



The Influence of Islamicity Performance Index and Liquidity Through Intellectual Capital on The Financial Performance of Islamic Commercial Bank

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Abstract

This study aims to analyze the influence of Islamicity Performance Index and Liquidity Through Intellectual Capital on the Financial Performance of Islamic Commercial Banks. The type of data used in this study is panel data, namely quarterly from 2019 to 2021 and using samples of 5 (five) Sharia Commercial Banks with Purposive Sampling techniques as the sampling technique used in this study. The analysis method used in this study is panel data regression analysis and Path analysis using Eviews 10.0 and Microsoft excel 2016 software. The results in this study show that the Islamicity Performance Index has a significant effect on Intellectual Capital. Liquidity has a significant effect on Intellectual Capital. Islamicity Performance Index has a significant effect on Return On Assets. Liquidity has a significant effect on Return On Assets. Intellectual Capital does not have a significant effect on Return On Assets. Meanwhile, simultaneously the Islamicity Performance Index and liquidity have a significant effect on Intellectual Capital. Islamicity Performance Index, liquidity, and Intellectual Capital have a significant effect on Return On Assets.

Keywords: *islamicity performance index; intellectual capital; liquidity; roa*

INTRODUCTION

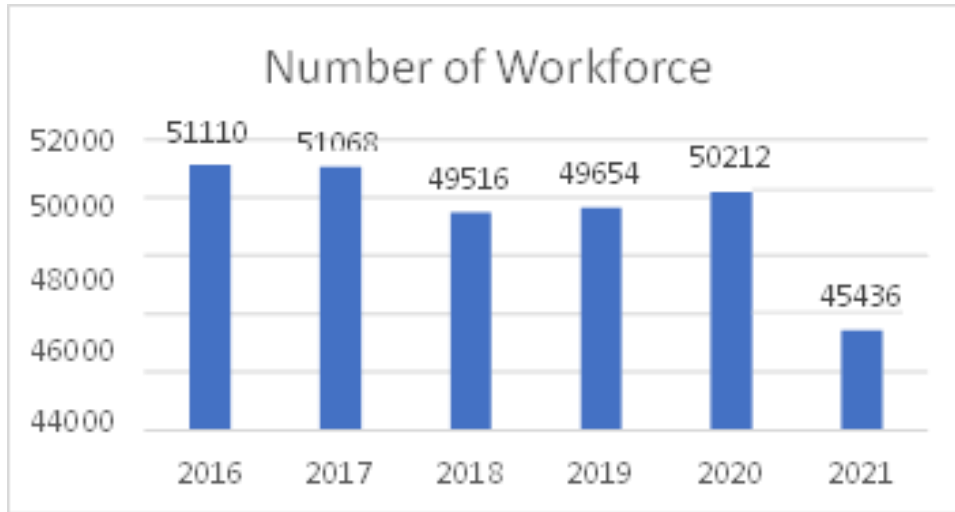
At present, the challenges faced by Islamic banking are the quality and quantity of human resources, which are among the components or supporting ecosystems for the development of Islamic banking in Indonesia. This is especially true regarding the mismatch between the competencies or skills of human resources and the current industry needs (Ma'ruf Amin in ISEF 2021).

Intellectual Capital, referred to as VAIC (Value Added Intellectual Coefficient), consists of elements including human capital, which is further referred to as VAHU (Value Added Human Capital), structural capital, which is further referred to as STVA (Structural Capital Value Added), and customer capital, which is further referred to as VACA (Value Added Capital Employed). In the Shariah industry, Intellectual Capital can contribute to improving the financial performance of Shariah banks. As a business entity, Shariah banks also need to generate reasonable profits through their activities to remain competitive in the environment.

Based on the research by Ousama Hammami (2019), it is stated that VAIC has a significant positive impact on the profitability of Shariah banks. On the other hand, research by Maqfirah

(2020) indicates that Intellectual Capital has a significant influence on profitability (ROA), whereas research by Rahajeng (2020) suggests that Intellectual Capital does not have an impact on the profitability (ROA) of Islamic Commercial Banks.

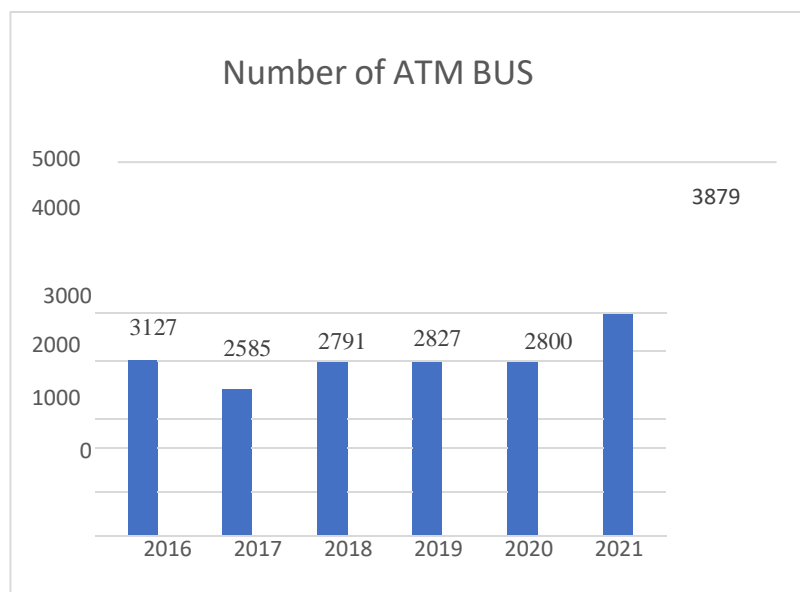
Figure 1: Number of Workforce (VAHU)



Source: Islamic Banking Statistics for the Period 2019-2021

Based on graph 1.1, its first component, namely VAHU, is the most essential element of intellectual capital, serving as the driving force, because quality human resources possess personalities, creativity, inspiration, and ideas that are beneficial for the company and cannot be measured. In the graph, the number of employees in Islamic commercial banks in Indonesia is seen to fluctuate each year. VAHU demonstrates the company's adeptness in creating optimal solutions based on the skills present within the company's employees.

Figure 2: Number of ATM BUS (STVA)

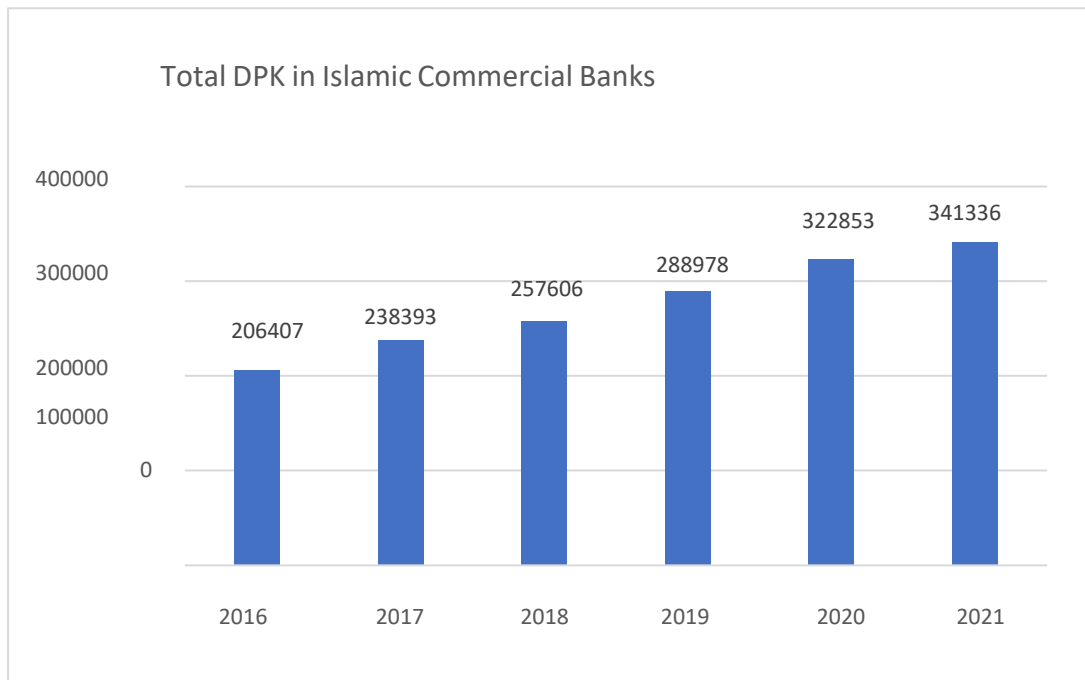


Source: Islamic Banking Statistics for the Period 2019 – 2021

Based on graph 1.2, the second component of Intellectual Capital is STVA, which represents the company's skills in implementing processes and business structures to generate more optimal intellectual performance. One of its forms is the technology used, including the availability of Automatic Teller Machine (ATM) services in Shariah Banks.

The graph illustrates that the ATM availability in Islamic Commercial Banks in Indonesia fluctuates in different years.

Figure 3: Total DPK in Islamic Commercial Banks (VACA)



Source: Islamic Banking Statistics for the Period 2019 - 2021

Based on graph 1.3, the third component of Intellectual Capital is VACA, which represents the harmonious interactions the company maintains with its relationships. VACA is observed from external aspects outside the company's environment that can add value to the company. In terms of relational capital, this can be seen through Third-Party Funds (DPK) in the bank. The graph above reveals that the Third-Party Funds (DPK) in Islamic Commercial Banks experience an increase each year.

In Islamic banking, income distribution within the company ensures internal fairness among employees. When there is a significant payment gap between management levels and regular employees, it can lead to dissatisfaction, low motivation, and workplace conflicts. Moreover, it can also impact the Shariah standards in Islamic Commercial Banks. Income distribution can help minimize such disparities and create a more harmonious working environment. The following provides an overview of income distribution or Directors Employee Welfare Ratio in Islamic Commercial Banks in Indonesia during the period of 2012-2016: (Yusnita, 2019).

Table 1: Directors Employee Welfare Ratio in BUS 2019-2021

NO	Islamic Commercial Bank	2019	2020	2021	Average
1	Bank Muamalat Indonesia	10	10	8	9,3
2	Bank Central Asia Syariah	22	25	22	23,0
3	Bank Tabungan Pensiun Negara Syariah	36	32	35	34,3
4	Bank Victoria Syariah	4	6	5	5,0
5	Bank Mega Syariah	12	14	15	13,7
Average		16,8	17,4	17	17,1

Source: Annual Report Data Processed 2019 – 2021

Based on the above graph, the average value of the Director-Employee Welfare Ratio shows fluctuations of 16.8%, 17.4%, and 17.0%. In this data, some Islamic Commercial Banks prioritize increasing the welfare of directors over their employees, as directors, being directly responsible, play a crucial role in achieving the goals of the Shariah bank. This doesn't imply that director salaries should be the same as employees', but rather that director salaries should align with their responsibilities, just as with employees. Fairness and appropriateness ensure tranquility and focus in carrying out their work, which, in turn, enhances performance.

Regarding risk management, liquidity risk becomes a primary consideration in Shariah banking financing, especially during the pandemic era, as it led to lower financing demands and challenges in expanding financing. Hence, bank liquidity needs to be channeled to maintain efficiency ratios (Wardan, 2020). The following table presents the liquidity development as represented by the Financing Deposit Ratio (FDR) during the period of 2016-2021;

Table 2: Shariah Commercial Bank Financing Deposit Ratio (FDR) Development

Year	Financing Deposit Ratio (%)
2016	85,99
2017	79,61
2018	78,53
2019	77,91
2020	76,36
2021	70,12

Source: Shariah Banking Statistics

The table indicates that the development of the Financing Deposit Ratio (FDR) in Indonesia has experienced a decrease from around 85.99% in 2016 to 70.12% in 2021. This phenomenon

demonstrates an inconsistency in the FDR development. Therefore, to continue growing and competing effectively against other banks, a company must maintain stability in the risks it faces.

In showcasing its improved performance, Shariah banking is responsible for reporting its performance in business operations, which can be elucidated through its financial accounts. Profitability ratios are often used to evaluate a bank's financial performance as they highlight how effectively a bank can generate profits from its operations. The higher the achievable profitability ratio, the better the financial performance of the industry (Wahid et al., 2018). Return On Assets (ROA) is one such profitability ratio that explains the overall performance of a bank. Compared to other profitability ratios, ROA is more relevant and can comprehensively express banking performance (Sutojo, 2004). The following provides an overview of the development of the Return On Assets ratio in Islamic Commercial Banks in Indonesia based on the Shariah Banking Statistics of the Financial Services Authority (OJK) for the years 2017 - 2021.

Table 1.3: Shariah Commercial Bank Return On Assets (ROA) Development

Year	Return On Asset
2017	0,63%
2018	1,28%
2019	1,73%
2020	1,40%
2021	1,55%

Source: Shariah Banking Statistics by OJK 2021

Based on the above Table 1.2 concerning the development of Return On Assets (ROA) in Islamic Commercial Banks in Indonesia, there has been a progression or increase in the years 2017-2018, from 0.63% to 1.28%. Subsequently, in the years 2018- 2019, there was further growth, reaching 1.28% and rising to 1.73%. However, in the year 2020, there was a decline to 1.40%, followed by an increase in the year 2021, reaching a value of 1.55%.

METHOD

This research is of a descriptive nature with a quantitative approach. The quantitative approach is employed to elucidate and test relationships between variables, establish causality between variables, test theories, and seek generalizations from predictive data. The data source utilized is secondary data, obtained in a pre-existing form, already collected, processed by others, and published (Muhammad, 2008). The population under study encompasses 5 Islamic Commercial Banks registered with the Financial Services Authority (OJK) for the period 2019-2021. The sampling technique employed is purposive sampling, a method of selecting samples based on specific considerations (Noor, 2011).

RESULT

1. Results of Classical Assumption Tests

Table 4: Results of Classical Assumption Tests

Results of Classical Assumption Tests					
Normality Test	Structure	1	Prob. <i>Jarque</i> <i>Bera</i>	0,33643	Normally Distributed
	Structure	2		0,830193	
Multicollinearity Test	Structure	1	X1	1,0000	Passes Test
			X2	0,6372	
	Structure	2	X1	1,0000	
			X2	0,6372	
			X3	-0,1535	
Heteroscedasticity Test	Structure	1	Residual Graph (Linier Blue)	Not Over the Limits (500 dan -500)	Passes Test
	Structure	2			

Based on the table above, the normality test conducted on the data indicates that for sub-structure 1, the Jarque-Bera probability is $0.336 > 0.05$, thus " H_0 " is accepted, and it can be concluded that the data is normally distributed. Similarly, for sub-structure 2, the Jarque-Bera probability is $0.830 > 0.05$, leading to the acceptance of " H_0 " and the conclusion that the data is normally distributed.

The examination of coefficient values in the above sub-structures shows that each variable has a coefficient value < 0.8 , leading to the conclusion that the model does not suffer from multicollinearity. Additionally, the residual plot (in blue) indicates that both sub-structure 1 and sub-structure 2 do not cross the limits (500 and -500), implying equal residual variance. Therefore, there is no heteroscedasticity issue or the heteroscedasticity test is passed.

Furthermore, the Durbin-Watson values are 0.7465 for sub-structure 1 and 0.2304 for sub-structure 2, which fall within the range of -2 to +2. This suggests that there is no autocorrelation in the data, and it can be deemed free from autocorrelation issues.

2. Substructure Analysis

a. Substructure Analysis 1

Hypothesis testing in this study was conducted using Path Analysis with multiple regression in the Common Effect Model, as determined earlier in the selection of the

best model. This involved t-test, F-test, coefficient of determination test, and path analysis.

Table 5: Substructure 1 Analysis

Connection		Line						
From	To	Koef	Tcount	Sig	Fcount	Sig	R2	R2adj
X1	Y	-						
		0.24498	-4.2390	0.0001				
X2		-			4.8330	0.000531	0.3536	0.2804
		0.01792	-2.6789	0.0098				

3. Coefficient of Determination Test

The value of Adjusted R-Square is 0.280473, which means that the influence of Islamicity Performance Index and Liquidity on Intellectual Capital is 28.04%, while the remaining 71.96% is influenced by other factors not examined in this study.

a. Partial Test (t-test)

The Influence of Islamicity Performance Index (DEWR) on Intellectual Capital The probability of Islamicity Performance Index (DEWR) is $0.0001 < 0.05$, leading to the rejection of H_0 and acceptance of H_a . Therefore, it can be concluded that Islamicity Performance Index (DEWR) significantly affects Intellectual Capital.

The Influence of Liquidity on Intellectual Capital The probability of Liquidity is $0.0098 > 0.05$, leading to the rejection of H_0 and acceptance of H_a . Thus, it can be concluded that Liquidity significantly affects Intellectual Capital.

b. Simultaneous Test (F-test)

Based on the F-test results, it can be observed that the probability value of the F-statistic is $0.000531 < 0.05$. Hence, H_0 is rejected and H_a is accepted. Therefore, it can be concluded that there is a significant simultaneous influence between Islamicity Performance Index (DEWR) and liquidity on Intellectual Capital.

c. Substructure Analysis 2

Hypothesis testing in this study was conducted using Path Analysis with multiple regression in the Fixed Effect Model, as previously determined as the best model. This involved t-test, F-test, coefficient of determination test, and path analysis.

Table 6: Substructure 2 Analysis

Connection		Line	Tcount	Sig	Fcount	Sig	R2	R2adj
From	To	Koef						
X1		0.422488	2.648932	0,0107				
X2	Z	- 0.034447	-2.02583	0,0479	98.29447	0,00000	0,929736	0,920277
Y		0.614945	1.87717	0,0661				

4. Coefficient of Determination Test

The coefficient of determination or Adjusted R-Square, when adjusted, represents the extent of the contribution of the independent variables to the dependent variable. A higher coefficient of determination indicates that the variable's ability to explain the variation in the dependent variable is greater. With an Adjusted R-Square value of 0.9202, it means that the combined influence of Islamicity Performance Index, Liquidity, and Intellectual Capital on profitability is 92.02%, while the remaining 7.98% is influenced by other factors not examined in this study.

a. Partial Test (t-test)

The Influence of Islamicity Performance Index (DEWR) on ROA The probability of Islamicity Performance Index (DEWR) is $0.0107 < 0.05$, leading to the rejection of H_0 and acceptance of H_a . Therefore, it can be concluded that Islamicity Performance Index (DEWR) significantly affects ROA.

The Influence of Liquidity on ROA The probability of Liquidity is $0.0479 > 0.05$, leading to the rejection of H_0 and acceptance of H_a . Thus, it can be concluded that Liquidity significantly affects ROA.

The Influence of Intellectual Capital on ROA The probability of Intellectual Capital is $0.0661 > 0.05$, leading to the acceptance of H_0 and rejection of H_a . Hence, it can be concluded that Intellectual Capital does not significantly affect ROA.

b. Simultaneous Test (F-test)

Based on the F-test results, it can be observed that the probability value of the F-statistic is $0.00000 < 0.05$. Hence, H_0 is rejected and H_a is accepted. Therefore, it can be concluded that there is a significant simultaneous influence between Islamicity Performance Index (DEWR), liquidity, and Intellectual Capital on ROA.

Table 7: Direct Calculation and Indirect Influence

Influence of Variables	Line Koef	Impact		Total
		Direct	Indirect	
$X_1 \rightarrow Y$	-0,2449	0,5997	-	0,5997
$X_2 \rightarrow Y$	-0,0179	0,00032	-	0,00032
$X_1 \rightarrow Z$	0,4224	0,17842	0,1505	0,32892
$X_2 \rightarrow Z$	-0,0344	0,00118	0,0114	0,01258
$Y \rightarrow Z$	0.6149	-	-	-
ε_1	0,0000			
ε_2	0,4643			

From the above Sobel test calculations, in determining direct influence, it is known that there is a direct influence of 5.99% of Islamicity Performance Index on Intellectual Capital. There is a direct influence of 0.03% of Liquidity on Intellectual Capital. There is a direct influence of 17.84% of Islamicity Performance Index on Profitability (ROA). There is a direct influence of 0.11% of Liquidity on Profitability (ROA). There is an indirect influence of 15.05% of Islamicity Performance Index on Profitability (ROA) through Intellectual Capital, and an indirect influence of 1.14% of Islamicity Performance Index on Profitability (ROA) through Intellectual Capital.

Furthermore, in determining the significance of indirect influence, the Sobel test was performed. The result for the influence of Islamicity Performance Index through Intellectual Capital on ROA shows t-value (1.7723) < t-table (2.002), hence it can be concluded that Islamicity Performance Index does not have a significant indirect influence on ROA through Intellectual Capital. Similarly, for the influence of Liquidity through Intellectual Capital on ROA, the calculated t-value (1.8604) < t-table (2.002), leading to the conclusion that Liquidity does not have a significant indirect influence on ROA through Intellectual Capital.

CONCLUSION

There is a direct influence among variables in this study. Firstly, there is a direct influence of 5.99% of Islamicity Performance Index on Intellectual Capital. Secondly, there is a direct influence of 0.03% of Liquidity on Intellectual Capital. Thirdly, there is a direct influence of 17.84% of Islamicity Performance Index on Profitability (ROA). Fourthly, there is a direct influence of 0.11% of Liquidity on Profitability (ROA).

There is an indirect influence among variables in this study. Firstly, there is an indirect influence of 15.05% of Islamicity Performance Index on Profitability (ROA) through Intellectual Capital, and there is an indirect influence of 1.14% of Islamicity Performance Index on Profitability (ROA) through Intellectual Capital.

Islamic banks should pay more attention to the welfare of their employees and are expected to optimize the issue of mismatch between the competence or skills of human resources. This can lead to an improvement in the company's output or profitability in Islamic banks.

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