The Relationship of Islamic Performance Index and Intellectual Capital by Supply Chain Management toward Banking Financial Performance in Indonesia

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Abstract- This study aims to investigate the relationship between Islamic performance index involving Profit Sharing Ratio (PSR), Zakat Performance Ratio (ZPR), Equitable Distribution Ratio (EDR), Islamic revenues vs Non-Islamic revenues and the efficiency of intellectual capital including physical capital, human capital and structural capital on the financial performance of companies by consdring the supply chain management strategy: Return on total assets (ROA).This quantitative study uses a secondary data in the form of annual financial statements. The data are valid because all of them taken from the data published on the websites of each Islamic Commercial Banks and Bank Indonesia website. The population of this study is 12 Islamic Commercial Banks in Indonesia from 2012 to 2016. This study uses multiple linear regression analysis to determine the effect of Islamic performance index and Intellectual Capital on the financial performances of Islamic Commercial Banks in Indonesia from 2012 to 2016.

Keywords- *Islamic performance index, Intellectual Capital, VAIC, Financial performance, Supply Chain management, bank system.*

1. Introduction

Sharia banking is knownas for Islamic Banking where the implementation is based on the Islamic law or Sharia and does not recognise "the practice of interest" in the various type of loan. The interest is considered usury and sins but is known as the "profit sharing system" or ratio where the process is known and approved by the bank and the customer.Islamic banking operates by sharia principles, and the operating procedures refer to the provisions of the Qur'an and Hadith. The data from the central bank in Indonesia said that the market share of Islamic banking in Indonesia in 2015 was only 4.61 percent or still below 5 percent. This achievement is still below the target set by Bank Indonesia (BI) of 5% from conventional banks. In line with the slowdown in economic growth, the Islamic finance sector has not been optimal in supporting economic growth. The growth of the two main sectors of the Islamic finance industry is the increase in the capital market from minus 1.57 percent to 3.09 percent. However, Islamic banking slowed from 13 percent to only 9 percent. In line with the economic slowdown, the growth of assets, Third Party Funds (TPF), and Islamic banking financing in the first semester of 2015 were also not optimal, at 9 percent, 7.29 percent, and 6.66 percent respectively. All experienced a slowdown compared to the growth of assets, third party funds, and financing in Semester II of 2014 at 13 percent, 11.41 percent, and 8.76 percent, respectively [1].Based on these various indicators, it appears that there are still many challenges for economic and Islamic financial development of Indonesia, both at the central and regional levels. It is predicted that in 2016, the growth of Islamic banking assets is estimated at around 15%. Therefore, the growth of the third-party funds (TPF) and financing still revolves around that number. Even though the sharia banking asset securitization program will be carried out in Indonesia towards sharia banking, it seems that this program only occurred in early 2017 [2].The tighter competition between Islamic banks and conventional banks requires Islamic banks to have a good performance so they can compete in the national banking market in Indonesia. This performance covers all aspects of performance whether financial or non-financial. The good performance of Islamic banks appears in the profitability obtained from the operations that have been carried out. Return on assets/ROA is a tool to measure profitability.

Based on several studies, it is known that measurement of company performance or financial performance is a

lot of discussions, but only about intellectual capital using a method that is often used, namely Value Added Intellectual Coefficient (VAIC ™). Meanwhile, the study of the ratio of financial performance of Islamic Banking namely Islam city Performance Index is still low. So, the researchers use several components of Islam city performance index (Profit Sharing Ratio, Zakat Performing Ratio, Equitable Distribution Ratio, and Islamic Income vs. Non-Islamic Income) that can be measured to see the financial performance in accordance with sharia objectives. Intellectual capital is an intangible asset that is very interesting to study and very necessary for the success of a company in achieving goals and in the development of science.

2. Literature review

The financial performance in this study is the financial performance based on the profitability of a company. According to [3], many factors can affect the profitability of a bank. In some cases, inflation can increase operating costs faster than income received. In measuring profitability, there are three types of measurements that can be used. These three ratios are the best known and the most widely used among other financial ratios. In each form, this ratio is intended to measure how efficiently a company has used assets and managed its operations. The focus of this group is on the final result (net income) [4].In financial statement analysis, this ratio is most often highlighted because is able to show the success of the company to produce profits and ROA is able to measure the ability of the company to generate profits in the past to be projected in the future.ROA is a measure of profit per rupiah asset and can be expressed in several ways, but the most common is net income divided by total assets. Because ROA is usually intended to measure performance during a given period, it would make sense to base it on average assets [4].

The definition of IC found in some literature is quite complex and diverse. One of the definitions widely used is offered by the Organization for Economic Co-operation and Development [5] which describes IC as the economic value of two categories of intangible assets; (1) organizational (structural) capital, and (2) human capital. More precisely, organizational (structural) capital refers to things like software systems, distribution networks, and supply chains. Human capital includes human resources within the organization (i.e. labor resources/employees) and external resources related to organizations, such as consumers and suppliers. [6] state that in general, the researchers identified three main constructs of IC, namely: human capital (HC), structural capital (SC), and customer capital (CC). According to [6], simply HC represents the individual knowledge stock of an organization represented by its employees. HC is a combination of genetic inheritances; education; experience, and attitude about life and business.

Furthermore, [6] state that SC covers all non-human storehouses of knowledge in organizations. Included in this case are databases, organizational charts, process manuals, strategies, routines and all things that make a company's value greater than its material value. CC is a knowledge that is inherent in marketing channels and customer relationships where an organization develops it through the course of business [6].The Value Added Intellectual Coefficient (VAIC ™) method developed [7] is designed to present information about the value creation efficiency of tangible and intangible assets ned by the company. This model is started with the ability of the company to create value added (VA). Value added is the most objective indicator to assess business success and demonstrate the ability of the company to create value [7]. VA is calculated as the difference between output and input [7].[8]state that output (OUT) represents revenue and includes all products and services sold in the market, while input (IN) includes all expenses used in obtaining revenue. According to [8], the important thing in this model is that employee expenses are not included in IN. Because of its active role in the process of value creation, the intellectual potential represented by labor expenses is not calculated as a cost and is out of the components of IN [7].

Pulic Model treats labor as the value-creating entity. VA is influenced by the efficiency of Human Capital (HC) and Structural Capital (SC). Another relationship from VA is Capital Employed (CE) which is labeled with VACA in this case. VACA is an indicator for VA created by one unit of physical capital. The relationship between VA and HC. "Value Added Human Capital" (VAHU) shows how much VA can be generated with funds spent on labor.The relationship between VA and HC indicates the ability of HC to create value within the company. Another relationship is "structural capital coefficient" (STVA), which shows the contribution of structural capital (SC) in creating value (VA). STVA measures the number of SCs needed to produce 1 rupiah from VA and is an indication of how successful SC is in value creation [8].

Furthermore, [7] states that SC is VA minus HC that has been verified through empirical studies in traditional industrial sectors [7]. The last ratio is the calculation of the intellectual ability of a company by counting the coefficients that have been calculated previously. The calculation results are formulated in a unique new indicator, namely VAIC ™ [8].The VAIC ™ method is superior because the data needed is

relatively easy to obtain from various sources and types of companies. The data needed to calculate the various ratios are standard financial figures that are generally available from the company's financial statements. The intellectual capital relationship with the company's financial performance has been empirically proven by several researchers in various approaches in several countries. [6] initiated research on IC by exploring relationships between IC components (human capital, customer capital, and structural capital). The study used questionnaire instruments and categorized industries in service and non-service categories. Most IC research uses secondary data in the form of financial reports (annual). Some researchers use VAIC ™, both to measure IC performance itself and to see the relationship between the IC and the Company Financial performance.

[9] examined the relationship between VAIC ™ and company performance in South Africa. The results indicate that the relationship between the efficiency of value-added IC and the three basic measures of company performance (i.e profitability, productivity, and market valuation) in general is limited and mixed. Overall, the results of this study indicate that physical capital is the most significant factor affecting the performance of companies in South Africa. [10] used the Pulic's model (VAIC ™) to examine the relationship between IC and market value and the company financial performance using a sample of public companies in Taiwan. The results show that IC has a positive effect on market value and corporate financial performance. In fact, [10] also prove that IC can be one indicator to predict company performance in the future.

[11] and [12] chose specifically the banking sector as a research sample. The results of these two studies indicate that VAIC ™ can be used as an instrument to rank the banking sector in Japan and India based on the performance of the IC. [11] and [12] classify banks based on IC performance in four categories, namely (1) top performers, (2) good performers, (3) common performers, and (4) bad performers. However, IC is believed to be able to play an important role in increasing corporate value and financial performance. [9], [10] and [8] have proven that IC (VAIC ™) has a positive influence on the financial performance of companies using VAIC ™ formulated [7; 1999; 2000) as a measure of corporate intellectual ability (corporate intellectual ability).

According to [13],[10],[14] if Intellectual Capital (IC) is a measurable resource for increasing competitive advantages, IC will contribute to the financial performance of companies. Seeing the extraordinary changes that have resulted in the production of business factors in the new knowledge economy, it is very important for companies to realize the elements of intellectual capital that can lead to value creation. The most important differentiator between Conventional Banks and Islamic Banks is the halal concept. This is due to the transcendental nature of each transaction in each Muamalah activity and Islamic law [15]. The Islamic banking operational system can be concluded consisting of a collection system, a fund distribution system collected, and the system of providing financial services [16]. Sharia banking products that have received recommendations from the National Syariah Board to run include Mudharabah, Murabahah (Financing by margin), Musyarakah, Wadi'ah, Ijarah, Qard Al-Hassan, and others [17]. Thus, the main functions of modern banking, namely receiving deposits, channeling funds, and transferring funds have become an inseparable part of the lives of Muslims, even from the time of the Prophet Muhammad [18].

Evaluating the performance of Islamic financial institutions is as important as measuring individual achievements. It is clear that the roles and responsibilities of Islamic financial institutions are not only limited to the financial needs of various parties, but the most important is how they carry out their business and actions used to ensure all activities in accordance with sharia. One way to measure organizational performance is through an index. Although there are currently several indices arranged to measure organizational performance, there are no many indices that can be used to measure the performance of Islamic financial institutions. [19] developed an index named Islam city performance index. This index is used to measure the performance of Islamic financial institutions. Islamic performance index contains seven ratios where this ratio is a reflection of the performance of Islamic banks.

The profit sharing ratio shows the existence of Islamic banking in carrying out its operational activities. This ratio shows the amount of revenue for the results obtained by the company. The increase in the amount of profit sharing obtained by Islamic banking can show its existence in the community. It also shows that if the profit sharing get increasing, Islamic banking revenue will also increase. The increase in income indicates an increase in profits, so the performance of Islamic banking has also increased. Zakat performing ratio shows conventional performance indicators in Islamic banking to replace earnings per share components. Zakat paid by Islamic banking is the basis for measuring the performance of Islamic banking. Zakat payments made by Islamic banking can improve the image of Islamic banking, so that social performance looks good. Because of this good image, people will be

interested in saving their funds in Islamic banking or in using Islamic banking financing products. This can increase third-party funds and increase financing so that the profits obtained also increase.

The Equitable distribution ratio shows distribution to all stakeholders. The stakeholders are shareholders, the community, employees, and the bank itself. By looking at the number of expenditures for Qard and virtue funds, wages for employees, and others can be known the amount of distribution to each stakeholder. The greater the distribution provided by Islamic banking shows that the performance of Islamic banking also increases. Islamic income vs. non-Islamic income shows the amount of halal income obtained by Islamic banking. The high ratio shows that Islamic banking revenues from halal sources are also high. High halal income shows the performance of Islamic banking is also increasing. Therefore, Islamic income vs. non-Islamic income has a significant effect on the performance of Indonesian Islamic banking finance.

3. Research methodology

3.1 Location and Research Object

This research is conducted on the Islamic commercial banks listed on Bank Indonesia in the period of 2012-2016 and the selection of the research period based on the availability of the latest data. The selection of the banking sector because the intellectual and employee aspects of the banking sector is more homogeneous compared to other economic sectors as a whole [20]. The object in this study consists of independent variables and dependent variables.

3.2 Independent Variables

Intellectual Capital measured in this study consists of 3 variables [21]. The Intellectual Capital referred to in this study is IC performance which is measured by the value added created by physical capital (VACA), human capital (VAHU), and structural capital (STVA). The formulations and calculation stages of VAIC ™ are as follows:

3.2.1 First Stage: Calculating Value Added (VA).

VA = OUT – IN

Where:

a.OUT = Output: total sales and other income.

b.IN = Input: selling expenses and other costs (other than employee expenses).

3.2.2 Second Stage: Calculating Value Added Capital Employed (VACA).

VACA = VA/CE

Where:

a. VACA = Value Added Capital Employed: ratio from VA ratio to CE.

b. VA = value added

c. CE = Capital Employed: available funds (equity, net income)

3.2.3 Third Stage: Calculating Value Added Human Capital (VAHU).

VAHU = VA/HC

Where:

a. VAHU = Value Added Human Capital: ratio from VA to HC.

b. VA = value added

c. HC = Human Capital:employee expenses

3.2.4 Fourth Stage: Calculating Structural capital Value Added (STVA).

STVA = SC/VA

Where:

a.STVA = Structural Capital Value Added: rasio from SC to VA.

b.SC = Structural Capital :**VA – HC**

c.VA = value added

3.2.5 Fifth Stage: CalculatingValue Added Intellectual Coefficient (VAIC™).

VAIC™ = VACA + VAHU + STVA

In terms of the Islamic Performance Index, this study measures 4 variables consisting of profit sharing ratio, zakat performing ratio, equitable distribution ratio, and Islamic income vs. non-Islamic income. This index consists of ratios which are a reflection of the performance of Islamic banks. The Islamic Performance Index calculations are as follows:

1. Profit Sharing Ratio (PSR)

Profit Sharing Ratio = $\frac{\text{Mudaraba + musyarakah}}{\text{Total Financing}}$

2. Zakat Performance Ratio (ZPR)

Zakat Performance Ratio = $\frac{\text{Zakat}}{\text{Net Asset}}$

3. Equitable Distribution Ratio (EDR)

Average Distributian for Each Stakeholders =

Qard and Donation+ Employees' Expenses+ Shareholders + Net Profit

Number of Stakeholders

Equitable Distribution Ratio = $\frac{\text{Average Distributian for Each Stakeholders}}{\text{Total Revenue}}$

4. Islamic Income Vs Non-Islamic Income

Islamic Income

Islamic Income Vs Non Islamic Income = Islamic Income + Non Islamic Income

3.3 Dependent Variable

The dependent variable in this study is financial performance using ROA profitability proxy. The financial performance is measured as follows:

ROA= Net Profit

Total Assets

[4]. The population of this study is all Islamic commercial banks listed on Bank Indonesia in 2012-2016 and routinely report their financial positions to Bank Indonesia (BI). Based on BI data, the number of Islamic banks in Indonesia as of December 2016 was 12 banks consisting of PT. Bank Aceh Syariah, PT. Bank Muamalat Indonesia, PT. Bank Victoria Syariah, PT. BRI Bank Syariah, PT. Bank Jabar Banten Syariah, PT. Bank BNI Syariah, PT. Bank Syariah Mandiri, PT. Bank Mega Syariah, PT. Panin Syariah Bank, PT. Bank Syariah Bukopin, PT. BCA Syariah, PT. Maybank Syariah Indonesia, and PT. Bank Tabungan Pensiunan Nasional Syariah. The samples in this study were conducted by purposive sampling based on certain considerations andthe following conditions: (i) Islamic Commercial Banks that have been operating nationally and listed on Bank Indonesia during 2012-2016. (ii) Islamic Commercial Banks that have consistently not changed the form of business entities during 2012-2016 so that there is no change in the consistency of accounting so that the research variables in the financial statements of the period can be compared. (iii) Islamic Commercial Banks must provide complete annual financial statements for 2012-2016 in the form of financial position reports, income statements, changes in equity reports, cash flow reports, sources and distribution of zakat funds, reports on sources and uses of merit funds, and notes on financial statements. The data used in this research are secondary data obtained from the annual reports of Islamic banks in Indonesia from 2012 to 2016. The data collection methods used in the study was the documentation method and analyzed using multiple regression analysis with the help of SPSS. Regression analysis is a statistical tool that provides an explanation of the pattern of relationships between independent variables and the dependent variable. One model of the estimation procedure for multiple linear regression is the Least Square procedure. The concept of the Least Square method is to estimate the regression coefficient (ß) by minimizing errors. The regression is as follows:

The Effect of Intellectual Capital (IC) and Islamic performance index (IPI) on Islamic banking financial performance.

$$\mathbf{Y= a + ß_1 X_1 + ß_2 X_2 + ß_3 X_3 + ß_4X_4 + ß_5 X_5 + ei}$$

Description:

Y = return on asset

a = constants

ß1- ß5 = regression coefficient

X_1 = Value Added Intellectual Capital (VAIC)

X_2= Profit Sharing Ratio

X_3 = Zakat Performing Ratio

X_4= Equitable Distribution Ratio

X_5= Islamic Income vs Non-Islamic Income

ei = residual error (error)

4. Results and discussions

Sharia banking is Islamic Banking where the implementation is based on the Islamic law or Sharia and does not recognize "loan interest" or loan interest rates. The interest is considered usury and sins but is known as the "profit sharing system" or ratio where the process is known and approved by the bank and the customer. Sharia banking operates in accordance with sharia principles, and the operating procedures refer to the provisions of the Qur'an and Hadith. After the enactment of Law No. 21 of 2008 concerning Islamic Banking issued on July 16, 2008. The development of the national Islamic banking industry increasingly has a legal basis and will encourage growth more quickly. In the last five years, the development has reached an average asset growth of more than 65% per year, so it is expected that the role of Islamic banking in supporting the economy is increasingly significant. The comprehensive strategy of the Islamic Banking market development formulated by Bank Indonesia covers strategic aspects. They are the Determination of 2010 vision as the leading sharia banking industry in ASEAN, Establishment of a new image of national Islamic banking that is inclusive and universal, Market mapping more accurately, Product development more diverse, improved services, and a new communication strategy that positions Islamic banking more than just a bank.

In general, the development of the performance of Islamic Banking in Indonesia can be viewed in terms of the development of the number of banks and offices. The development of the number of Islamic banks and offices are in the following table:

The Development of the Number of Islamic Banks and Offices in Indonesia in 2016

No	Islamic Banking	Number of Banks and Offices (Units)				
		2012	2013	2014	2015	2016
1	Islamic Conventional Bank					
	- Bank	11	11	12	12	13
	- Office	1745	1998	2151	1990	1869
2	Islamic Business Unit					
	- Bank	24	23	22	22	21
	- Office	517	590	320	311	332
3	Bank Pembiayaan Rakyat Syariah					
	- Bank					
	- Office	158	163	163	163	166
		401	402	439	446	453
Total		193	197	197	197	200
Percentage (%)		0	2,07	0	0	1,52
Total Office		2663	2990	2910	2747	2654
Percentage (%)		0	12,28	-2, 68	-5,6	-3,39

The above table generally shows that the number of Islamic Banking Indonesia has increased, although not significantly. While the number of Islamic Banking offices in Indonesia has decreased, although it is also not significant. In terms of the number of banks, there were 193 units in 2012. There was an increase of 2.07 percent In 2013 which was 197 units. In 2013, there was an increase of 2.07 percent, which was 197 units. The following year for two consecutive years, namely 2014 and 2015 did not experience an increase in the number of Islamic Banks. In 2016, the number of Islamic Banks increased again by 1.52 percent or 200 units. This increase in the number of Islamic Banks is particularly in Islamic Commercial Banks and Islamic Community Financing Banks.

In terms of the number of offices in Islamic Banking, there were 2663 Islamic Banking offices in 2012. Then in 2013, there was an increase of 12.28 percent, which was 2990 units. However, the following 3 (three) years, namely in 2014, 2015 and 2016 the number of Islamic Banking offices decreased by 2.68 percent (2910 units), 5.6 percent (2747 units), 3.39 percent (2654 units). This decrease in the number of offices in Islamic Banking is specifically for Islamic Commercial Banks and Islamic Business Units. Based on the number of Sharia Banking banks and offices scattered throughout the territory of Indonesia, Islamic Banks employ workforce at each Bank and office. The following is a table of developments in the number of Islamic Banking workers in Indonesia.

The Development of the Number of Islamic Banking Workers in Indonesia in 2016

No	Perbankan Syariah	Jumlah Tenaga Kerja (jiwa)				
		2012	2013	2014	2015	2016
1	Islamic Commercial Banks	24.111	26.717	41.393	51.413	51.110
2	Islamic Business Unit	3.108	11.511	4.425	4.403	4.487
3	Bank Pembiayaan Rakyat Syariah (BPRS)	4.359	4.826	4.704	5.102	4.372
Total		31.578	43.054	50.522	60.918	59.969
Persentage (%)		0	36,34	17,35	20,58	-1,56

The table above shows that in general the development of the number of workers in Islamic Banking has increased. In 2012, Islamic Banking had 31,578 workforces. In 2013, the number of workers had reached 43,054 people or increased by 36.34 percent. The development of the number of workers in Islamic Banking continues to increase as in 2014 the number of workers was 50,522 people, up 17.35 percent and in 2015 as many as 60,918 people and increased by 20.58 percent. But in 2016, the number of workers in Islamic Banking decreased slightly by 1.56 percent or 59,969 people. The development of the Islamic Banking workforce is predominantly dominated by Islamic Commercial Banks which have quite a large number of workers compared to Islamic Business Units and Bank Pembiayaan Rakyat Syariah(BPRS). Islamic Banking employe pprofessional workers to run the operation of the companies, especially in Islamic Commercial Banks. In the operations, Islamic Banking manages all existing company capital to generate value for the company. Like conventional banking, Islamic banking is also financing oriented. The Islamic Banking business orientation in financing is not only for profit but also for Falah oriented or towards the welfare of the community. The development of Total Assets, Third party Funds, and Financing ratios for third-party funds of Islamic Banks in 2016 as in the following table:

The development of Total Assets, Third party Funds, and Financing Ratios for the Third-Party Funds of Islamic Conventional Banks

No	Indicator	Total (Billion Rupiah)
1	Assets	322.351
2	Third-Party Funds	206.407
3	Financing	177.482
Total		706.240

The table above shows that the Islamic Commercial Banks in Indonesia during 2016 had assets of 322,351 billion Rupiah where the third party funds held by Sharia Commercial Banks in Indonesia amounted to 206,407 Billion Rupiah while the financing made by Islamic Commercial Banks in Indonesia is 177,482 Billion Rupiah. Up to December 2016, the number of customers of third-party funds in Islamic Banks in Indonesia continues to increase, reaching 15,488,398 people. Meanwhile, the number of financing customers at Islamic Commercial Banks in Indonesia also continues to increase whereas up to December 2016 reached 3,360,698 people. Up to December 2016, the number of customers of third-party funds in Islamic Banks in Indonesia continues to increase, reaching 15,488,398 people. Meanwhile, the number of financing customers at Islamic Commercial Banks in Indonesia also continues to increase whereas up to December 2016 reached 3,360,698 people. The development of the number of customers continues to increase and one of which is caused by the principles or laws adopted by the Islamic banking system. In accordance with the principles adopted by the Islamic banking system, saving money on Islamic banks is a form of investment. The amount of return on investment returns depends on the results of the business that actually happened and carried out by the bank as the fund manager. So, it concludes that Islamic banks cannot simply distribute money. Islamic banks must constantly strive to increase Return On Investment (ROI) so that it is more attractive and gives more trust to fund owners. Growth in the number of Islamic Banking customers in Indonesia for 5 (five) years appears in the following table:

The Growth in the Number of Islamic Banking Customers in Indonesia, 2016

Type of Product	Number of Customers				
	2012	2013	2014	2015	2016
Savings (Third-Party Funds)	10.847.862	12.724.187	14.386.575	18.481.911	18.521.091
	-	17,3	13,1	28,5	0,21
Financing	2.512.295	3.472.214	3.769.181	3.746.565	3.801.121
	-	38,2	8,6	-0,6	1,5

The table above appears that the growth in the amount of savings (Third Party Funds) for five years from 2012 to 2016 continues to increase. However, the percentage of growth has decreased from year to year, as in 2013 (17.3%) in 2014 fell to (13.1%). In 2015, the percentage of growth increased significantly (28.5%), then dropped again very significantly (0.21%)in 2016.On the other hand, the growth of financing for the five years from 2012 to 2016 has also increased. However, in percentage terms, financing growth continued to decline significantly. It rose (38.2%) In 2012 and 2013, but dropped significantly in 2014 (8.6%). In 2015, the percentage of financing growth declined very significantly (-0.6%), and the number of customers (Third Party Funds) increased very significantly in 2015, but financing declined very significantly. All of the matters could be caused by the lack of relationship between banks and customers.

Performance covers all aspects of performance, whether financial or non-financial and a good performance appears in the profitability obtained from operations that have been carried out. Return on Assets-ROA is a tool to measure profitability which is able to measure the ability of a company to generate profits in the past to be projected in the future.

The financial performance of Islamic banking can be seen from financial ratios. The following are the Islamic banking financial ratios in Indonesia for the past 5 (five) years.

Financial Performance of Islamic Banks, 2016

Ratios	Islamic Banking Financial Ratios (%)				
	2012	2013	2014	2015	2016
CAR	14,13	14,42	15,74	15,02	15,95
ROA	2.14	2,00	0,41	0,49	0,63
ROE	24,06	17,24	5,85	5,71	4,95
NPF	2,22	2,62	4,33	4,02	6,59
FDR	100,00	100,32	91,50	88,03	85,99
BOPO	74,97	78,21	96,97	97,01	96,23

Source: Islamic Banking Statistics, 2016

In general, Islamic banking financial ratios have decreased. However, the CAR ratio has increased even though it is not significant. The capital adequacy ratio (CAR) is still considered healthy because the ratio is above 8%. For ROA, from 2013 to 2014, there was a decline. From 2015 to 2016 the ROA ratio showed a slight increase (not significant). Likewise, ROE continued to decline from 2012 to 2016 which is likely due to a decrease in internal factors. This is reinforced by the increasing ratio of non-performing financing to NPF. The ratio of financing to third-party funds (FDR) also continued to decline from 2012 to 2016. While the ratio of operating costs to operating income from 2012 to 2015 continued to increase, even though it experienced a decline in 2016 (not significant).

4.1 Descriptive Analysis

The population of this study is 12 units of Islamic Commercial Banks registered at Bank Indonesia for the period 2012-2016 and the samples taken using the purposive sampling method based on research criteria. This study uses secondary data in the form of financial statements published by each Islamic banks registered at Bank Indonesia. Based on the criteria mentioned, there are 5 Islamic Commercial Banks used as research samples, namely: Bank Syariah Mandiri; Bank BNI Syariah; Bank BRI Syariah; Bank Mega Indonesia Syariah; PT. BCA Syariah. The dependent variable in this study is financial performance, and the independent variables are intellectual capital, profit sharing ratio, zakat performing ratio, equitable distribution ratio, and Islamic income vs. non-Islamic income. The descriptive statistical analysis presents numerical measures in the form of minimum, maximum, mean and standard deviations for each variable. The results of data analysis regarding descriptive statistics are as follows:

Table. The Resuts of Descriptive Statistics Analysis

	MIN	MAX	MEAN	
Y	,0005	,0232	,00658	,0
X1	,9454	3,234	2,1364	,5
X2	,0064	,5729	,27721	,1
X3	,0000	,0012	,00044	,0
X4	,0286	,4878	,16838	,1
X5	,7808	1,0024	,89646	,0

4.2 The Influence of Intellectual Capital on Financial Performance of Islamic Banking in Indonesia

Intellectual capital has a positive and significant effect on the financial performance of Islamic banks registered on Bank Indonesia in 2012-2016. The test results are as follows:

Constants	Coefficient	Calculation		T-value		Sig
		R	R^2	Count	Table	
-0,009	0,009	0,830	0,653	7,623	2,045	0,000

The intellectual capital correlation coefficient is 0.830 which indicates that the relationship between intellectual capital and financial performance is significant. The determinant coefficient value of 0.653 indicates that the financial performance described by intellectual capital is 65.3% and the intellectual capital (X1) regression coefficient value is 0.009 which means that each increase in the intellectual unit by 1 unit will increase financial performance by 0.009 units. In addition, t-count is higher than t- table (7,623> 2,045). This indicates that there is a significant positive effect of intellectual capital on financial performance. It means that the better the intellectual capital value, the better financial performance of Islamic banks. A well-managed Intellectual capital by companies can create a value-added for the company itself. On the basis of these value-added, funders will also provide a value-added to companies by investing higher. Therefore, this value-added will improve the performance of the company

4.3 The Effect of Profit Sharing Ratioon the Finacnial Performance of Islamic Banking in Indonesia

There is a significant effect of profit sharing ratio on the financial performance of Islamic Banking registered at Bank Indonesia in 2012-2016.

Constants	Coefficient	Calculation		T-value		Sig
		R	R^2	Count	Table	
0,013	-0,021	0,452	0,171	-2,066	2,045	0,049

The profit sharing ratio correlation coefficient is 0.452 which indicates a weak relationship between profit sharing ratio and financial performance. In addition, the determinant coefficient value of 0.171 indicates that the financial performance explained by the profit sharing ratio is 17.1%. The regression coefficient value of profit sharing ratio (X2) is 0.021which means that every increase in the profit sharing ratio of 1 unit will reduce financial performance by 0.021 units. In addition, t- count is higher than t-table (2,066> 2,045).This indicates that the higher the value of the profit sharing ratio, the lower the financial performance of Islamic banking. In this study, the profit sharing ratio increase and cause a decrease in financial performance. This can occur because of other factors that influence other than the profit sharing ratio. The loss of the business being run can cause a decrease in financial performance.In addition, indications of non-current financing can also affect low financial performance. The number of Non-Performing Financing (NPF) in 2012-2016 experienced fluctuations and the increase in NPF value resulted in a decrease in financial performance. Although the amount of profit sharing financing is increasing, if not many customers pay off or pay, it will reduce the financial performance of Islamic banking.

4.4 The Effect of Zakat Performing Ratio on the Financial Performance of Islamic Banking in Indoneisa

There is a significant effect of Zakat performing ratio on the financial performance of Islamic banking registered on Bank Indonesia from 2012 to 2016.

Constants	Coefficient	Calculation		T-value		Sig
		R	R^2	Count	Table	
0,008	4,763	0,272	0,074	1,456	2,045	0,146

The regression coefficient value of zakat performing ratio (X3) is 4.763, which means that each increase in zakat performing ratio of 1 unit will increase financial performance by 4.763 units. The value of t-count is lower than t-table (1,456 <2,045). This indicates that there is no significant effect of zakat performing ratio on financial performance. The change in the value of the zakat performing ratio does not affect the financial performance of Islamic banking. This indicates that there are other factors that influence financial performance other than zakat. The source of Islamic banking zakat funds consists of zakat from within the Islamic banking entity and zakat funds from outside the Islamic banking entity. Zakat from an Islamic banking entity is the expenditure of zakat by Islamic banks on assets owned, while zakat from outside the entity is zakat from customers and the public. The amount of zakat issued by Islamic banking is still relatively low, so the funds used are mostly dominated by zakat from outside the banking entity. This resulted in the number

of zakat payments not affecting the performance of Islamic banking.

4.5 The Effect of Equitable Distribution Ratio on the Financial Performance of Islamic Banking in Indonesia

There is a singificant effect of equitable distribution ratioon the performance the financial performance of Islamic Banking registered on Bank Indonesia from 2012 to 2016.

Constants	Coefficient	Calculation		T-value		Sig
		R	R^2	Count	Table	
0,004	0,010	0,235	0,055	1,369	2,045	0,212

The value of t-count is higher than t-table (1.369 <2.045) which indicates that there is no significant effect of the equitable distribution ratio on financial performance. The changes in the value of the equitable distribution ratio do not affect the financial performance of Islamic banking. Equitable income made by Islamic banking does not affect financial performance which is due to other factors. In addition, equal distribution of income is still limited to a number of stakeholders. Based on the equalization dividend ratio (EDR), the average of Islamic banking emphasizes income allocation among key stakeholders, namely employees and Islamic banking itself. Income distribution to shareholders and the public is relatively low.

4.6 The Effect of Islamic Income vs. Non-Islamic Income on Financial Performance of Islamic Banking in Indonesia

There is a significant effect of Islamic income vs. non-Islamic income on the financial performance of Islamic Banking registered on Bank Indonesia from 2012 to 2016.

Constants	Coefficient	Calculation		T-value		Sig
		R	R^2	Count	Table	
-0,013	0,023	0,133	0,015	0,623	2,045	0,517

The value of t-count is lower than t-table (0.623 <2,045). This indicates that there is no significant effect of Islamic income vs. non-Islamic ratio on financial performance. The change in the value of Islamic income vs. non-Islamic ratio does not affect financial performance in Islamic banking because there are other factors of 98.5% affecting financial performance. In addition, the main source of Islamic banking social responsibility activities (halal and non-halal income) comes from charity funds and other social funds that are also collected by Islamic banking. So, the operating income of the bank will not affect the financial performance of Islamic banking. In practice currently, non-halal funds or non-halal incomes are part of unavoidable funds. In the notes to the financial statements, it is stated that the charity funds in Islamic banking are the receipt of fines of financing customers and demand deposits from non-Islamic or conventional banks. Islamic banking that obtains non-halal income from conventional activities proves that the bank has not carried out the activities in accordance with Islamic principles. In addition, the existence of non-halal funds is then distributed as a charity fund (given as donations and distributed to other institutions) and causes pros and cons. Non-halal income obtained by Islamic banking is basically unlawful and is actually given as a contribution (charity fund), although it comes from non-halal income.

4.7 The effect of intellectual capital, profit sharing ratio, zakat performing ratio, equitable distribution ratio, and Islamicity income vs. non-Islamic income simultaneously on the financial performance of Islamic Banks registered on Bank Indonesia.

The correlation coefficient of 0.854 shows that the relationship between intellectual capital, profit sharing ratio, zakat performing ratio, equitable distribution ratio, and Islamicity income vs. non-Islamic income together with financial performance is significant. In addition, the coefficient of determination of 0.708 indicates that financial performance is explained by intellectual capital, profit sharing ratio, zakat performing ratio, equitable distribution ratio, and Islamicity income vs. non-Islamic income by 70.8%, while the remaining 29.5% explained by other causes out of this study.

Information	Regression Coefficient
Constants	0,001
X1	0,007
X2	-0,007
X3	-3,215
X4	-0,001
X5	-0,005
R	0,854
R Square	0,705
F-count	11,478
F-table	2,62

Simultaneously, the higher Intellectual Capital, Profit Sharing Ratio, Zakat Performing Ratio, Equitable Distribution Ratio, and Islamic Income vs. Non-Islamic Income, the higher the Financial Performance of Islamic Banking in Indonesia where the value of f-count is higher than f-table (11,478> 2,62) and the significance is 0.000 or lower than 0,050.

5. Conclussions

Based on the results of the analysis and discussions in this study, it can be concluded that:Intellectual Capital has a positive and significant effect on the financial performance of Islamic Banking in Indonesia, Profit Sharing Ratio has a positive and significant effect on the financial performance of Islamic banking in Indonesia, Zakat Performing Ratio has no significant effect on the financial performance of Islamic banking in Indonesia, Equitable Distribution Ratio has no significant effect on the financial performance of Islamic Banking in Indonesia, Islamic Income vs. Non-Islamic Income has no significant effect on the financial performance of Islamic banking in Indonesia. Meanwhile, Intellectual Capital, Profit Sharing Ratio, Zakat Performing Ratio, Equitable Distribution Ratio, and Islamic Income vs. Non-Islamic Income have a positive and significant effect on the financial performance of Islamic banking in Indonesia. Based on the conclusions of the results of the analysis and the limitations of this study, the researchers suggest that the Islamic Banking Management should always pay attention to the Intellectual capital owned and should not only be oriented towards the high financing of profit sharing, but the procedure for providing financing must also be considered. Besides, Islamic Banking Management should not only emphasize equitable allocation only to employees and banks themselves, but also to the community and shareholders.

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