

THE INFLUENCE OF ISLAMICITY PERFORMANCE INDEX AND INTELLECTUAL CAPITAL ON SHARIA BUSINESS UNIT PROFITABILITY

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ABSTRACT

Sharia Business Unit in Indonesia is experiencing increasingly rapid growth. Islamic financial institutions establish profitability as a measuring tool to improve financial performance. Several ratios can be used to take measurements on profitability, such as Islamicity Performance Index and Intellectual Capital. The study aims to analyze the influence of Islamicity Performance Index and Intellectual Capital on profitability in Sharia Business Units in Indonesia. This type of research is quantitative. The sample used is 16 Sharia Business Units in Indonesia for the period 2018-2020. The data analysis technique used is panel data regression, using the eviews 12 application program. The results showed that is partially Equitable Distribution Ratio, Islamic Income vs. Non-Islamic Income and Intellectual Capital had a significant positive influence on profitability. Simultaneously stated that the Islamicity Performance Index and Intellectual Capital have a significant effect on Profitability in sharia business units in Indonesia.

Keywords: *Islamicity Performance Index, Intellectual Capital, Profitability*

Article History:

Received : 10 May 2022
Revised : 21 September 2022
Accepted : 23 December 2022
Available online : 21 January 2023

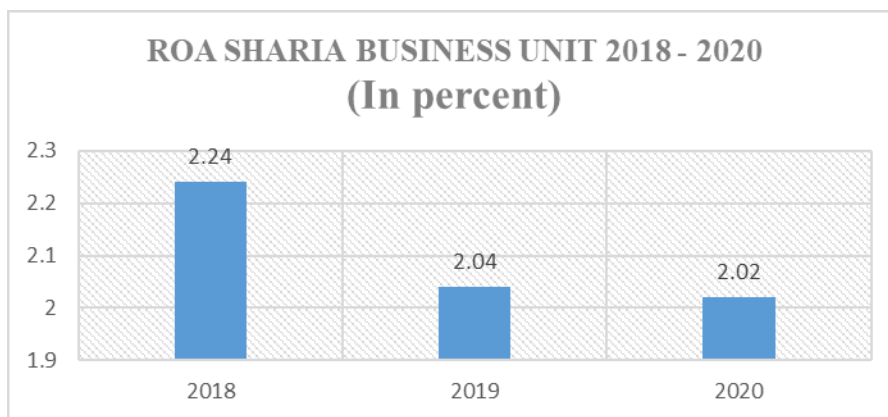
I. INTRODUCTION

I.1. Introduction

The development of Islamic banking in Indonesia is experiencing rapid progress. This is seen in terms of indicators of the development of Islamic banking assets (Khasanah, 2016). In 2020 the total assets of Islamic banking amounted to Rp 608.90 billion, the composition of Islamic banking assets consisted of Islamic Commercial Bank/*Bank Umum Syariah* (BUS) of 65.21%, Sharia Business Unit/*Unit Usaha Syariah* (UUS) of 32.33%, and the last of Islamic Rural Banks/*Bank Pembiayaan Rakyat Syariah* (BPRS) of 2.46% (OJK, 2021). This increase shows that Islamic banking has the potential to help Indonesia's economy grow while also helping the community.

Islamic banking is a financial institution based on sharia principles. The Government of Indonesia has regulated this in Law No. 21 of 2008 that Islamic Banking regulates everything related to Sharia Commercial Banks and Sharia Business Units, among others: institutions, business activities, and ways and processes in carrying out their business based on sharia principles (Law of the Republic Indonesia Number 21 of 2008).

Sharia Business Unit is a working unit of the head office of Conventional Commercial Bank which serves as the parent office or unit that carries out activities based on sharia principles. Sharia business units are under the auspices of conventional commercial banks, but the operating activities of sharia business units are based on Sharia principles. Currently, the percentage of total assets of Islamic business units in Islamic banking is 32.33%, this shows that sharia business units are able to contribute to Islamic banking even under conventional commercial banks (OJK, 2021).



Source : Statistic Islamic Banking September 2021

Figure 1.
Return on Assets in Sharia Business Unit 2018-2020

Based on the data above, sharia business units experienced a decrease in Profitability from 2018 - 2020. In 2018 it was 2.24%, in 2019 it was 2.04% and in 2020 it was 2.02%. Meanwhile, the total asset growth of sharia business units from 2018 to 2020 continues to increase. This triggered the Sharia Business Unit to evaluate the company's financial performance (OJK, 2021).

Hameed et al. developed financial performance measurements with the Islamicity Performance Index, which is used in Islamic banking to assess the amount of achievement or

success of Islamic banks, not just in terms of finance, but also in terms of the concepts of fairness and purification (*tazkiyah*) of Islamic banking operations (Hameed *et al.*, 2004). This index has 7 ratios, namely Profit Sharing Ratio, Zakat Performance Ratio, Equitable Distribution Ratio, Director Employee Welfare Ratio, Islamic Income vs Non Islamic Income, Islamic Investment vs Non Islamic Investment and AAOIFI. In this study, AAOIFI calculations were not included because they had no effect on overall performance assessment (Khasanah, 2016).

Fatmala showed that Zakat Performance Ratio has a positive effect on profitability. Yusro's research states that the Zakat Performance Ratio and Islamic Income vs Non Islamic Income positive effect on return on assets. Rahmatullah showed that Equitable Distribution Ratio positively effect on profitability and Aisjah research states that the director employee welfare ratio positive effect on profitability.

Financial statements that are usually focused on the company's financial performance, starting to feel inadequate in reporting the company's financial performance, there is some other information that needs to be conveyed to users of financial statements about the value of the company. The more value is the innovation, discovery, knowledge, and development of employees, and a good relationship with consumers, which is often termed a model of knowledge or Intellectual Capital.

Intellectual capital is an intangible asset that can value added to companies and communities. Intellectual Capital has a very important and strategic role in the company (Sunardi, 2017). The influence of Intellectual Capital on Profitability has been empirically evaluated in several earlier research. Research conducted by Sunardi, and Dewanata The IB-VAIC model shows that all components of Intellectual Capital have a beneficial impact on financial performance. However, the results of Anis research state that intellectual capital negatively affects Profitability.

Improving the performance of Islamic banks can be done by analyzing the level of profitability in financial statements published by Islamic banking, the high level of profitability of banks, being one of the factors that determine how effective and efficient in achieving goals. The higher the level of profitability, the better the performance of the bank (Inriyani, 2021). The profitability ratio in the study was projected with Return On Assets (ROA). Return on Asset highlights the ability of Islamic banking to benefit in running operations using Islamic banking assets (Pangesti et al, 2020).

Based on the development of Sharia Business Units that continue to increase, Sharia Business Units have the second largest asset composition after Islamic Commercial Banks in the national Islamic banking industry, and in some previous studies islamicity performance index and intellectual capital have a big influence on profitability and researchers want to find out what causes the decline in profitability in Sharia Business Units, where Total Assets increased for 3 years from the period 2018-2020. Some things that researchers know about knowledge about Islamic banking are still very few, so researchers try to find things that may be part of Islamic banking.

The study measured the influence of islamicity performance index and intellectual capital on Profitability in sharia business units. This study used a sample of Sharia Business Units in Indonesia and used a 3-year observation period in 2018-2020. Based on some of the problems described above and to develop research using different variables, this study analyzed the Influence of Islamicity Performance Index and Intellectual Capital on financial performance in Islamic banking business units in Indonesia for the period 2018-2020. In

addition, research objective in this can be identified as follow:

1. To examine and analyze the effect of the Profit Sharing Ratio on the Profitability on Shariah Business Unit in Indonesia in the 2018 – 2020 period
2. To examine and analyze the effect of the Zakat Performance Ratio on the Profitability on Shariah Business Unit in Indonesia in the 2018 – 2020 period
3. To examine and analyze the effect of the Equitable Distribution Ratio on the Profitability on Shariah Business Unit in Indonesia in the 2018 – 2020 period
4. To examine and analyze the effect of the Director Employee Welfare Ratio on the Profitability on Shariah Business Unit in Indonesia in the 2018 – 2020 period
5. To examine and analyze the effect of the Islamic Income vs. Non- Islamic Income on the Profitability on Shariah Business Unit in Indonesia in the 2018 – 2020 period
6. To examine and analyze the effect of the Islamic Investment vs. Non- Islamic Investment on the Profitability on Shariah Business Unit in Indonesia in the 2018 – 2020 period
7. To examine and analyze the effect of the Intellectual Capital on the Profitability on Shariah Business Unit in Indonesia in the 2018 – 2020 period

II. LITERATURE REVIEW

2.1. Islamic Banking

Islamic banking is a bank that in its activities, both in the collection of funds and in the framework of the distribution of funds provides and imposes rewards based on sharia principles (Hamid, 2008). In accordance with Law No. 21 of 2008 on Islamic Banking, Islamic banks are banks that carry out their business activities based on sharia principles and by their type consist of Sharia Commercial Banks/Bank Umum Syariah (BUS), Sharia Business Units/Unit Usaha Syariah (UUS), and Islamic Rural Bank/Bank Pembiayaan Rakyat Syariah (BPRS) (Law of the Republic Indonesia Number 21 of 2008).

2.2. Sharia Business Unit

Law No. 21 of 2008 Sharia Business Unit is a work unit of the head office of Conventional Commercial Bank that serves as the parent office of the office or unit that carries out business activities based on Sharia Principles or a work unit in the branch office of a Bank domiciled abroad that carries out conventional business activities that serve as the parent office of sharia auxiliary branch offices and sharia units (Law of the Republic Indonesia Number 21 of 2008).

In the organizational structure, Sharia Business Unit is one level below the directors of the conventional commercial banks concerned. Sharia Business Unit can strive as a foreign exchange bank or a non-foreignexchange bank. Sharia Business Unit has its duties, namely :

1. Organize and supervise all sharia branch office activities
2. Carrying out treasury functions in the framework of the management and placement of funds sourced from sharia branch offices
3. Compiling consolidated financial statements from all Sharia branch offices
4. Perform the task of managing the financial statements of sharia branch offices.

2.3. Islamicity Performance Index

Shahul Hameed et al. developed an index, the Islamicity Performance Index. This index is a performance measuring tool that is able to express materialistic and spiritual values in banks (Hameed *et al.*, 2004). This index consists of financial ratios which are a reflection of the performance of Islamic financial institutions as follows :

2.3.1. Profit Sharing Ratio (PSR)

One of the efforts of Islamic financial institutions not to use *ribais* to implement a revenue sharing system. Profit-sharing is the main purpose of an Islamic banking, revenue sharing revenue is obtained from *mudharabah* and *musyarakah* agreements. *Akad mudharabah* is a planting activity from the owner to the fund manager to do certain businesses. Therefore, it is very important to know how far Islamic banking has succeeded in achieving the existence of profit-sharing through profit sharing ratio

$$\text{PSR} = \frac{\text{Mudharabah + Musyarakah}}{\text{Financing Total}}$$

2.3.2. Zakat Performance Ratio (ZPR)

Zakat is one of the orders in Islam, so it must be one of the objectives of Islamic accounting. Therefore, the performance of Islamic banking should be based on zakat paid by banks to replace conventional performance indicators, namely earnings per share. A bank's wealth should be based on net assets rather than the net income emphasized by conventional methods. So if the bank has high net assets, then the higher the *zakat* that must be paid.³⁹ ZPR was obtained by comparing zakat paid with pre-tax profits.

$$\text{ZPR} = \frac{\text{Zakat}}{\text{Net Assets}}$$

2.3.3. Equitable Distribution Ratio (EDR)

This indicator describes the performance of the distribution of income obtained by sharia business units to stakeholders. The stakeholders in question are *qardh* recipients and donations, bank employees, and net income for the bank. Calculated income has been deducted from zakat and taxes first.

$$\text{EDR} = \frac{\text{Average Distribution for stakeholder}}{\text{Total Income}}$$

2.3.4. Directors-Employees Welfare Ratio (DEWR) director

In Islamic financial organizations, the Directors Employee Welfare Ratio assesses the performance of welfare associated with wage distribution. Because director salaries are a prevalent subject, this ratio is used to determine if directors are compensated more than employees. This ratio demonstrates that directors are paid more than the amount of labor they perform. By comparing the salaries of directors and permanent employees, the measure of well being in this ratio can be described.

$$\text{DEWR} = \frac{\text{Average salary of Director}}{\text{Average Salary of Permanent Employees}}$$

2.3.5. Islamic Investment vs. Non-Islamic Investment (IIR)

This indicator is a ratio that compares halal investment with the total investment made by Islamic banking. The resulting value is a halal aspect and the successful implementation of the basic principles of Islamic banking, namely free from the elements of *riba*, *gharar*, and *maysir* in investing.

$$\text{IIR} = \frac{\text{Halal Investment}}{\text{Halal Investment} + \text{Non Halal Investment}}$$

2.3.6. Islamic Income vs. Non-Islamic Income (IsIR)

This ratio aims to measure income sourced from halal income. Islamic principles prohibit the transaction of *riba*, *gharar*, *maysir* and require *halal* trade. Therefore, Islamic banking need to disclose honestly, and clearly from any income that is considered halal and income is prohibited in Islam.

$$\text{IsIR} = \frac{\text{Halal Income}}{\text{Halal Income} + \text{Non Halal Income}}$$

2.4. Intellectual Capital

Intellectual Capital is one of the important strategic assets in economic-based knowledge. Intellectual Capital is one of the resources owned by the company. Nugroho states that intellectual capital is intellectual knowledge, information, and wealth that is able to manage threats and find opportunities in the life of a company. Thus, it can affect the durability and superiority of competing in various things (Nugroho, 2012). Some studies mention intellectual capital as an intangible asset that makes the functions and operations of the company. Bontis et al. stated that the three main constructs of Intellectual capital are Human Capital (HC), structural capital (SC), and Physical Capital (PC).

Measurement of Intellectual Capital using the IB-VAIC method developed by Ihyaul Ulum (Ihyaul Ulum MD, 2008). The Islamic Banking-Value Added Intellectual Coefficient (IB-VAIC) method is considered a Business Performance Indicator. The IB-VAIC method consists of the three components namely, Islamic Banking Value Added Capital Employed (IB-VACA), Islamic Banking Value Added Human Capital (IB-VAHU), and Islamic Banking Structural Capital Value Added (IB-STVA). Value Added is contributed from sharia-based revenue accounts, namely net income of shariah activities and non-operational income of shariah (Ihyaul Ulum MD, 2008).

IB-Value Added calculations use financial statement data, reporting standards, and related regulations on Islamic banking by identifying accounts in Islamic banking financial statements to compile the IB-VAIC model.

Here are the steps to calculate IB-VAICTM :

1. IB-VA

The first stage is to calculate IB-Value Added (IB-VA). IB-VA is calculated using the following:

2. IB-VACA

$$\text{IB} - \text{VA} = \text{OUT} - \text{IN}$$

IB-VACA is an indicator for IB-VA created by one unit of human capital. The IB-VACA indicator shows the contribution made by each unit of CE to the value added of the company.

$$\text{IB} - \text{VACA} = \frac{\text{VA}}{\text{CE}}$$

3. IB-VAHU

IB-value added human capital (IB-VAHU) is indicative of how much IB-VA is generated through funds spent on employee.

4. IB-STVA

$$\text{IB} - \text{VAHU} = \frac{\text{VA}}{\text{CE}}$$

IB-value added structural capital (IB-STVA) measures the SC needed to generate one rupiah from IB-VA.

$$IB - STVA = \frac{SC}{VA}$$

2.5. Profitability

Profitability is a ratio that aims to determine the company's ability to earn profits during a specific period and provide an overview of management's effectiveness in carrying out its operations. Profitability is the most comprehensive of the overall ratios available and this ratio illustrates the bank's ability to survive and be stable in continuing operations (Santika, 2019).

One indicator of Profitability is the Return on Assets (ROA). Return on assets compares net income with total assets owned by the company. ROA is used to profit on a number of assets owned by the bank. A positive return on assets indicates that the total assets used are able to provide profits to the company. In contrast, a negative return on assets indicates that the company's total assets suffered losses.

$$ROA = \frac{\text{Net Profit}}{\text{Total Asset}}$$

2.6. Previous Study

There are several previous studies that are relevant to the Islamicity Performance Index and Intellectual Capital. The results of previous studies can be used as a reference in this study. The previous research relevant to this research is:

Research conducted by Kamath, the study used the VAIC methodology to evaluate the data and found that the financial statements of performance and market value were influenced by the company's intellectual capital. The result research is very significant because the measurement, management, and reporting of intellectual capital by companies is voluntary in India. Rahma conducted research on "The Effect of Intellectual Capital and the Islamic Performance Index on Financial Performance". This study used ten samples of Islamic banks registered with the Financial Services Authority/Otoritas Jasa Keuangan (OJK) for 2012–2015. This research proves that value-added intellectual capital (VAIC) positively and significantly affects the return on assets. The profit-sharing ratio (PSR) has no significant effect on the return on assets. The Zakat Performance Ratio (ZPR) positively and significantly affects the return on assets. Islamic Income Ratio (IIR) has no significant effect.

Kiki Fatmala and Wirman conducted research with the sample in this study is a sharia commercial bank registered in the Financial Services Authority/ Otoritas Jasa Keuangan (OJK) in 2014– 2019. The analysis technique used is multiple linear regression analysis. The results showed that the Islamicity Performance Index and Islamic Social Reporting had a positive effect on the financial performance of Islamic commercial banks in 2014–2019.

The study, entitled "Influence of Intellectual Capital and Islamicity Performance Index on Islamic Banking Financial Performance in Indonesia" was conducted by Anita Nur Khasanah. This research aims to determine the influence of intellectual capital and islamicity performance index on financial performance. The study sample consisted of 12 units of Sharia Commercial Bank/Bank Umum Syariah (BUS) registered with Bank Indonesia period 2010-2015. The analytical technique used is linear regression analysis. The results showed that Intellectual Capital, Profit Sharing Ratio, Zakat Performance Ratio, Equitable Distribution

Ratio, and Islamic Income vs. Non-Islamic Income had a significant positive effect on the financial performance of Islamic Banking.

Research conducted by Niswah, used the analytical technique is Partial Least Square (PLS) analysis. The results showed that intellectual capital had a significant positive effect on the company's performance. The research was conducted by Kurniawan and Zulaikha, the results of this study show that Intellectual Capital has a significant effect on financial performance. While the Intellectual Model Disclosure shows insignificant results against ROA and ROE.

Based on the explanation of the previous research above, the difference between this study from previous studies is that in this study the researchers measured the influence of Islamicity performance index and intellectual capital on profitability in sharia business unit in Indonesia. The selection of islamicity performance index as independent variables refers to several previous studies that show that with the islamicity performance index, the performance of Islamic financial institutions can be evaluated, both in terms of financial and sharia aspects. In addition, the intellectual capital variable was chosen because it refers to several previous studies showing that intellectual capital provides value added to companies. This can have a good influence on the company so that the company is able to increase profitability.

2.7. Research Framework

The conceptual framework in this research can be described as follows:

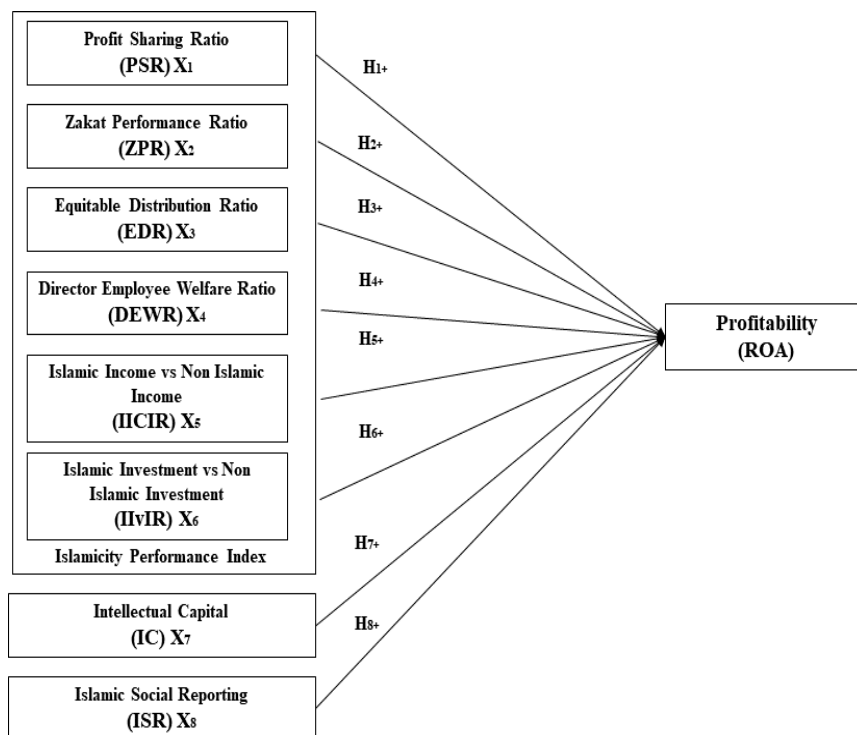


Figure 2.
Research Framework

III. METHODOLOGY

The research method used in this research is quantitative. The population in this study is the Sharia business unit registered with the Financial Services Authority in 2018- 2020. The population in this study amounted to 20 Sharia Business Units. The samples in this study amounted to 16 samples with a period of 3 periods, so there were 48 analysis.

The type of data used in this study is secondary data. Analytical methods used in this study of regression analysis of panel data. Panel data is a combination of time series and cross-data (Baltagi, 2001). The study uses the eviews 12 programs as a tool in analyzing data.

The basic equation of regression of panel data is generally as follows:

$$Y_{ROAit} = \beta_0 + \beta_1 X_{PSRit} + \beta_2 X_{ZPRit} + \beta_3 X_{EDRit} + \beta_4 X_{DEWRit} + \beta_5 X_{IIVIRit} + \beta_6 X_{IICIRit} + \beta_7 X_{ICit} + \mu_{it}$$

IV. RESULT AND DISCUSSION

4.1. Result

A statistical method used to examine the relationship between independent variables and dependent variables, where independent variables are used in more than one. The results of the regression analysis of panel data can be seen in the table 4.11., obtained the regression equation panel data as follows :

$$Y_{ROAit} = \beta_0 + \beta_1 X_{PSRit} + \beta_2 X_{ZPRit} + \beta_3 X_{EDRit} + \beta_4 X_{DEWRit} + \beta_5 X_{IIVIRit} + \beta_6 X_{IICIRit} + \beta_7 X_{ICit} + \mu_{it}$$

$$ROA = 3.176140 + (-2.933822)(16 \times 3)PSR + (-0.275508)(16 \times 3)ZPR + (1.780028)(16 \times 3)EDR + (0.002934) (16 \times 3)DEWR + (-7.565154) (16 \times 3)IIC + (-0.488430) (16 \times 3)IIV + (0.026815)(16 \times 3)IB-VAIC + + 1.360750$$

$$ROA = 3.176140 + (-140.823456) + (-13.224384) + (85.441344) + 0.140832 + (-363.127392) + (-23.44464) + 1.28712 + 1.36075 = -430.637424,9$$

4.2. Discussion

The Influence Profit Sharing Ratio (X1) on Profitability (Y)

Profit Sharing Ratio is a ratio that compares profit sharing financing with total financing provided as a whole, the resulting value is a measure of the successful implementation of profit sharing which is the basic principle of Islamic banks. One of the main objectives of Islamic banking is the profit-sharing ratio.

Based on the analysis of data and the first hypothesis proposed in this study is the Profit Sharing Ratio has a significant effect on Profitability. The results of this study obtained a coefficient value of -2.933822 and t value of -1.529323 with a probability of 0.1343. Test results state that the probability value > the level of significance) $\alpha = 0.05$ (, thus the first hypothesis states that the Profit Sharing Ratio has no significant effect on Profitability.

The results of this study are in line with the research of Herman, Fatmala, and Yusro, who stated that the Profit Sharing Ratio negatively affects Profitability. This is because revenue sharing financing is smaller than buying and selling financing.¹⁰⁸ The higher the value of profit-sharing risk leads to a decrease in Profitability and if the lower the value of profit sharing ratio will increase the value of Profitability in Islamic banks. In this case, the Profit-

Sharing Ratio is less able to optimize the performance of Islamic banks in generating profits.

The Influence Zakat Performance Ratio (X2) on Profitability(Y)

Zakat is an Islamic legal order, therefore zakat issued by Islamic banks becomes the basis for measuring the performance of Islamic banking. In addition, zakat as a form of *tazkiyah* is the process of self-purification of the owner of wealth (Felani, Wahyuni and Pratama, 2020).

Based on the analysis of the data and the second hypothesis it can be seen that the coefficient value is -2.933822 and the t-value of 0.776943 with a probability of 0.4419. The test results state that the probability value > the level of significance $\alpha = 0.05$, meaning that the *zakat* performance ratio has a negative on Profitability but not a significant effect on Profitability. Thus, the second hypothesis is not supported in other words, statistically the profit sharing ratio does no effect on Profitability.

This research contradicts the research of Indrianasari et al. which states that one of the indicators of Islamicity performance index is zakat performance ratio negatively affect Profitability. Indrianasari et al. stated that the higher the value of Zakat Performance Ratio, the higher the profitability value in Islamic banking.

This research is the same as research Felani, Hasanah, Ikrima, and Nadya stated Zakat Performance Ratio negatively affects Profitability because the distribution of zakat funds issued by Islamic banking is still very small compared to income tax because not all banks distribute zakat payments.

Assets in the company have increased, then of course in zakat payments are getting higher. The results of this study concluded that Zakat Performance Ratio has not been able to optimize in zakat payments because zakat payments in Sharia Business Units are still relatively small. If the company optimizes in zakat payments, it will improve the company's good image.

The Influence Equitable Distribution Ratio (X3) on Profitability(Y)

An equitable Distribution Ratio is used to measure how much revenue stakeholders earn. These stakeholders are grouped into 4 (four), namely companies, employees, shareholders, and the public.

Based on the analysis of the data and the third hypothesis it can be seen that the coefficient value is 1.780028 and the t-value of 5.510103 with a probability of 0.0000. The test shows positive coefficient results and probabilities < the level of significance $\alpha = 0.05$, meaning equitable distribution ratio has a positive and significant effect on Profitability. Thus, the third hypothesis is supported in other words, statistically Equitable Distribution Ratio has a significant effect on Profitability.

The results of this study are the same as the research Nadya, Alifiyanti, Imelda, dan Dian Equitable Distribution Ratio has a positive and significant effect on Profitability. This means that the level of employee welfare is very influential on Profitability, if employees get welfare in their jobs then employee productivity increases so that Profitability also increases, it is also influenced by shareholders if the company provides good performance, then many investors who invest in the company, This is able to provide high Profitability.

The results of the study stated that the application of Sharia principles can improve the performance of Islamic finance. The results of this study concluded that equitable distribution ratio shows the average Islamic banking in Indonesia emphasizes the allocation of income between stakeholders.

The Influence Director Employee Welfare Ratio (X4) on Profitability (Y)

Director Employee Welfare Ratio is used for comparison of employee and director welfare. This can be seen from how much money is used for salaries, training, etc.

Based on the analysis of the data and the fourth hypothesis it can be seen that the coefficient value is 0.004691 and the t-value is 1.599024 with a probability of 0.1179. The test showed positive coefficient results and probabilities $>$ the level of significance $\alpha = 0.05$ (, meaning the Director Employee Welfare ratio has a negative and significant effect on Profitability. Thus, the fourth hypothesis is not supported in other words, statistically director employee welfare ratio has no effect and significant to Profitability.

Fitriani's research states that equitable distribution ratio has a negative but not significant effect, Fitriani research reveals that the higher the level of welfare in Islamic commercial banks will affect the disclosure of social information by banks. Because the higher the level of employee welfare can increase employees' motivation and morale if the performance is good, then the benefits will also increase. This research is the same as research Helman and Dita The Director Employee Welfare Ratio has no effect on Profitability.

The Influence Islamic Income vs. Non-Islamic Income (X5) on Profitability (Y)

Islamic Income Ratio vs. Non-Islamic Income is a ratio that shows a percentage of how much halal income or bank income is *mudharib* compared to total income (halal and non-halal income) (Ikrima and Dahlifa, 2020).

Based on the analysis of the data and the fifth hypothesis it can be seen that the coefficient value is -7.565154 and the t-value 3.751233 with a probability of 0.0006. The test showed positive coefficient results and probabilities $<$ a level of significance $\alpha = 0.05$ (, meaning Islamic Income vs. Non-Islamic Income had a positive and not significant effect on Profitability. Thus, the fifth hypothesis is supported in other words, statistically Islamic Income vs. Non-Islamic Income affects Profitability.

This research is the same as research by Maisaroh, Herman, and Yusro which states that Islamic Income vs. Non-Islamic Income has a positive and not significant influence on Profitability.

This research contradicts Indrayani and Anwar's research which concluded that changes in the value of Islamic income ratio did not affect the level of Profitability of Islamic banking significantly, it is known that Islamic banking that has non-halal income from conventional activities proves that the bank has not put activities in accordance with Islamic principles.

The Influence Islamic Investment vs. Non-Islamic Investment (X6) on Profitability (Y)

This research shows that investment can be called productive assets, such as planting Islamic banks in rupiah based on sharia principles in the form of financing and Bank Indonesia Wadiah Certificates. The measurement of Islamic investment ratio can be known the amount of Islamic bank funds placed in securities or non-Shariah from the entire securities owned by Islamic banks.

Based on the analysis of the data and the sixth hypothesis it can be seen that the coefficient value is -0.488430 and the t-value of -0.561848 with a probability of 0.57740. The test showed negative coefficient results and probabilities $>$ a level of significance $\alpha = 0.05$ (, meaning Islamic Investment vs. Non-Islamic Investment had a negative but not significant effect on Profitability. Thus the sixth hypothesis is not supported in other words, statistically

Islamic Investment vs. Non-Islamic Investment has no understanding of Profitability.

Helman and Dahlifia research indicates that Islamic Investment vs. Non-Islamic Investment has a negative and not significant effect on Profitability. The study concluded that people still lack knowledge of halal investment. Thus, halal investment is less desirable by the public, this can lead to a decrease in Profitability.

The Influence Intellectual Capital (X7) on Profitability (Y)

Intellectual Capital is the company's resources in the form of intellectual resources, human resources, organizational capital and customer capital. Ulum research develops the Intellectual Capital model with the IB-VAIC method, this model can be used to measure the performance of Islamic banking Intellectual Capital so that the company can maximize value for the company. Intellectual Capital that is well managed by a company will produce value added for the company.

Based on the analysis of the data and the seventh hypothesis it can be seen that the coefficient value is 0.026815 and the t-value of 2.535353 with Profitability of 0.0154. Testing shows positive coefficient results and probabilities $<$ a level of significance $)\alpha = 0.05$ (, meaning intellectual capital has a positive and significant effect on Profitability. Thus, the seventh hypothesis is supported in other words statistically Intellectual Capital has an effect and significant on Profitability.

The results of this study are consistent with the results of research conducted by Rahma, Imelda, Kurniawan, and Rifqi. shows that Intellectual Capital has a positive and significant effect on Profitability. Sharia Business Unit manages Intellectual Capital well so that it is efficiently able to provide value added to the company, if the value of Intellectual Capital increases then the company gets a high level of Profitability.

Al-Musali and Ismail found that Intellectual Capital had a positive and significant effect on the financial performance of Islamic banks. Sharia Business Unit manages Intellectual Capital well so that it can efficiently create value added for the company. During the period 2018-2020, the average Sharia Business Unit has an IB-VAIC value of 4.1 which means that Sharia business units are categorized as top performance in efficiently managing Intellectual Capital.

V. CONCLUSION AND RECOMMENDATION

The development of Islamic banking economy in Indonesia is increasingly rapid this is able to optimize the level of Profitability. This study aims to examine the entire influence of Profit-Sharing Ratio, Zakat performance Ratio, Equitable Distribution Ratio, Director Employee Welfare Ratio, Islamic Income vs. Non-Islamic Income, Islamic Investment vs. Non-Islamic Investment, Intellectual Capital and Islamic Social Reporting has a significant effect on Profitability carried out by sharia business units.

Based on the results of hypothesis testing, it can be concluded that the Islamicity Performance Index, Intellectual Capital, and Islamic Social Reporting have a simultaneous influence on Profitability, and this shows that the application of sharia principles is able to optimize in increasing profitability.

Partially shows the following results:

1. Partially Profit Sharing Ratio has a negative but not significant effect on Profitability. This is because profit-sharing financing is smaller than buying and

selling financing, thus Profit sharing has not been able to optimize the performance of Sharia Business Units in generating profits.

2. Partially Zakat Performance Ratio has a negative but not significant effect on Profitability. Because the distribution of zakat funds carried out by sharia business units is relatively small, this has not been able to optimize in increasing Profitability in sharia business units.
3. Partially Equitable Distribution Ratio has a positive and significant effect on Profitability. This means that the level of stakeholder welfare affects Profitability, it can be concluded that the company implements sharia principles
4. Partially Director Employee Welfare Ratio has a negative but not significant effect on Profitability. The allocation of income for the welfare of employees and directors fairly, in accordance with their respective performance, is able to motivate them to improve performance and optimize in increasing Profitability.
5. Partially Islamic Income vs. Non-Islamic Income has a positive and significant effect on Profitability. it is known that Islamic banking that has non-halal income from conventional activities proves that the bank has not put activities in accordance with Islamic principles
6. Partially Islamic Investment vs. Non-Islamic Investment has a negative but not significant effect on Profitability. Currently, the public is still very interested in non-halal investment, this is due to the lack of public understanding of halal investment.
7. Partially Intellectual Capital has a positive and significant effect on Profitability. This can be seen from the company's resources in the form of intellectual resources. Intellectual Capital provides value added to Sharia Business Unit

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