
THE INFLUENCE OF ISLAMIC CORPORATE GOVERNANCE (ICG) AND INTELLECTUAL CAPITAL (IC) ON THE ISLAMICITY PERFORMANCE INDEX AT PT BANK NTB SYARIAH PERIOD 2019-2021

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Abstract

Islamic bank has different characteristics from other companies in its performance orientation, including PT. Bank NTB Syariah which has converted on September 24, 2018. Islamic banking is required to work in accordance with Islamic business principles and ethics, one of which is through the implementation of governance (Islamic Corporate Governance/ICG) and the use of capital (Intellectual Capital/IC) so that can achieve the goal of establishing a sharia bank that is in accordance with Maqashid Sharia (measured through the Islamicity Performance Index). This study aims to (1) analyze the effect of Islamic Corporate Governance (ICG) disclosure on the Islamicity Performance Index and (2) analyze the influence of Intellectual Capital (IC) on the Islamicity Performance Index and (3) analyze the influence of Islamic Corporate Governance (ICG) and Intellectual Capital (IC) on the Islamicity Performance Index at PT. Bank NTB Syariah for the 2019-2021 period. The data was secondary data obtained from the financial report. The results showed that Islamic Corporate Governance has a significant effect with a t-statistic value of $21.877 > t\text{-table } 1.960$, Intellectual Capital has a significant effect with a t-statistic value of $5.642 > t\text{-table } 1.960$ and Islamic Corporate Governance together with Intellectual Capital has a significant effect on Islamicity Performance Index PT. Bank NTB Syariah from 2019 to 2021 with a t-statistic value of $20.063 > t\text{-table } 1.960$.

Keywords: Intellectual Capital, Islamicity Performance Index, Islamic Corporate Governance

1. INTRODUCTION

In Indonesia, Islamic banks are developing quite a bit every year and are considered quite good because the number of Islamic commercial banks (BUS) has increased from a total of 6 (six) BUS in 2009 to 15 BUS in 2022. In addition, as of February 2022, there have been 20 Sharia Business Units (UUS) and 199 Sharia Rural Banks. The total assets of sharia banking in February 2022 amounted to Rp. 446.454 trillion, an increase of around 24.02% from 2019, whose asset value was still Rp. 350.364 trillion (Financial Services Authority, 2022). With this description of the increasingly rapid development of Islamic banks in Indonesia, it can be seen that the increase in the number of Islamic commercial banks (BUS) is due, in part, to the large

number of conventional banks that have opened Islamic units or have converted into fully Islamic banks, one of which is PT Bank NTB Syariah which has converted into a sharia commercial bank (BUS) in 2018.

Currently, Islamic banking is faced with a lack of financial performance measurement tools based on Islamic bank criteria. Current bank performance assessments refer to non-Islamic (conventional) assessments with various measurement methods such as CAMELS, RGEC and the Balanced Scorecard which are considered unable to convey the social role of Islamic banks. Most researchers measure the performance of Islamic banks using conventional bank performance measurement methods through financial ratios. Seeing this phenomenon, Hameed, et al., developed an alternative measurement of Islamic bank performance called Islamicity Indices, which consists of Islamicity Disclosure and Islamicity Performance Index (Hameed, 2004). These Islamicity Indices are efforts to realize and develop economic goals (*maqashid iqtishadiyyah*) in Islam (Salahuddin, 2012).

"The Islamicity Disclosure Index aims to test how well Islamic banks disclose information that is used for stakeholders. This index is divided into three main categories, namely sharia compliance, corporate governance and social or environmental" (Lutfiandari & Septiani, 2017). "The Islamicity Performance Index is a performance measurement tool that is able to reveal the materialistic, spiritual and social values contained in Islamic banks. The spiritual and social values in question are the values of justice, halal, and purification or holiness" (Sebtianita & Khasanah, 2013). In practice, this index can be measured using 7 (seven) financial ratios, namely profit sharing ratio, zakat performance ratio, equitable distribution ratio, directors employee welfare ratio, Islamic Income vs. Non-Islamic Ratio, Islamic investment vs. non-Islamic investment ratio, and AAOIFI index.

In this study the authors only used 5 (five) ratios out of 7 (seven) ratios in the Islamicity Performance Index, namely, Profit Sharing Ratio, Zakat Performance Ratio, Equitable Distribution Ratio, Director-Employees Welfare Ratio, Islamic Income vs. Non-Islamic Income ratio. Profit Sharing Ratio (PSR) is the ratio used to determine how far the activities of Islamic banks are in channeling financing using profit sharing agreements, with mudharabah and musyarakah financing. Zakat Performance Ratio (ZPR) is the ratio of zakat to total net assets. Zakat payments are used in analyzing the performance of Islamic banks to replace conventional bank indicators, namely earnings per share (Earning Per Share). The Equitable Distribution Ratio (EDR) is an indicator that basically tries to find out how the income earned by Islamic banks is distributed to various stakeholders as seen from the amount of money spent on qards and donations, personnel expenses, and others. Directors Employee Welfare Ratio

(DEWR) is the ratio used to compare director salaries with employee welfare, because director remuneration is an important issue. Islamic Income vs. Non-Islamic Ratio (IsIR) is a ratio that measures income originating from halal sources.

The ratios that are not used in this study are the ratio of the AAOIFI index and the Islamic investment vs. non-Islamic investment ratio. The reason researchers do not use these two ratios is the AAOIFI index is an index used to determine the extent to which a company has fulfilled the principles set by AAOIFI with regard to processes including accounting and auditing. Meanwhile, the ratio of Islamic investment vs. non-Islamic investment ratio is not used because it cannot be traced in the financial statements of Islamic banks. The existence of the Sharia Supervisory Board (DPS) in Indonesia makes this ratio irrelevant because the DPS guarantees that sharia banking does not make non-sharia investments.

Sharia banking, as an institution whose operations are based on sharia principles, is required to work in accordance with sharia business principles and ethics by implementing transparent and accountable corporate governance. The form of corporate governance in Islamic banks is Islamic Corporate Governance (ICG) (Farook, et. al., 2011). Basically, Good Corporate Governance can affect the performance of Islamic banks. The application of GCG can help Islamic banks minimize poor financing quality, increase the accuracy of bank assessments, infrastructure, quality, business decision making, and have an early detection system for high risk areas, products, services (Hasan, 2012). The application of good corporate governance in Islamic banks is very important. This is because Islamic banks have fundamental differences from conventional banks, one of which is the application of shariah compliance. The implementation of shariah compliance is an important pillar for the sustainability of sharia bank entities. One of the derivatives of implementing shariah compliance is the existence of the Sharia Supervisory Board (DPS). The task of the DPS is to oversee sharia banking operations so that they comply with sharia principles (Rois & Salahuddin, 2021).

Measurement is carried out by giving a score of 1 (one) if the indicator referred to in the annual report of Islamic commercial banks. Meanwhile, if the indicators in question are not disclosed by Islamic commercial banks in their annual reports, the researcher gives a score of 0 (zero). The following in table 1.1 is an indicator of Islamic Corporate Governance variables (Hameed, 2004).

Table 1.1
Islamic Corporate Governance Index

Shariah Compliance Indicator	
1	Vision, mission and objectivity information
2	Main activity information
3	Identify Islamic investments
4	Identify Islamic revenue
5	Identification of non-Islamic revenue
6	Report on sources and uses of zakat and shadaqah funds
7	Report on sources and uses of qardh funds
8	Identification of sources of income excluded income from Third Party Funds
9	Identification of sources of income excluded income from murabaha financing
10	Value added statements
Sharia Supervisory Board indicator	
1	Existence of members of the Sharia Supervisory Board
2	The Sharia Supervisory Board meets the audit committee to review the financial statements
3	Detailed activities of the Sharia Supervisory Board (Number of meetings per year and number of attendance of each member of the Sharia Supervisory Board)
4	Sharia Supervisory Board present 75%
5	The Sharia Supervisory Board is an independent entity
6	The Sharia Supervisory Board is a person who is an accounting expert

Source: Islamic Index Corporate Governance (Hameed, 2004; 2)

Companies are currently changing their business strategy from a business based on labor (labor based business) to a business based on knowledge (knowledge based business) or also known as intangible assets. One of the approaches used in the assessment and measurement of intangible assets is Intellectual Capital (IC). Intellectual Capital (IC) is considered important because the creation of intangible value must receive sufficient attention because this has a very large impact on company performance (Hasanah & Kurniawan, 2019). In value creation, a tangible form such as income depends on an intangible form. This can be exemplified, if the

company aims to increase profit creation, good service and relationships with customers are needed. A good waiter will satisfy customers so that loyal customers are realized (Ulum, 2008).

In general, the researchers identified three main constructs of IC, namely: human capital (HC), structural capital (SC), and customer capital (CC). “In simple terms, HC represents the individual knowledge stock of an organization represented by its employees. HC is a combination of genetic inheritance; education, experience, and attitude about life and business” (Bontis et al., 2000). Furthermore, Bontis et al. stated that SC includes all non-human store houses of knowledge within the organization. Included in this are databases, organizational charts, process manuals, strategies, routines and everything that makes a company's value greater than its material value. While the main theme of HC is knowledge inherent in marketing channels and customer relationships where an organization develops it through the course of business.

Intellectual Capital measurement methods are grouped into two, namely: non-monetary and monetary (Saryanti, 2013). One method of measuring Intellectual Capital with a non-monetary assessment is the Balanced Scorecard (Kaplan and Norton, 1996). While the method of measuring Intellectual Capital with monetary valuation, one of which is the Pulic model known as VAIC (Value Added Intellectual Capital).

The IC model calculation technique used to measure Islamic banking performance in this study is known as the Islamic Banking Value Added Intellectual Coefficient (iB-VAIC)” (Ulum, 2013). VAIC is an indirect measurement with a measure to assess the efficiency of added value as a result of the company's intellectual ability. The components in VAIC are physical capital (VACA), human capital (VAHU), and structural capital (STVA). Based on this description, the authors are interested in conducting case study research regarding the Influence of Islamic Corporate Governance (ICG) and Intellectual Capital (IC) on the Islamicity Performance Index at PT Bank NTB Syariah for the 2019-2021 period.

2. METHODOLOGY

This type of research is quantitative research, namely an approach that emphasizes the analysis of numerical data processed by statistical methods. This study uses an associative quantitative approach, namely research that aims to determine the relationship or influence between two or more variables.

This study uses secondary data accessed from (www.bankntbsyariah.co.id), namely financial data in the annual report of Bank NTB Syariah in 2019-2021. The sample in this study was obtained by random sampling based on area (cluster random sampling) which is a group

sampling technique, to examine a matter in different parts of an agency. The total number of data samples in this study is 425 samples, with details of 57 data samples in the calculation of Islamic Corporate Governance, 144 data samples in the calculation of Intellectual Capital and 224 data samples in the calculation of the Islamicity Performance Index.

The causal relationship between variables is used by path analysis (path analysis) and to test the structure of the relationship between variables equipped with causal manifest variables, SEM (Semi Equation Model) is used (Sugiyono, 2018). Data processing techniques in this study using the Partial Least Square (PLS) method. The data to be collected is data in the form of numbers, then tabulated in the form of tables provided. A quantitative approach can provide reliable or valid research results so that the conclusions can apply to all populations in the object of this research. The variables studied are more than one. While the steps are: 1) formulating the problem, 2) determining the type of information needed, 3) determining the procedure for collecting data, 4) determining the procedures for processing information and data or data analysis, and 5) drawing research conclusions.

The hypothesis is a statement about the population that needs to be tested for truth. Testing is done by taking samples from the population, this method is easy to compare with counting all members of the population. After obtaining statistical results from the sample, these results can be used to test population statements, whether empirical evidence from the sample supports or rejects statements about the population. The whole process is known as hypothesis testing. The hypothesis in this study was tested with the t-test statistic with the provision that H_0 was rejected if the t-test was greater than the critical value for $\alpha = 0.05$ of 1.96, while the hypothesis was:

a. Hypothesis 1

Islamic Corporate Governance (ICG) is suspected of influencing financial performance based on the Islamicity Performance Index of PT. Bank NTB Syariah in 2019-2021.

b. Hypothesis 2

Intellectual Capital (IC) is thought to have an effect on financial performance based on the Islamicity Performance Index of PT. Bank NTB Syariah in 2019-2021.

c. Hypothesis 3

Islamic Corporate Governance (ICG) together with Intellectual Capital (IC) is suspected of influencing financial performance based on the Islamicity Performance Index of PT Bank NTB Syariah for 2019-2021.

3. RESULT AND DISCUSSION

3.1. RESULT

There are two types of variables, namely dependent variables and independent variables. The dependent variable in this study is the Islamicity Performance Index (Y) using 5 (five) indicators, namely profit sharing ratio (Y1), zakat performance ratio (Y2), equitable distribution ratio (Y3), directors employee welfare ratio (Y4) and Islamic Income vs. Non-Islamic Ratio (Y5). The independent variables in this study are Islamic Corporate Governance (X1) and Intellectual Capital (X2).

This section describes the data of each variable which displays the characteristics of the sample used in this study. The characteristics of the sample include: the average sample value (mean), the maximum and minimum values for each variable. The description in this study includes three variables, namely Intellectual Capital, Islamic Corporate Governance, Islamicity Performance Index.

Data analysis using Partial Least Square (PLS) requires two stages to assess the Fit Model of a research model, namely assessing the Outer Model and assessing the Inner Model. These stages are as follows:

1) Assessing the Outer Model or Measurement Model

There are three criteria in the use of data analysis techniques with SmartPLS to assess the outer model, namely Convergent Validity, Discriminant Validity and Composite Reliability. Convergent validity of the measurement model with reflexive indicators is assessed based on the correlation between the item score/component score estimated by the PLS Software. The individual reflexive measure is said to be high if it correlates more than 0.70 with the construct being measured. For research in the early stages of developing a measurement scale, a loading value of 0.5 to 0.6 is considered sufficient. In this study, a loading factor limit of 0.50 will be used (Ghozali, 2014).

a) Outer Model Test for Hypothesis 1

To ensure that each concept of each latent variable is different from other variables it can be assessed with Discriminant validity. The model has good discriminant validity if each loading value of each indicator of a latent variable has the largest loading value compared to other loading values for other latent variables. From Table 3.1 below it can be seen that all loading factor values for each indicator of each latent variable have a greater value when compared to other latent variables. The results of discriminant validity testing were obtained as follows:

Table 3.1
Nilai *Discriminant Validity* H1 (Cross Loading)

	<i>Islamic Corporate Governance (X1)</i>	<i>Islamicity Performance Index (Y)</i>
DPS	1	0.850
ISIR	0.852	0.972
PSR	0.845	0.965
ZPR	0.778	0.980

Source: Primary data processed through SmartPls 3.0, 2022

In addition to the construct validity test, a construct reliability test was also carried out as measured by the composite reliability of the indicator block that measures the construct. The construct is declared reliable if the composite reliability value is above 0.70. Table 3.2 below will present the Composite Reliability value for the H1 variable.

Table 3.2
***Composite Reliability* H1**

	<i>Composit Reliability</i>	AVE
ICG (X1)	1	1
<i>Islamicity Performance Index (Y)</i>	0.981	0.946

Source: Primary data processed through SmartPls 3.0, 2022

Based on the table above it can be concluded that the construct has good reliability. This is indicated by the composite reliability value above 0.70 as the recommended criteria.

b) Outer Model Test for Hypothesis 2

Meanwhile, of the four indicators of the Islamicity Performance Index variable, only the Zakat Performance Ratio (ZPR), Zakat Performance Ratio (PSR) and Islamic Income vs. Non-Islamic Ratio (IsIR) indicators have a loading factor above 0.5 and can represent the Islamicity Performance Index variable construct. where this variable becomes a latent variable of the Intellectual Capital variable. To ensure that each concept of each latent variable is different from other variables, it can be assessed with discriminant validity. The model has good discriminant validity if each loading value of each indicator of a latent variable has the largest loading value compared to other loading values for other latent variables. From the table below it can be seen that all loading factor values for each indicator of each latent variable

have a greater value when compared to other latent variables. The results of discriminant validity testing were obtained as follows:

Tabel 3.3

Nilai *Discriminant Validity* H2 (Cross Loading)

	<i>Intellectual Capital (X2)</i>	<i>Islamicity Performance Index (Y)</i>
ISIR	-0.637	0.975
PSR	-0.554	0.962
ZPR	-0.522	0.980
STVA	0.962	-0.428
VACA	0.509	0.138
VAHU	0.969	-0.572

Source: Primary data processed through SmartPls 3.0, 2022

From the table above it can be seen that each variable's correlation with its indicators is partly higher than the correlation of variables with other indicators. This shows that the latent variables namely Intellectual Capital (X2) and Islamicity Performance Index (Y) predict the indicators in their block better than other block indicators. For example, in the Islamicity Performance Index variable block, the indicator value in this block is higher than the other variables.

Variables in Intellectual Capital that have a positive value are VAHU and VACA, Value Added Human Capital (VAHU) is calculated based on the ratio where the value added value created is compared to Human Capital which is calculated from employee expenses. Value Added Human Capital (VAHU) shows how much Value Added can be generated with funds spent on labor. This ratio shows the contribution made by every rupiah invested in Human Capital to the value added of the organization. Human Capital reflects the company's collective ability to produce the best solutions based on the knowledge possessed by the people in the company. Human capital will increase, if the company is able to use the knowledge possessed by its employees. The higher the value of Value Added Human Capital indicates that the higher the ability of HC to create value in the company. Meanwhile, VACA is calculated based on the ratio where the value added value created is compared to Capital Employed or available funds (total equity). VACA shows how much Value Added can be generated with the company's available funds (equity).

Variables that give a negative value in the calculation of Intellectual Capital with the Islamicity Performance Index during the early conversion of PT. Bank NTB Syariah is a

Structural Capital Value Added (STVA) variable which is calculated based on the ratio where the SC (Structural Capital) value is needed to produce one rupiah from IB - VA and is an indication of SC's success in value creation. The SC value at the beginning of the conversion is negative because the company's halal profits are smaller than the overall employee expenses (HC).

In addition to the construct validity test, a construct reliability test was also carried out as measured by the composite reliability of the indicator block that measures the construct. The construct is declared reliable if the composite reliability value is above 0.70. Table 3.4 below will present the Composite Reliability value for the H2 variable.

Table 3.4
Composite Reliability H2

	<i>Composit Reliability</i>	<i>AVE</i>
IC (X2)	0.872	0.708
<i>Islamicity Performance Index (Y)</i>	0.981	0.946

Source: Primary data processed through SmartPls 3.0, 2022

Based on Table 3.4 above, it can be concluded that the construct has good reliability. This is indicated by the composite reliability value above 0.70 as the recommended criteria.

c) Outer Model Test for Hypothesis 3

From Table 3.5 below it can be seen that all loading factor values for each indicator of each latent variable have a greater value when compared to other latent variables. The results of discriminant validity testing were obtained as follows:

Table 3.5
Nilai Discriminant Validity H3 (Cross Loading)

	<i>ICG (X1)</i>	<i>Islamicity Performance Index (Y)</i>
ICG	1	0.850
PSR	0.845	0.965
ZPR	0.778	0.980
ISIR	0.852	0.972

Source: Primary data processed through SmartPls 3.0, 2022

In addition to the construct validity test, a construct reliability test was also carried out as measured by the composite reliability of the indicator block that measures the construct. The

construct is declared reliable if the composite reliability value is above 0.70. Table 3.6 below will present the Composite Reliability value for the H3 variable.

Table 3.6
Composite Realibity H3

	Comp. Reliability	AVE
ICG (X1)	1	1
<i>Islamicity Performance Index</i> (Y)	0.981	0.946

Source: Primary data processed through SmartPls 3.0, 2022

Based on the table above it can be concluded that the construct has good reliability. This is indicated by the composite reliability value above 0.70 as the recommended criteria.

2) Assessing the Inner Model

Testing of the inner model or structural model is carried out to see the relationship between the constructs, the significance value and the R-square of the research model. The structural model was evaluated using R-square for the dependent construct t test and the significance of the structural path parameter coefficients.

Table 3.7
R-Square Islamicity Performance Index

Variabel	R Square		
	Hipotesis 1	Hipotesis 2	Hipotesis 3
IC	-	-	-
ICG	-	-	-
<i>Islamicity Performance Index</i>	0.772	0.350	0.772

Source: Primary data processed through SmartPls 3.0, 2022

The table above shows that the R-square value of the Islamicity Performance Index is 0.772, meaning that the IC variable in Hypothesis 1 is able to explain the Islamicity Performance Index variable of 77.2%. The R-square value on the ICG variable in Hypothesis 2 is 0.350, meaning that the ICG variable is able to explain the future Islamicity Performance Index variable by 35%. The R-square value in Hypothesis 3 is 0.772, meaning that the only variables IC and ICG are able to explain the Islamicity Performance Index variable is 77.2%. The greater the R-Square number, the greater the independent variable can explain the dependent variable,

so the better the structural equation.

The significance of the estimated parameters provides very useful information about the relationship between the research variables. The basis used in testing the hypothesis is the value contained in the output path coefficient. The significance of the influence between variables is obtained by looking at the parameter coefficient values and the statistical significance value of t. Table 3.8 below provides the estimated output for testing the structural model.

Tabel 3.8
Path Coefficients/Bootstrapping (Mean, STDEV, T-Values)

	<i>Original Sampel</i>	<i>Sampel Mean</i>	<i>Standar Deviation</i>	T Statistik
ICG-Islamicity Performance Index (H1)	0.850	0.849	0.039	21.877
IC-Islamicity Performance Index (H2)	-0.591	-0.608	0.105	5.642
IC, ICG-Islamicity Performance Index (H3)	0.850	0.847	0.042	20.063

Source: Primary data processed through SmartPls 3.0, 2022

PLS statistical testing of each hypothesized relationship is carried out using a simulation. This was done using the bootstrap method for the sample. Testing with bootstrap is also intended to minimize the problem of abnormal research data. The results of the path coefficient test in the table above obtained the results for testing the hypothesis.

Based on the magnitude of the parameter coefficients which are all positive, and significant t-statistical values (significance t-table 5% = 1.96) it can be seen that H1, H2 and H3 are completely accepted. This means that IC and ICG affect the financial performance of the Islamicity Performance Index of PT Bank NTB Syariah, both current performance and future performance.

3.2. DISCUSSION

1) The influence of Islamic Corporate Governance on the Islamicity Performance Index of PT Bank NTB Syariah in 2019-2021

Listed in Table 3.1 above which presents the PLS output results to test H1 which states that Islamic Corporate Governance has a significant effect on the financial performance of PT Bank NTB Syariah in 2019-2021 based on the Islamicity Financial Performance Index. The PLS

output results show that all factor loadings of each ICG component that affect the test are significant above 0.50.

The R-square value shows a large influence of 77.2%. The path coefficient is also positive which indicates that ICG has a positive effect on the future financial performance of the Islamicity Financial Performance Index. The results of testing hypothesis 1 show that the relationship between the ICG variable and the Financial Performance of PT Bank NTB Syariah for 2019-2021 based on the Islamicity Performance Index shows a path coefficient value of 0.50 with a T-statistic value of 21.877 which value is greater than the T-table of 1.960 . This result means that ICG has a positive and significant relationship to the Financial Performance of PT Bank NTB Syariah for 2019-2021 based on the Islamicity Performance Index, which means that it is in accordance with hypothesis 1. This means **accepting Ha or rejecting H0**.

Shariah Compliance and the Sharia Supervisory Board as the advisory and supervisory boards of sharia have an important role in ensuring that all business activities of sharia commercial banks comply with sharia principles. Therefore its existence has an influence on the performance of Islamic commercial banks. The better the company is in managing its resources, the better the output will be. Not only that, currently business entities and Islamic banking measure performance not only from the financial aspect. Financial responsibility shown by monetary, accounting and certain ratios must also be complemented by non-financial performance such as the implementation of Good Corporate Governance. Islamic banking is unique from other companies, namely having a Sharia Supervisory Board which regulates all Islamic banking business activities in accordance with sharia compliance.

The implementation of Good Corporate Governance is important for sharia commercial banks. With its different characteristics from conventional banks, the difference in the implementation of Good Corporate Governance for conventional banks and sharia commercial banks is the existence of sharia compliance and the existence of a Sharia Supervisory Board which ensures that every business activity of sharia commercial banks is in accordance with sharia principles. In this study, researchers use the name Islamic Corporate Governance which makes the difference between the Good Corporate Governance of conventional banks and Islamic commercial banks.

The results of the study prove that the existence of the Sharia Supervisory Board has an effect on financial performance based on the Islamicity Performance Index. The Sharia Supervisory Board is a board that oversees every business activity of Islamic commercial banks must be based on sharia principles (Rois & Salahuddin, 2021; Salahuddin, 2017). Therefore, every business activity and every decision must be based on the opinion/opinion of the Sharia

Supervisory Board so that the existence of the Sharia Supervisory Board affects financial performance based on the Islamicity Performance Index..

2) The Influence of Intellectual Capital on the Islamicity Performance Index of PT Bank NTB Syariah in 2019-2021

Listed in Table 3.3 above which presents the results of the PLS output to test H2 which states that Intellectual Capital has an effect on the financial performance of PT Bank NTB Syariah in 2019-2021 based on the Islamicity Performance Index. The PLS output results show that all factor loadings from each Intellectual Capital component that affect the significant test above 0.50.

The R-square value indicates a large effect of 35%. The path coefficient is negative which indicates that Intellectual Capital has a negative influence on the Islamicity Financial Performance Index in the early conversion periods of PT Bank NTB Syariah because the profit from halal income earned at the start of the conversion is still relatively small when compared to operational and employee expenses. The results of testing hypothesis 2 show that the relationship between Intellectual Capital and Financial Performance based on the Islamicity Performance Index shows a T-statistic value of 5.642. This value is greater than the T-table of 1.960. This result means that Intellectual Capital at PT Bank NTB Syariah in 2019-2021 has an influence on the Islamicity Performance Index, which means that it is in accordance with hypothesis 2. This means **accepting Ha or rejecting H0**.

Hypothesis 2 is accepted that the higher the Intellectual Capital owned by the company, the company will be able to create value added which then drives the company's financial performance. Looking at the point of view from resource-based theory, Penrose argued that company resources are heterogeneous and productive services derived from company resources provide a unique character for each company (Penrose, 1959). If a company is able to manage its resources well, it will be able to create a competitive advantage over its competitors. Human resources who have high skills and competencies are a competitive advantage for the company.

Increasingly fierce business competition forces companies to change the strategy used in doing business. The ever-developing business world makes business people realize that the ability to compete does not only depend on the ownership of the resources they have, but also on the innovation, information and knowledge of the company's human resources. Islamic Commercial Banks are no exception, whose main activities depend on their human resources in creating profits. Currently, companies in order to compete with other companies must manage their various resources and create Value Added for companies that will improve their

performance. Sharia Commercial Banks are no exception, where the increase in performance depends on how their resources are managed, one of which is PT Bank NTB Syariah which has converted in 2018.

From the results of the study it can be said that Intellectual Capital is very important to note because it influences the financial performance of Islamic Commercial Banks which is projected with the Islamicity Performance Index. Therefore, PT Bank NTB Syariah must pay attention to the value of Intellectual Capital so that its performance gets better and can compete with other banks.

3) The Influence of Intellectual Capital and Islamic Corporate Governance on the Islamicity Performance Index of PT Bank NTB Syariah in 2019-2021

Table 1.5 above presents the results of the PLS output to test H3 which states that Intellectual Capital and Islamic Corporate Governance have a significant effect on the financial performance of PT Bank NTB Syariah in 2019-2021 based on the Islamicity Financial Performance Index. The PLS output results show that all factor loading of each IC and ICG component that influences the significant test above 0.50.

The R-square value indicates a large effect of 72.%. The path coefficient or original sample also has a positive value indicating that only the ICG variable has a positive effect on financial performance (Islamicity Performance Index) during the conversion of PT Bank NTB Syariah 2019-2021. The results of the third hypothesis test show that the relationship between the IC and ICG variables with the Islamicity Performance Index shows a path coefficient value of 0.850 with a T-statistic value of 20.063 which is greater than the T-table of 1.960. This result means that IC and ICG together have a positive and significant relationship to the Islamicity Performance Index of PT Bank NTB Syariah for 2019-2021, which means that it is in accordance with hypothesis 3. This means **accepting Ha or rejecting H0**.

Hypothesis 3 is accepted that Intellectual Capital together with the company's Good Corporate Governance will be able to create value added to then drive the company's financial performance based on the Islamicity Performance Index. The index can be used as a tool to measure the performance of an institution. Various indices exist to measure institutional performance, but to measure the performance of Islamic financial institutions there are not many indices that can measure it, so the Islamicity Performance Index can be used as an alternative method that can reveal the performance of Islamic banks, in this case such as materialistic and spiritual values.

4. CONCLUSIONS AND SUGGESTIONS

Based on the results of testing the data analysis and discussion above, it can be concluded that partially the Islamic Corporate Governance (ICG) and Intellectual Capital (VAIC) variables have a significant effect on the Islamicity Performance Index of PT Bank NTB Syariah in 2019-2021. The Islamic Corporate Governance (ICG) variable shows a path coefficient value of 0.850 with a t-statistic or t-count value of 21.877 where the value is greater than t table 1.960 (t count > t table). This means **accepting Ha and rejecting H0**. Likewise the Intellectual Capital Variable (VAIC), showing a path coefficient value of -0.591 with a t-count value of 5.642. This value is greater than t-table 1.960 (tcount > ttable). This means **accepting Ha or rejecting H0**. Meanwhile, the Intellectual Capital and Islamic Corporate Governance variables simultaneously have a significant effect on the Islamicity Performance Index of PT Bank NTB Syariah in 2019-2021 because it shows a path coefficient value of 0.850 with a t-count value of 20.063 which is greater than t table 1.960 (t count > t table). This means **accepting Ha and rejecting H0**.

In accordance with the conclusions above, the researcher proposes suggestions to further researchers that they should be able to use other indicators in measuring Islamic financial performance so that more banks are covered so that the research results have a wider coverage. In addition, further research is expected to expand the research sample and the relationship between Intellectual Capital and other Islamic performance aspects such as the Disclosure Index, Corporate Governance Index, Social Responsibility Index, and Social Environment Index..

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