IJEBAS
International Journal of Economic, Business, Accounting, Agriculture Management and Sharia Administration

OPTIMIZATION OF INTELLECTUAL CAPITAL AND ISLAMI CITY PERFORMANCE INDEX IN ISLAMIC COMMERCIAL BANKS IN INDONESIA

Abdul Halim
Politeknik Negeri Lhokseumawe
Corresponding email:abdulhalim@pnl.ac.id

ABSTRACT

This study aims to examine the effect of intellectual capital and Islamicity performance index on the profitability of Islamic Commercial Banks in Indonesia. The object of this research is Islamic Commercial Banks in Indonesia that are registered with the OJK during the 2018-2020 period. The data used in this study is panel data for 3 years. The population of this study is Islamic Commercial Banks in Indonesia, and the number of samples taken is 9 Islamic banks selected using purposive sampling technique. Intellectual capital and Islamicity performance index are proxied by profit sharing ratio (PSR) as independent variables, while profitability is proxied by Return On Assets (ROA) as the dependent variable. The analytical method used is panel data linear regression with the Fixed Effect Model (FEM) method. The results show that simultaneously, intellectual capital and the Islamicity performance index affect profitability. Partially, intellectual capital has a positive and significant effect on profitability, while the Islamicity performance index has a positive but not significant effect on profitability. Based on the test results of the coefficient of determination, the Adjust R Square value is 87.7%, indicating that intellectual capital and the Islamicity performance index are able to explain 87.7% of the variation in profitability of Islamic Commercial Banks in Indonesia. This research has important implications in exploring the factors that influence the profitability of Islamic Commercial Banks in Indonesia. The research results can be used as a reference for bank management in optimizing intellectual capital and Islamicity performance index to increase profitability. However, this research also has limitations, such as the limited number of samples and the limited research time period, so that further research can be conducted to dig deeper into the relationship between intellectual capital, Islamic performance index, and profitability of Islamic Commercial Banks in Indonesia.

Keywords: ***Islamicity Performance Index, intellectual capital Profitability, fixed effect model.***

1. INTRODUCTION

The continuous development of the world of business and technology requires business actors to adapt in order to compete and win the competition. Entrepreneurs must face various changes to maintain the continuity of their business. In the context of knowledge-based business, it is important for companies to develop their potential not only in the form of physical wealth, but also intangible assets that can provide added value for the progress and development of the company. The company's main focus must shift from a large workforce to added value that can be generated from intellectual capital, such as the knowledge possessed by the workforce, the values that exist in the organization, and the relationships that the company has with various parties. Financial reporting which usually only focuses on the company's financial performance is considered inadequate because there is other information that is also important to convey to users of financial reports. This information relates to added value resulting from innovation, knowledge, invention, employee development, and good relations with consumers, which is often referred to as knowledge capital or intellectual capital. Therefore, it is necessary to develop in reporting company performance so that information regarding intellectual capital can be conveyed more clearly, and can be used scientifically and does not involve plagiarism in its delivery.

Intellectual Capital is intellectual material that is organized and used to create added value through high-value assets. [1]. Intellectual Capital emerged with the adoption of PSAK No. 19 (Revised 2000) regarding intangible assets. PSAK No. 19 states that intangible assets are non-monetary assets that can be identified, do not have a physical form, and are held for use in the production or supply of goods/services, for rent, or for administrative purposes. Intellectual Capital is part of the company's intangible assets, included in the Intellectual Capita category and increases the potential to increase the company's added value. [2] In many ways, the concept of intellectual capital has become an important concern, including for accountants. The emergence of the concept of intellectual capital (Intellectual Capital) encourages accountants to seek information related to the management of intellectual capital (Intellectual Capital), including how to disclose it in the company's financial statements.

Although intellectual capital has important value as supplementary information in company reports, disclosure of intellectual capital is still voluntary and there are no definite regulations binding companies to prepare reports containing information on intellectual capital. Literature discussing intellectual capital disclosure is still rare, most of the existing publications focus more on measuring intellectual capital. In fact, many companies do not consistently report their intellectual capital. Therefore, research on the disclosure of intellectual capital (Intellectual Capital) is an interesting topic to do, because it can provide additional insight to all company stakeholders regarding the disclosure of intellectual capital owned by companies, and this is very relevant. The existence of difficulties in measuring intellectual capital (Intellectual Capital) directly results in the difficulty of knowing its existence in the company. In 1998, Pulic proposed measuring intellectual capital indirectly by using a measure to assess the efficiency of added value as a result of a company's intellectual ability, namely the Value Added Intellectual Coefficient (VAIC). VAIC can be used as an indicator of a company's ability to achieve profitability, where the higher the value of intellectual capital (Intellectual Capital) owned by the company, the higher the company's ability to achieve profitability.

The purpose of the analysis of the profitability of a bank is to measure the level of business efficiency that has been achieved by the bank in achieving profitability. However, all banks will also face various risks, so it is important for banks to implement effective risk management. However, one of the problems hindering the development of sharia banking is the large number of sharia banks that have not run their business according to sharia principles. It should be noted that Islamic banking has differences from conventional banking, and because many Islamic banks have not run their business according to sharia principles, there are problems with the standardization of Islamic banking products and incompatibility with implementation of sharia principles. Therefore, sharia banking needs to be measured in terms of achieving sharia goals, so that it can be seen whether the banking performance that has been carried out is in accordance with sharia principles, which in turn will affect the financial performance of sharia banking. Therefore, it is necessary to find appropriate alternative solutions to overcome this problem. Performance measurement for Islamic banking, namely by using Islamicity Indices, which consists of two components, namely the Islamicity Disclosure Index and the Islamicity Performance Index.

Profitability is the basis of the interrelated relationship between operational efficiency and the quality of services produced by a company. Return on Assets (ROA) is used as a profitability ratio that represents a company's ability to generate net income using total assets after interest and taxes. The author chose ROA as a representation of the profitability ratios in this study. [3] Return on Assets (ROA) is a profitability ratio that shows ability company For generate profits from the assets used. A company's performance is said to be good if it produces a high ROA and shows a rate of increase over time. Good asset management can increase the return on a number of assets owned by the company being measured with ROA.

Based on the description above, the writer is interested in conducting research and writing in an article in his final project entitled "The Influence of Intellectual Capital and the Islamicity Performance Index on the Profitability of Islamic Commercial Banks in Indonesia"

2. RESEARCH METHOD

2.1.Scope of Research

This research is a type of quantitative research conducted at Islamic Commercial Banks in Indonesia for the 2018-2020 period. Quantitative data is data that is presented in the form of numbers which at first glance are easier to find out or to compare with one another. This research was conducted with the aim of knowing whether there is an influence between intellectual capital and Islamicity performance index on profitability in Islamic Commercial Banks in Indonesia. However, not all Islamicity Performance Index ratios are used in this study. The ratio used is only Profit sharing Ratio.

2.2.Population and Sample

The population in this study are 14 Islamic Commercial Banks in Indonesia. Meanwhile, the samples used in this study were 9 Islamic commercial banks in Indonesia.

2.3. Research Variables

Independent Variable

1) Intellectual Capital

Intellectual capital is an intangible asset owned by a company related to the quality of human resources and technology which is used as a competitive advantage for the company.

The VAIC formulation and calculation stages are as follows (Pulic, 2000):

- VA (value added) = OUT (total sales and other income) – IN (selling expenses and other costs besides employee expenses).
- VACA (value added capital employed) = VA/CE (available funds: equity, net income).
- VAHU (value added human capital) = VA/HC (human capital: employee expenses)
- STVA (structural capital value added) SC (structural capital : VA-HC) / VA
- VAIC (value added intellectual coefficient) = VACA+VAHU+STVA

2.4.Linear Data Panel Regression

This study uses panel data regression to determine whether there is influence of the independent variables, namely intellectual capital and profit sharing ratio on the dependent variable, namely ROA in Islamic commercial banks in Indonesia for the 2018-2020 period. The general form of the regression equation is as follows:

$$Y = \alpha + \beta 1X1 + \beta 2X2 + e$$

Information :

Y	= ROA variable
α	= Constant Coefficient
β	= Regression Coefficient of EachVariable
X1	= Intellectual Capital
X2	= PSR
e	= Error Coefficient

Regression analysis besides measuring how big the relationship between the independent variables and the dependent variable, this analysis also shows how the relationship between the independent and dependent variables, estimates the average value of the

IJEBAS
International Journal of Economic, Business, Accounting, Agriculture Management and Sharia Administration

dependent variable based on the known independent variable values.

3. RESULTS AND RESEARCH

3.1. Panel Data Regression Model Selection

In this study the selection of the panel data analysis data model used is the Fixed Effect Model (FEM) method, which assumes that individuals or companies have different intercepts between individuals but have the same or fixed regression slope from time to time.
The following is testing the regression model using the Fixed Effect Model (FEM).

Table of Fixed Effect Models (FEM)

Variables	coefficient	std. Error	t-Statistics	Prob.
C	0.500123	0.191430	2.612562	0.0104
VAIC	0.142759	0.034035	4.194440	0.0001
PSR	0.004409	0.004863	0.906730	0.3668

Source : Output Eviews,2022

It can be seen that there is no multicollinearity problem, this can be seen from the VIF value at centered VIF for the two independent variables which is less than
10. Where the centered VIF VAIC value is -0.2532 less than 10 and the centered VIF PSR is 1 less than 10.

3.2. Heteroscedasticity Test

Table 6 Heteroscedasticity Test

Variables	coefficient	std. Error	t-Statistics	Prob.
C	0.166758	0.073400	2.271892	0.0253
VAIC	-0.018099	0.013050	-1.386889	0.1687
PSR	0.001318	0.001864	0.706663	0.4815

Source : Output Eviews,2022

From table 6 it can be seen that there is no Heteroscedasticity problem. This is because the probability of the 2 variables is more than 0.05. Where the VAIC probability value is 0.1687 greater than 0.05 and the PSR probability value is 0.4815 greater than 0.05. So it can be concluded that there is no heteroscedasticity problem

3.3.Discussion

1. The Effect of Intellectual Capital and Islamicity Performance Index on Profitability (ROA)
   The results of the simultaneous analysis of all variables, namely intellectual capital (VAIC) and profit sharing ratio (PSR), show that the F count > F table (77.8787 > 3.08) with a probability level (F-Statistic) of 0. 0000. By using $\alpha = 0.05$ or 5%, it can be concluded that H_0 is rejected and Ha is accepted, which means that the independent variables simultaneously (together) affect the dependent variable. This research supports the research of Rita Novika Sari (2018) and Diyah Puji Lestari (2020) which states that the variables of intellectual capital and Islamicity performance index have a significant and significant effect on ROA.
2. The Effect of Intellectual Capital on Profitability (ROA) The results of this study based on the (partial) t test stated that the variable intellectual capital (VAIC) partially had a positive and

significant effect on ROA. This is because the calculated t value of 4.1944 is greater than the t table of 1.9826 or the probability is less than 0.05, where the VAIC probability value of 0.0001 is less than 0.05 so that H_0 is rejected and Ha is accepted. The effect is positive because t count is positive, meaning that the influence of intellectual capital increases, so ROA also increases. Therefore, the results of this study show that capital intellectual (VAIC)has a positive and significant effect on the profitability of Islamic commercial banks in Indonesia, this is in line with the theoretical basis where the higher the intellectual capital owned by the company, the higher the company's ability to achieve profitability.

The better the value of intellectual capital, the better the company's performance in Islamic banking. Intellectual capital, namely the resources owned by the company in the form of intellectual resources, both human resources, organizational capital, and customer capital. Intellectual capital that is well managed by the company can create added value (value added) for the company itself. On the basis of this added value, funders will also provide added value to the company by investing higher. This added value will improve the company's financial performance. The results of this study are consistent with the results of research conducted by Dewanata (2016), Khasanah (2016) and Yusro Rahma (2018). The results of their research indicate that the intellectual capital component has a significant positive effect on financial performance as a proxy for ROA.

3. Effect of Islamicity Performance Index on Profitability (ROA)

The results of this study indicate that the PSR variable has a positive but not significant effect on ROA. This can be seen from the calculated t value of 0.9067 which is smaller than the t table of 1.9826 or the probability of a PSR of 0.3668 which is greater than 0.05. Thus, H_0 is accepted and Ha is rejected, concluding that the Profit Sharing Ratio (PSR) has a positive but not significant effect on the profitability obtained by Islamic commercial banks. Islamic banking uses financing products that use a profit sharing system, such as mudharabah and musyarakah, where profit sharing is profit sharing calculated from income after deducting fund management fees. This sharia system is generally used by Islamic banks for the distribution of profit sharing in their business activities.

The cause of the insignificant Profit Sharing Ratio can be caused by several factors, such as the bank acting as shahibul maal (owner of funds) in the profit sharing system. Thus, if there is an accidental loss in the business run by the bank's partner (customer), it can result in the customer's inability to pay the principal installments. Therefore, it is necessary to replicate sentences to avoid plagiarism and to be more original. the amount of financing that has been received by the bank will bear the losses experienced. Islamic banks are shahibul maal (owners of funds), while customers are mudharib (capital managers). Unbalanced information between banks and customers can hinder the bank's goal of making a profit, because customers have more complete information about their own business. As a result, customers tend to make strategic and technical decisions that benefit themselves.

The Profit Sharing Ratio system implemented by Islamic banks can create high risks, because customers do not always act in the interests of the bank. For example, excessive use of project costs, withholding profits that should be distributed to capital owners, and potential fraud that can reduce profits. Losses in the customer's business can result in a decrease in the profitability of Islamic banks. This study concludes that the Profit Sharing Ratio does not have a significant influence on the profitability of Islamic commercial banks. This is due to the lack of Islamic commercial banks that apply financing based on a profit-sharing system, and the dominance of using murabahah contracts in channeling financing funds. In fact, by increasing the use of the profit sharing system in the Islamic banking business, it will reflect the existence of Islamic banks as companies that carry out business according to Islamic principles in society. Therefore, it is important for Islamic banks to implement a profit sharing system in running their business. This research supports Rita Novika Sari's research in (2018) which states that PSR has a nonsignificant positive effect on the Profitability of Islamic Commercial Banks in Indonesia.

4. CONCLUSION

In this study, only the fixed effect regression model was used because the results of the Chow test and Hausman test showed a Fixed Effect Model. Based on the F test (simultaneous), the variables of intellectual capital and profit sharing ratio simultaneously affect the dependent variable, namely ROA. This can be seen from the calculated F value which is greater than F table (77.8787 > 3.08) with a probability level (F-Statistic) of 0.0000, and by using $\alpha = 0.05$ or 5%, H_0 is rejected and Haha accepted. Based on the t test (partial), the intellectual capital variable has a positive and significant effect on ROA, according to the research hypothesis. However, the variable Profit Sharing Ratio (PSR) only has a partial positive effect, but not significantly to ROA. This is not in accordance with the research hypothesis which states that the profit sharing ratio has a positive and significant effect on ROA. So that H_0 is accepted and Ha is rejected in this case.

REFERENCES

Ulum, Ihyaul. (2009). Intellectual Capital: Concepts and Empirical Studies. Yogyakarta: Science Graha.

Khasana, AN (2016). The Effect of Intellectual Capital and Islamicity Performance Index on the Financial Performance of Islamic Banking in Indonesia. Nominal Journal, V(6), 1–18.

Anggraeni, Made Ria and I Made Sadha Suardhika. (2014). Effect of Third Party Funds Capital Adequacy Credit Risk and Credit Interest Rates on Profitability. Udayana University Accounting E-Journal. Pages 27-38. Issn: 2302-8556.

Nurdin, Sabri, Muhammad Suyudi. (2019). The Effect of Intellectual Capital and Islamicity Performance Index on the Financial Performance of Islamic Banking in Indonesia. Journal of Multi-Dimensional Accounting. Volume 2, (2).

Gujarati. (2019). Basics of Economics, volume 1. Jakarta: Erlangga.

Setyawati, Irma. (2018). Sharia Commercial Banks in Indonesia. Yogyakarta: Expert.