THE INFLUENCE OF INTELECTUAL CAPITAL AND ISLAMICITY PERFORMANCE INDEX ON FINANCIAL PERFORMANCE IN SHARIA BANKING IN INDONESIA

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ABSTRACT

This research was conducted with the aim of examining the effect of intellectual capital and the Islamic performance index on the financial performance of Islamic banking in Indonesia. The data used in this research is documentation data as much as 110 data which is the result of multiplication of 11 object observation data with 10 years observation period of Islamic banking financial reports for the period 2010-2019. This study uses the Moderation Regression Analysis research method with a static panel approach. The results of the data analysis found that the intellectual capital variable which is proxied by VACA, VAHU, STVA has a significant effect on financial performance. Furthermore, the Islamic Performance Index variable which is proxied by PSR, ZPR, EDR, and IsRI has a positive and significant effect on the financial performance of Islamic banking in Indonesia. Another finding found that the variable company age did not moderate intellectual capital (VAIC) on financial performance, while firm size moderated intellectual capital on financial performance. Based on these findings, it is hoped that the leadership of Islamic banking in order to improve the financial performance of Islamic banking needs to increase the Intellectual Capital and Islamicity Performance Index.

Keywords: Intellectual Capital, Performance Index, Fir Size, Firm Ege and Financial

1. INTRODUCTION

Introduction Islamic banking has the main objective of improving good financial performance by promoting Islamic values. The financial performance of Islamic banks in general can be seen from the profits generated. In 2018 the net profit generated by Islamic banks was Rp. 329 billion, while in 2017 it was Rp. 374 billion. This indicates a decrease in the amount of net profit of Islamic banks. This decrease in net profit was due to a decrease in operating income from 3.94 in 2017 to IDR 3 trillion in January 2019 (Coverage 6: 2020, downloaded July 24, 2020). On the other hand, the Islamic banking industry in Indonesia is currently experiencing a fairly rapid increase. The number of Islamic banking in Indonesia reaches 13 Sharia Commercial Banks (BUS), 21 Sharia Business Units (UUS), and 167 Sharia Rural Banks (BPRS). The addition of BUS in Indonesia cannot be separated from the development of its assets. (Ojk.go.id, 2019, Downloaded July 24, 2019). In June 2019, Islamic banks grew positively and intermediation improved with an increase in assets of 444.43 trillion, financing distribution (PYD) of 303.54 trillion, and third party funds (DPK) of 348.38 trillion, higher than the previous period. the same year before. The performance of Islamic banks in June 2019 generally improved compared to the end of 2018 as indicated by the main financial ratios, both in terms of liquidity, efficiency, profitability, and capital which showed improvement. The level of liquidity as measured by NPF is 1.88%,

profitability is 1.69%, efficiency is 84.78% and capital ratio is 20.59%. (Ojk.go.id, 2019, Downloaded July 24, 2019). At the moment, Islamic banking has been a popular and reliable financial system in the world for more than three decades. Islam as a religion clearly prohibits interest-based usury, so the basic principle of Islamic banking is the prohibition of interest-based transactions. In 1998, the government together with the DPR made improvements to Law No. 7/1992 into Law No. 10/1998 which explicitly states that there are two banking systems in Indonesia, namely the conventional banking system and the Islamic banking system. The role of the Islamic banking industry in supporting the national economy is increasingly significant with increasing economic growth. Islamic banking financing has also experienced a sharp increase. The quality of Islamic financing also shows an increase in performance with a larger share of profit-sharing financing, namely mudharabah and musyarakah. Economic activities in the view of Islam are norms and demands of life as well as dimensions of worship. This principle is implemented by prohibiting any form of unfair increase in wealth. One of the important sources of illegitimate increase in wealth is receiving monetary gains in business transactions without providing sufficient rewards. In the Islamic system, usury is the main source of illicit profits. Riba literally means to increase and increase One of the important sources of illegitimate increase in wealth is receiving monetary gains in business transactions without providing sufficient rewards. In the Islamic system, usury is the main source of illicit profits. Riba literally means to increase and increase One of the important sources of illegitimate increase in wealth is receiving monetary gains in business transactions without providing sufficient rewards. In the Islamic system, usury is the main source of illicit profits. Riba literally means to increase and increase.

2. RESEARCH METHOD

The method used is a quantitative method where the data obtained is secondary data from the OJK financial reporting website, the data that has been collected is analyzed and then discussed using formulas and data analysis tools using mathematical tools. Inferential statistical analysis that will be used in this study is to use the Multiple Linear Regression Method, which is the method used to determine how much influence the independent variable Intellectual Capital (X1) has on the VACA, VAHU, and STVA indicators as well as the independent variable Islamity. Performance Index (X2) on PSR, ZSR, EDR, IsIR indicators on financial performance (Y) as the dependent variable and Company Size and Company Age as moderating variables.
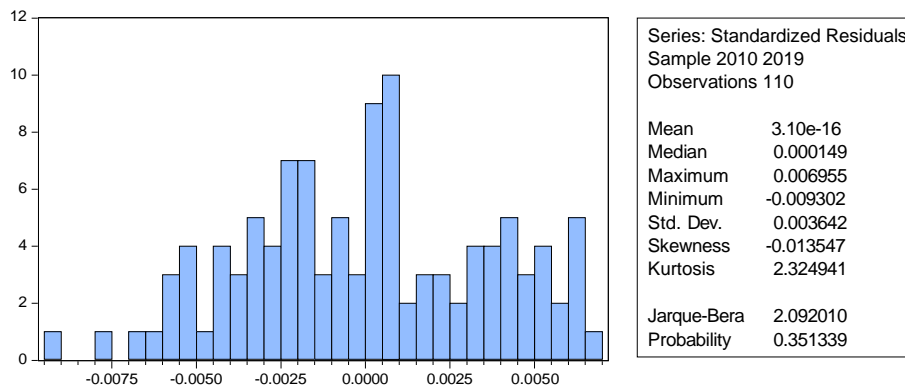
3. RESULT AND DISCUSSION

Table 1. Statistical Description of Research Variables

	N	Minimum	Maximum	Mean	Std. Deviation
KK	110	.54	17.12	4.67	3.58
IB_VACA	110	.01	3.42	.40	.57
IB_BAHU	110	.13	7.64	1.83	1.30
IB_STVA	110	.01	2.86	.64	.59
IPI_ZPR	110	.01	1.65	.36	.36
IPI_PSR	110	.16	63.68	9.58	17.32
IPI_EDR	110	99.51	100.00	99.97	.06
IPI_IsRI	110	.05	521.55	38.72	73.27
Valid N (listwise)	110				

Source: Primary data that has been processed (2021)

Table 1 shows that financial performance (KK) as measured by Market to Book (MV-MtB). The average value of financial performance is 4.67. This situation can be explained that the financial performance of Islamic banking in Indonesia is running in a conservative pattern where the mean KK> 1 (4.67). Furthermore, the Intellectual Capital VAIC-IB-VACA indicator has a minimum value of 0.01, a maximum value of 3.42, an average value of 0.43 and a standard deviation of 0.57. Furthermore, the IB-VACA has a minimum value of 0.13, a maximum value of 7.64 and an average value of 1.83 with a standard deviation of 1.30. Furthermore, the IB-STVA has a minimum value of 0.01, a maximum value of 2.86, an average value of 0.65 and a standard deviation of 0.59. If you add up the average value of VACA (0.43) + VAHU (1.83) + STVA (0.65), it is 2.88.

Table 2. Classical Assumption Test

Series: Standardized Residuals	
Sample 2010 2019	
Observations 110	
Mean	3.10e-16
Median	0.000149
Maximum	0.006955
Minimum	-0.009302
Std. Dev.	0.003642
Skewness	-0.013547
Kurtosis	2.324941
Jarque-Bera	2.092010
Probability	0.351339

Source: data processed by researchers (2021)

Table 2 shows that the Jarque-Bera probability value of 0.351339 is greater than 0.05, so it can be concluded that the research data for the Empirical model 1 is normally distributed.

Table 3. Multicollinearity Test

	VACA	VAHU	STVA	PSR	ZPR	EDR	ISRI
VACA	1.0000	0.7865	0.1712	-0.1953	0.1532	0.0935	-0.0061
VAHU	0.7865	1.0000	0.2140	-0.1137	0.2572	0.0327	-0.1911
STVA	0.1712	0.2140	1.0000	-0.2274	-0.1840	0.0267	0.0092
PSR	-0.1953	-0.1137	-0.2274	1.0000	0.2397	0.0110	-0.1714
ZPR	0.1532	0.2572	-0.1840	0.2397	1.0000	-0.2260	-0.0064
EDR	0.0935	0.0327	0.0267	0.0110	-0.2260	1.0000	0.0443
ISRI	-0.0061	-0.1911	0.0092	-0.1714	-0.0064	0.0443	1.0000

Table 3 shows that none of the data has a correlation value between variables that has a coefficient value greater than 0.90. Thus, it can be concluded that the research data of the Empirical model 1 does not occur multicollinearity between research variables.

Table 4. Heteroscedasticity Test

F-statistics	1.107547	Prob. F(6,103)	0.3631
Obs*R-squared	6.666781	Prob. Chi-Square(6)	0.3528
Scaled explained SS	5.617518	Prob. Chi-Square(6)	0.4674

Source: data processed by researchers (2021)

Table 4 shows thatthe probability value of F is 0.3631 or greater than 0.05. Thus, it can be concluded that there is no heteroscedasticity in the empirical model 1 research data.

4. CONCLUSION

Based on the research results as disclosed above are as follows: (1) VACA has a positive and significant effect on the Financial Performance of Islamic Banking in Indonesia with a coefficient value of 412.7205 and a probability value of 0.0064 or significant at the 1% level. (2) VAHU has a positive and significant effect on the Financial Performance of Islamic Banking in Indonesia with a coefficient value of 287,2471 and a probability value of 0.0043 or significant at the 1% level. (3) STVA has a positive and significant effect on the Financial Performance of Islamic Banking in Indonesia with a coefficient value of 607.9186 and a probability value of 0.0008 or significant at the 1% level. (4) PSR has a positive and significant effect on the Financial Performance of Islamic Banking in Indonesia with a coefficient value of 270.8021 and a probability value of 0.0288 or significant at the 1% level. (5) PSR has a positive and significant effect on the Financial Performance of Islamic Banking in Indonesia with a coefficient value of 210.7101 and a probability value of 0.00490 or significant at the 1% level. (6) EDR has a positive and significant effect on the Financial Performance of Islamic Banking in Indonesia with a coefficient value of 410.9607 and a probability value of 0.0069 or significant at the 1% level. (7) IsRI has a positive and significant effect on the Financial Performance of Islamic Banking in Indonesia with a coefficient value of 274.5680 and a probability value of 0.0186 or significant at the 1% level. (8) VAIC * FS has a positive and significant effect on the Financial Performance

of Islamic Banking in Indonesia with a coefficient value of 230.9806 and a probability value of 0.0401 or significant at the 1% level. This means that the age of the company moderates the influence of intellectual capital on the financial performance of Islamic banking in Indonesia. (9) VAIC * FA has no positive and significant effect on the Financial Performance of Islamic Banking in Indonesia with a coefficient value of 144.5794 and a probability value of 0.0658 or significant at the 1% level. This means that the age of the company does not moderate the influence of intellectual capital on the financial performance of Islamic banking in Indonesia.

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