tax incentives affect corporate financial policy and firm value is the difficulty of calculating corporate tax rates due to data problems and the complexity

of the tax code (Graham 2000). In Indonesia, the situation is often more complex. There is no clear standard of calculating zakat in the corporation environment. Moreover, it seems that zakat is subject to personal understandings rather than a base of quantifiable methods.

METHODOLOGY

The methodology used in this research were developed with consideration of quantitative methods by focusing on predetermined and numeric data.

Hypotheses:

H1: There is a relationship between capital structure and zakat.

H2: There is a relationship between zakat and profitability.

Sampling and Data Collection

This study used a secondary data method to collect the necessary data. The data were collected from different resources. First, from Jakarta Islamic Index about financial annual reports. Another resource are from the website of the companies.

Table 3. Data Collection Summary

No	Firms	2013	2014	2015	2016	2017
1	INTP	6,435	6,392	7,203	3,810	1,992
2	SMGR	141,823	180,171	136,395	186,815	192,854
3	ICBP	125,911	150,003	326,159	268,055	181,228
4	KLBF	1,760	2,243	3,796	2,029	7,164
5	PGAS	97,795	144,858	139,531	115,007	98,054
6	TLKM	85,000	96,000	116,000	134,000	197,000
7	ANTM	92,052	62,778	86,082	68,241	95,091

According to table 4, the data sample consist of 35 Cases (7 firms x 5 tahun). There was a limited data can we used because of the number of corporation willing to pay zakat.

Independent Variable

Zakat and Leverage are as an independent variables.

Dependent Variable

It is clear that ROA and ROE have been used most frequently as financial performance measurement observed in many research. Another measurements have been also using which mixes market values with accounting values, named Tobin's q (Zeitun & Tian 2007). However, according to this study objectives, the most acceptable financial performance measurements are ROA and ROE. These measurements helped evaluate income statements of the company.

Table 5. Summary of Variable Measures

Main Variable	Variable Components	Measurements
Leverage	Total debt	Debt ratio: Total debt divided by total assets
Financial performance	1. ROA	1. Net Income divided by total assets
	2. ROE	2. Net Income divided by total equity
Zakat	Logarithm zakat	Zakat is defined by the company's contract with BAZNAS
Time	Years	2013 to 2017
Firms	7 firms	Publicly traded in Jakarta Islamic Index

Statistical Approach

In this study, descriptive and inferential statistics were used, including simple statistical technique, such as the number of cases, minimum, maximum and mean; factors analysis; standard deviation; and analysis of variance (ANOVA). These all data processing use the Statistical Package for the Social Sciences (SPSS, version 20).

Univariate technique, t test and ANOVA, and their multivariate extensions

(Hotelling's T2 and MANOVA) are used to assess the statistical significance of differences between groups. The univariate ANOVA technique was applied to the data in order to know the relationship between leverage and zakat. Another way, MANOVA, can be used to analyze data for decades in different sciences and studies.

However, the data analysis by using multivariate in financial studies is becoming important. Financial studies

often need to test hypothesis which are concern the effects of experimenta factors on whole assemblages of special at once. In order to do this studies, 2 dpendent variables are included, such as ROA and ROE. Therefore, MANOVA was adapted to test some hypothesis, are:

1. Do the independent variables have significant effects on the dependent variables?
2. What are relationship among the dependent variables?
3. What are relationship among the independent variables?

Those three questions should be answered in order to know the answer for the main question in this study. In the contrary, the most important thing is the analysis using multilevel linear regression analysis. It can be used because the variable in this study had multilevel characteristics.

Test of H0 : High financial performance is Not Significantly Related to Lower Capital Structure

Test of H02 : There is No Significant Relationship Between Capital Structure and Zakat Test of H03 :

Leverage and Zakat are Not Significant Predictors of Financial Performance of

Each Firm in Each year.

Hypothesis:

Correlations

		Zakat Perusahaan	Capital Structure	ROA Perusahaan	ROE Perusahaan
Zakat Perusahaan	Pearson Correlation	1	,016	-,090	-,086
	Sig. (2-tailed)		,901	,476	,497
	N	65	65	65	65
Capital Structure	Pearson Correlation	,016	1	-,035	,814 ^{**}
	Sig. (2-tailed)	,901		,783	,000
	N	65	65	65	65
ROA Perusahaan	Pearson Correlation	-,090	-,035	1	,467 ^{**}
	Sig. (2-tailed)	,476	,783		,000

RESULT AND DISCUSSION

The main purpose of this study was to investigate the effect of financial structure (the mix of debt and equity) on the financial performance (ROA and ROE) of 7 publicly traded firms listed in Jakarta Islamic Index between 2013 and 2017. This study extended understandings previously declared in the literature of how financial performance is linked to financial structure and zakat of Jakarta Islamic Index firms is a no-interest based financial system.

The results of this research are discussed in this section, with certain reference to examine the main research question: how does capital structure mix will affect firms' financial performance in JII companies? Emphasis is given to the following:

1. Lower leverage levels lead to higher profit margins and returns on both assets and equity;
2. The degree to which zakat is influenced by capital structure;
3. The combination effects of zakat and firms' leverage on financial performance.

N	65	65	65	65
ROE Perusahaan Pearson Correlation	-,086	,814**	,467**	1
Sig. (2-tailed)	,497	,000	,000	
N	65	65	65	65

** . Correlation is significant at the 0.01 level (2-tailed).

The table shown that the relationship between Zakat, Capital Structure, ROA and ROE such as:

1. Between Zakat and capital structure of the firms has a significant number, $0.901 > 0.05$; meaning there is no significant correlation in between. There is positive relationship for r (0.016) which is meaning that more zakat paid there is no linear with the number of capital structure. According to Pearson Correlation, there is a weak relationship.
2. Between Zakat and ROA, there was significant number in $0.476 > 0.05$ which are there is no correlation between. The r has negative (-0.090) that means the high number of zakat, the ROA go down significantly. There was a weak correlation.
3. In addition, zakat and ROE has similar in the level of significant are $0.497 > 0.05$ that there is no correlation.
4. However, the relationship between capital structure and ROA are significant correlation with the point $0.000 < 0.05$. the r has positive sign (0.814). We can say that between firm capital structure has strong relationship.
5. Between ROA and ROE, significant relationship $0.000 < 0.05$, which is there is a huge relationship.

Correlation test

Hypotheses :

- $H_{0-1} : r = 0$ No relationship between zakat and capital structure
 $H_{1-1} : r \neq 0$ There is relationship between zakat and capital structure
 $H_{0-2} : r = 0$ No relationship between zakat and ROA
 $H_{1-2} : r \neq 0$ There is relationship between zakat and ROA
 $H_{0-3} : r = 0$ No relationship between zakat and ROA ROE
 $H_{1-3} : r \neq 0$ There is relationship between zakat and ROE
 $H_{0-4} : r = 0$ No relationship between Capital Structure and ROA
 $H_{1-4} : r \neq 0$ There is relationship between Capital Structure and ROA
 $H_{0-5} : r = 0$ No relationship between Capital Structure and ROE
 $H_{1-5} : r \neq 0$ There is relationship between Capital Structure and ROE
 $H_{0-6} : r = 0$ No relationship between ROA and ROE
 $H_{1-6} : r \neq 0$ There is relationship between ROA and ROE

CONCLUSION

According to the probability test above, the result can be show as below:

1. H_{0-1} accepted.
According to the correlation test between zakat and capital structure showed the significant level ($0,901 > 0,05$). Then H_0 accepted.
2. H_{0-2} accepted.
According to the correlation test between zakat and ROA showed the significant level Zakat

- (0,476 > 0,05). Then H_0 accepted.
3. H_{0-3} accepted
According to the correlation test between zakat and ROE showed the significant level Zakat (0,497 > 0,05). Then H_0 accepted.
 4. H_{0-4} accepted
According to the correlation test between capital structure and ROA showed the significant level Zakat (0,783 > 0,05). Then H_0 accepted.
 5. H_{0-5} unaccepted.
According to the correlation test between capital structure and ROA showed the significant level Zakat (0,000 < 0,05). Then H_0 unaccepted.
 6. H_{0-6} unaccepted.
According to the correlation test between ROA and ROE showed the significant level Zakat (0,000 < 0,05). Then H_0 unaccepted.

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