

THE INFLUENCE OF INTELLECTUAL CAPITAL AND NON PERFORMING FINANCING TO THE FINANCIAL PERFORMANCE OF SHARIA BANKING IN INDONESIA

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ABSTRACT

The development of Islamic banking finance has not met OJK's expectations, which is still below 5%. This research purposes to analyze the effect of intellectual capital and non-performing financing on financial performance. The research method used is descriptive quantitative using multiple linear regression test models. Withdrawal of samples using purposive sampling method in order to obtain 6 Islamic commercial banks in Indonesia with the data studied as many as 30 data used as research samples and hypothesis testing is done using partial significant test (t test) and simultaneous significant test (F test) with $\alpha = 5\%$. Hypothesis test results show that intellectual capital and non-performing financing have a significant effect on financial performance, either partially or simultaneously.

Keywords: *intellectual capital, net performance financing, financial performance*

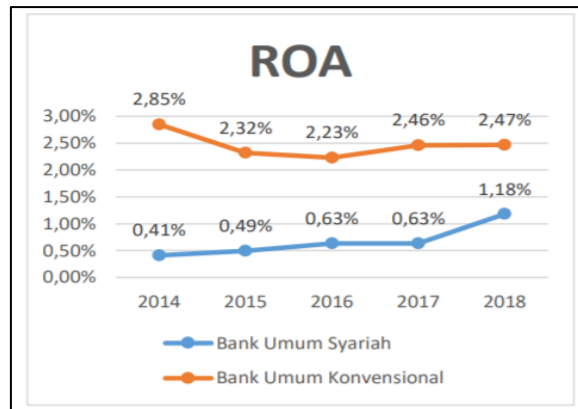
INTRODUCTION

Banks are business entities that collect funds from the public in the form of savings and distribute them to the public in the form of credit and / or other forms in order to improve the people's standard of living (UU No.10 of 1998).

The current development of Islamic banking is still far from expectations. If you look at the Muslim population which is the largest in the world, it does not guarantee the fast pace of development of Islamic banking. Even the financial performance of Islamic banks is not as bright as conventional banks.

The development of its financial performance is still not as expected by the OJK (Financial Services Authority) which is expected to be above 5%. Judging from the market share of Islamic commercial banks in Indonesia, the target of 5% has been met, but this is not due to organic growth but is caused by the conversion of conventional commercial banks to sharia so that the market share of Islamic commercial banks currently reaches 8.26 (Supriyanto, 2018). Total credit disbursed by national banks was Rp. 4,782 trillion compared to sharia banking lending which was only Rp. 291.18 trillion or only 6.08% of the total national banking loan distribution which was the cause of sluggish growth in the Islamic financial industry because it was still not integrated. regulations issued. (liputan6.com, 2018)

Minister of Finance Sri Mulyani Indrawati stated that the Islamic banking industry could grow negatively in 2020 due to the pressure from the corona virus pandemic or covid - 19. The Islamic banking industry must anticipate the risk of increasing the ratio of non-performing financing. "The risk of Islamic banking in the form of (increasing) NPF is one that determines the ability to survive and rise again," (www.cnnindonesia.com 23/07/2020).



Resource : www.ojk.co.id

Figure 1 : Graph of ROA Progression for Islamic Commercial Bank and Conventional Bank

Refers to the graph above, the ROA level of Islamic commercial banks is still below conventional banks and the increase is still below the OJK's expectation of 5%. The greater the ROA level of a bank, the greater the level of profit achieved by the bank and the better the position of the bank from the use of assets. The smaller this ratio identifies the lack of bank management's ability to manage assets to increase revenue and / or reduce costs (Rivai dan Arifin, 2010).

The level of financial performance has an important role for banks because the level of bank financial performance can affect public confidence in the bank. Because basically the community's assessment is seen from implicit measures such as facilities, services and profit levels. So that as an institution that uses funds from the public, the bank is required to maintain and improve its performance (Astutik, 2015: 3).

One of the most appropriate indicators to measure the performance of a company is profitability. The company's ability to generate profits can be used as a benchmark for company performance. The higher the profitability, the better the company's financial performance. One measurement that can be used in measuring a company's financial performance is Return On Asset (ROA). If the company's profit has increased or decreased, the ROA will change so that the measurement in the study uses ROA

Performance measurement is important for assessing the performance of bank management and planning for future performance improvements. Performance can be influenced by several variables, while the influential variables in this study are intellectual capital and non-performing financing.

Intellectual capital (intellectual capital) is an intangible asset in the form of information and knowledge resources that function to improve competitiveness and increase company performance and company value. According to the International Federation of Accountants (IFAC), there are several terms that are almost similar to intellectual capital, including intellectual property, intellectual assets, knowledge assets, all of which are intended as shares or capital based on the knowledge owned by the company. Meanwhile, Non Performing Financing is a ratio used to measure the ability of bank management in managing non-performing financing in Islamic Commercial Banks.

Research on intellectual capital is believed to play an important role in increasing company value and financial performance. (Chen, 2005), (Tan, 2007), and (Ulum, 2008) have proven that intellectual capital (VAICTM) has a positive effect on the company's financial performance by using the Pulic model as a measure of the company's intellectual ability. and Research Ch (2017); Rare, Safitri, & Kardinal (2016); Suhadak et al. (2013) which resulted that the NPF value has a negative effect. Meanwhile, in the research results of Susilowibowo

& Zulifiah (2014) it is known that the NPF variable has a positive effect on ROA. But in Hanania (2015); Lemiyana & Litriani (2016); Sabir, Ali, & Hamid (2012); Widyaningrum (2015) states that NPF has a significant negative effect on ROA. This study aims to determine the effect of intellectual capital and non-performing financing on financial performance either partially or simultaneously.

METHODS

Based on the problems studied, this study uses a descriptive quantitative approach. The quantitative research method proposed by Sugiyono (2017: 8) is a research method based on the philosophy of positivism used to examine certain populations or samples, data collection using research instruments, data analysis is quantitative / statistical, with the aim of testing the established hypotheses.

This research was conducted on all sharia banks registered with Bank Indonesia for the period 2014 - 2018. The dependent and independent variables in this study the follows:

Table 1
Variabel Operasional

Variabel	Pengukuran	Skala	Sumber
Intellectual Capital (X_3)	$iB-VAIC = iB-VACA + iB-VAHU + iB-STVA$	Rasio	Financial Statement
Non Performing Financing (X_2)	$NPF = \frac{\text{Financing (KL, D, M)} \times 100\%}{\text{Financing Total}}$	Rasio	Financial Statement
Financial Performance (Y)	$ROA = \frac{\text{Earnign after tax}}{\text{Total Asset}} \times 100\%$	Rasio	Financial Statement

Source: Author Proccesed data, 2020

The population used in this study were all Islamic banks registered with the OJK for the 2014-2018 period. The total population was 14 and not all of these populations would be the object of the study, so it is necessary to take further samples using purposive sampling method. The following details of determining the sample can be seen in table 2 the below:

Table 2
Sample Selection Process

No	Criteria	Offense Criteria	Total
1	Sharia Commercial Bank registered with the Financial Services Authority	0	14
2	Sharia Commercial Banks that have published annual financial reports consistently from 2014 to 2018	(2)	12
3	Islamic Commercial Banks that have complete data in accordance with the research variables	(6)	6
Total Sample of Sharia Commercial Banks			6
Total Sample 6 Sharia Commercial Banks X 5years			30

Source: Author Proccesed data, 2020

Analysis Technique

Methods of data analysis in this study using descriptive statistical analysis, classical assumptions and hypothesis testing with the help of Statistical Product and Service Solution (SPSS) version 22.0.

RESULT AND DISCUSSION

Descriptive statistical analysis

Analysis is used to provide a statistical picture of the independent variables and the dependent variable in the study. The variables in this study will be tested statistically descriptively as shown in table 3 below :

Table 3
Descriptive Statistics Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Intellectual Capital (X1)	30	,08	5,02	2,1051	,99971
Non Performing Financing (X2)	30	,04	4,97	2,5927	1,54277
Financial Performance (Y)	30	,02	1,01	,4472	,32405
Valid N (listwise)	30				

Source: Processed data from (SPSS 22), 2020

From the table above, it can be seen that the financial performance variable has a minimum value of 0.02, a maximum value of 1.01 and a mean value of 0.4472 with a standard deviation of 0.32405. The variable intellectual capital has a minimum value of 0.08, a maximum value of 5.02 and a mean value of 2.1051 with a standard deviation of 0.99971. The Non Performing Financing variable has a minimum value of 0.04, a maximum value of 4.97 and a mean value of 0.4472 with a standard deviation of 0.32405.

Classic Assumptions

Normality Test

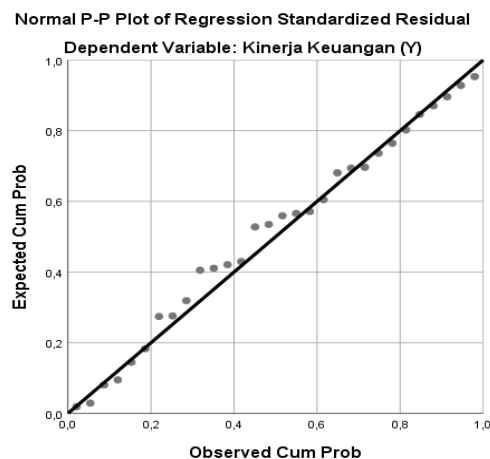


Figure 3 Normality Test Result

Source: Processed data from (SPSS 22), 2020

Based on Figure 3, it can be seen that the distribution points are around the diagonal line, and the spread follows the diagonal line. This means that the data in this study came from a normally distributed population.

Multicollinearity Test

Table 4
Multicollinearity Test Result
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	,442	,111		3,978	,000		
Intellectual Capital (X1)	,167	,035	,515	4,712	,000	,956	1,046
Non Performing Financing (X2)	-,142	,023	-,678	-6,307	,000	,989	1,012

a. Dependent Variable: Kinerja Keuangan (Y)

Source: Processed data from (SPSS 22), 2020

Berdasarkan tabel 4 *coefficients* di atas, nilai *Variance Inflation Factor* (VIF) dari masing-masing variabel independen tidak memiliki nilai yang lebih besar dari 10, sehingga dapat disimpulkan bahwa model dalam penelitian ini tidak mengandung multikolinieritas.

Heteroscedasticity Test

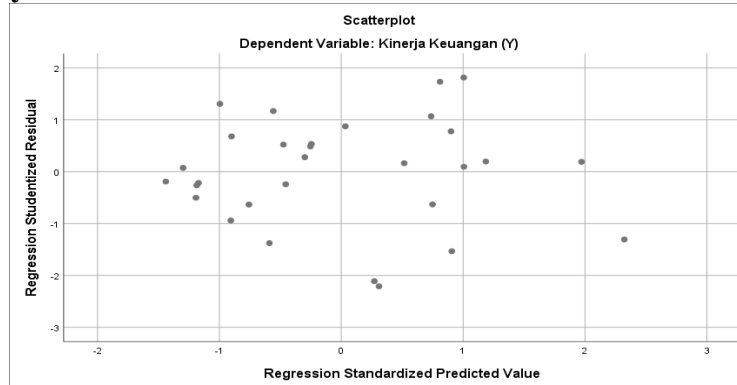


Figure 4

Heteroscedasticity Test Result

Source: Processed data from (SPSS 22), 2020

Based on Figure 4 above, it can be seen that the dots form a pattern randomly, and the dots spread above and below the 0 on the Y axis. So it can be concluded that there is no heteroscedasticity problem in the regression model

Hypothesis Test T Test

Table 5
Partial Test Result (T Test)

Model	Coefficients ^a				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,442	,111		3,978	,000
Intellectual Capital (X3)	,167	,035	,515	4,712	,000
Non Performing Financing (X2)	-,142	,023	-,678	-6,307	,000

a. Dependent Variable: Kinerja Keuangan (Y)

Sumber: Hasil olahan data dari (SPSS 22), 2020

From the results of the T test in table 3 it can be explained as follows:

1. Obtained the t-value for the Intellectual Capital (X3) variable was 4,712, while the t-table value for N = 30 was 2.05183. So $4,712 > 2.05183$ and a probability value of $0.000 < 0.05$, it can be stated that Intellectual Capital (X3) partially has a positive and significant effect on the financial performance of Islamic commercial banks (Y).
2. Obtained the t-value for the Non Performing Financing (X2) variable is -6.307, while the t-table value for N = 30 is 2.05183. So $-6,307 > 2.05183$ and the probability value of $0.000 < 0.05$, it can be stated that Non Performing Financing (X2) partially has a negative and significant effect on the financial performance of Islamic commercial banks (Y).

F Test

Tabel 6
Simultan Test Result (F Test)

Model		ANOVA ^a				
		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2,141	2	,714	20,508	,000 ^b
	Residual	,905	27	,035		
	Total	3,045	29			

a. Dependent Variable: Kinerja Keuangan (Y)

b. Predictors: (Constant), Non Performing Financing (X2), Intellectual Capital (X1)

Source: Processed data from (SPSS 22), 2020

From the results of the analysis in table 6 above, namely the ANOVA test, it is obtained that the Fcount value is 20.508. While Ftable (0.05) for N = 30 is 3.34. So F count > from Ftable (0.05) or 20,508 > 3.34 with a significant level of 0.000 because 0.000 < 0.05, it can be said that Intellectual Capital (X1) and Non Performing Financing (X2) simultaneously affect the financial performance of Islamic commercial banks (Y).

Table 7
Summary of Hypothesis Test Results

No	Influence	Hypothesis	T	sig	Information
1	X1 to Y	H1	4,712	,000	Accepted
2	X2 to Y	H2	-6,307	,000	Accepted

DISCUSSION

The Influence of Intellectual Capital on Financial Performance

Intellectual capital has a positive and significant effect on financial performance through the proxy of ROA, this happens because intellectual capital is intellectual property that is centered on human resources which functions to increase the competitiveness of human resources owned by the company. If the ability of human resources is getting better, then is expected to produce good performance for the company, so that the profitability of Return On Assets will increase. Based on resource-based theory, the company will excel in business competition and get good financial performance by owning, controlling and utilizing important strategic assets (tangible and intangible assets). Intellectual capital can play an important role in increasing company value and financial performance (ROA). These results support the research of Ulum et al (2008), and Kurniawan (2013), which show that intellectual capital has a positive effect on ROA. But these results are not in line with the research of Rismawati and Sanjaya (2013), which states that intellectual capital does not have a significant effect on company performance (ROA).

The Influence of Non Performing Financing on Financial Performance

Non Performing Financing has a negative and significant effect on financial performance, meaning that NPF has a negative effect on financial performance. A high NPF value indicates that the bank's financial performance is getting lower, because a higher NPF value will increase costs and indicate bad credit quality, so that Islamic banks will give bad signals to customers. In accordance with the signaling theory, which is to convey information on the current state of the bank to attract customers to invest. This shows that the high NPF value makes customers distrust the bank so that the bank is considered to have failed to manage finances. The NPF value shows the ratio of credit payments made by the customer, if the NPF value is higher, it indicates that payments are hampered and the bank bears losses due to this, so that the financial performance of the ROA will decrease. The research results found in the study by Suhadak et al. (2013) who found that the NPF value has a significant negative effect in relation to the customer's credit score, this means that there are obstacles in payment by the debtor and the bank must bear the loss, in other words, loans that are disbursed are intangible the expected results of credit by the bank. . Meanwhile, research conducted by Langka et al. (2016) show that the results of credit that have a negative and significant effect on Return On Assets (ROA) can occur if the loan made by the customer cannot generate profit and fails to be returned by the bank so that it experiences losses and decreases in profit trends. Rare Research et al. (2016) is also supported by research results Ch (2017)

CONCLUSION

Based on the results of the research and discussion previously described, some of the conclusions drawn are as follows:

1. Intellectual Capital has a positive and significant effect on financial performance, if the banking / company has competent human resources, the infrastructure within the company supports and has good relationships with customers / relations, it is expected that it will produce good financial performance for the company, so that profitability returns on assets will increase.
2. Non Performing Financing has a negative and significant effect on financial performance, if the NPF value is higher it will have a negative effect on the bank, the higher the NPF level of a bank, the higher the non-performing financing / bad credit of the bank will have a negative impact on the bank .

ADVICE

Advice in this research are:

1. Sharia banking. Should be able to improve financial performance properly through competent human resources, supported by infrastructure within the company and have good relationships with customers / relations.
2. Sharia banking are able to pay attention to the ratio of non-performing / non-performing financing so as to minimize the high NPF / non-performing financing ratio by taking into account the aspects that influence it.
3. For further researchers can add independent variables that are not examined in this study such as; Good Corporate Governance, Capital Adequacy Ratio, Corporate Social Responsibility etc.

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