Jurnal EMT KITA
Indonesian Journal for the Economics, Management and Technology.

Jurnal Ekonomi dan Manajemen Teknologi (EMT) KITA,
8(4), 2024, 1626-1638
Available *online* at http://journal.lembagakita.org/index.php/emt

The Influence of Intellectual Capital, GCG, and ROA on Bank Performance

Suseno [1*], **Fachrun Nissa** [2], **Nurul Yaqin** [3], **Susanti Budiastuti** [4], **Guntoro** [5]
[1*,4,5] Accounting Study Program, Sekolah Tinggi Ilmu Ekonomi Satria Purwokerto, Banyumas Regency, Central Java Province, Indonesia.
[2] Tax Accounting Study Program, Akademi Manajemen Informatika dan Komputer Universal, Medan City, North Sumatra Province, Indonesia.
[3] Universitas Amal Ilmiah Yapis Wamena, Jayawijaya Regency, Papua Province, Indonesia.

Abstrak. *Penelitian ini bertujuan untuk menganalisis pengaruh Intellectual Capital, Good Corporate Governance (GCG), dan Capital Adequacy Ratio (CAR) terhadap kinerja keuangan. Penelitian ini menggunakan pendekatan kuantitatif dengan analisis regresi data panel. Landasan teoretis disusun berdasarkan tinjauan literatur dari artikel jurnal dan buku yang relevan. Data penelitian berupa data numerik yang diperoleh dari sumber sekunder, yaitu laporan keuangan yang diunduh melalui situs resmi Bursa Efek Indonesia (BEI). Populasi penelitian mencakup bank umum syariah yang terdaftar di BEI pada periode 2017 hingga 2022. Dengan menggunakan teknik purposive sampling, terpilih 54 sampel dari 9 bank umum syariah. Analisis data dilakukan menggunakan perangkat lunak EViews 10 dengan penerapan Random Effect Model (REM). Hasil penelitian menunjukkan bahwa Intellectual Capital, GCG, dan CAR memiliki pengaruh signifikan terhadap kinerja keuangan bank umum syariah yang terdaftar di BEI selama periode 2017-2022. Penelitian ini memberikan wawasan penting terkait kondisi keuangan bank, yang dikategorikan dalam zona aman, abu-abu, atau berisiko, sehingga memberikan implikasi praktis bagi bank umum syariah.*

Kata kunci: *Intellectual Capital; Good Corporate Governance; Capital Adequacy Ratio; Kinerja Keuangan; Bank Umum Syariah.*

Abstract. *The purpose of this study is to analyze the influence of Intellectual Capital, Good Corporate Governance (GCG), and Capital Adequacy Ratio (CAR) on financial performance. This research adopts a quantitative approach with panel data regression analysis. The theoretical foundation is established through a review of relevant literature from journal articles and books. The study utilizes numerical data derived from secondary sources, specifically financial reports obtained through the official website of the Indonesia Stock Exchange (IDX). The study population comprises Islamic commercial banks listed on the IDX from 2017 to 2022. Using a purposive sampling technique, 54 samples from 9 Islamic commercial banks were selected. Data analysis was conducted using EViews 10 software, applying the Random Effect Model (REM). The findings reveal that Intellectual Capital, GCG, and CAR significantly impact the financial performance of Islamic commercial banks listed on the IDX between 2017 and 2022. This study provides valuable insights into the financial health of banks, categorized into safe, gray, or distressed zones, thereby offering practical implications for Islamic commercial banks.*

Keywords: *Intellectual Capital; Good Corporate Governance; Capital Adequacy Ratio; Financial Performance; Islamic Commercial Banks.*

* Corresponding Author. Email: susenoebitek@gmail.com [1*].

DOI: https://doi.org/10.35870/emt.v8i4.3297
Received: 18 October 2024, Revision: 25 October 2024, Accepted: 27 October 2024, Available *Online*: 31 October 2024.
Print ISSN: 2579-7972; *Online* ISSN: 2549-6204.

Introduction

Islamic financial institutions are a cornerstone of the Sharia-based Islamic economy. Islamic banks' growth and performance can gauge Islamic economics' success. Islamic banking is a reliable alternative to conventional banking because it offers diverse financial products and services and more flexible financial planning (Sjam & Canggih, 2022). Islamic commercial banks (BUS) are financial institutions specializing in payment transactions, fund collection, and fund distribution from third parties. According to the Financial Services Authority (OJK), between 2017 and 2021, the total assets and number of branches of Islamic commercial banks in Indonesia increased significantly. This growth, along with an improved return on assets (ROA) and a more extensive customer base, highlights the expansion of Islamic commercial banks in the country (Muliadi *et al.*, 2023).

Due to heightened competition among banks, businesses are driven to enhance their financial and non-financial performance. Profitability is a crucial metric for evaluating a company's financial performance, with higher profitability often associated with better overall performance (Tho'in, 2019). Islamic banking experienced substantial growth in 2022, as evidenced by a 15.63% year-on-year increase in assets—outpacing conventional banking, which grew by 9.50% (yoy). Furthermore, third-party funds (DPK) and financing performance rose by 12.93% and 20.44%, respectively, within the same year. In 2022, Islamic banking had a 7.09% market share, with 13 Islamic Commercial Banks, 20 Islamic Business Units, and 167 Islamic People's Financing Banks (www.ojk.go.id). Despite this growth, performance evaluations for Islamic banks in Indonesia predominantly rely on traditional measurement tools such as Financial Ratio Analysis (FRA), Economic Value Added (EVA), and the CAMELS framework (Asutay & Ubaidillah, 2024). However, studies by Sjarief *et al.* (2023) reveal that Indonesian Islamic banks perform well based on CAMELS, profitability metrics, and the Maqasid Sharia Index. These findings underscore the need for Sharia-based performance evaluation methods to present a holistic view of Islamic banks' financial health. One crucial factor influencing the financial performance of Islamic banks is intellectual capital. Intellectual capital is an intangible asset that creates and sustains competitive advantages. It is critical in value creation and business performance (Purwati *et al.*, 2022). Research by Cahya *et al.* (2022) and Muhammad *et al.* (2021) confirms the significant impact of intellectual capital on financial performance. However, other studies suggest otherwise, such as those by Astuti and Raharja (2024) and Rusmawan *et al.* (2023). Effective intellectual capital management can optimize operational efficiency and add value, which is essential for the growth of Islamic banking (Muhibddin & Mufraini, 2022).

Good Corporate Governance (GCG) is another factor influencing financial performance. GCG is a control mechanism that manages the relationships between stakeholders, including the government, creditors, and employees. Effective implementation of GCG ensures the protection of stakeholder interests and enhances a company's profitability (Dewi *et al.*, 2021). Research by Aristama *et al.* (2024) and Khairiah & Inayah (2023) shows that GCG positively impacts financial performance. Conversely, studies by Aisyah *et al.* (2021) and Praptiningsih *et al.* (2022) indicate no significant effect. When appropriately implemented, GCG fosters investor confidence, leading to improved profitability.

The Capital Adequacy Ratio (CAR) also plays a vital role in financial performance. CAR reflects a bank's ability to support its operations and absorb risks. A high CAR typically correlates with greater profitability, reducing reliance on external capital and lowering funding costs (Putri, 2022). Studies by Ekinci and Poyraz (2019) and O'Connell (2023) highlight a positive relationship between CAR and profitability. Conversely, research by Nurhikmah and Rahim (2021) and Qur'anna and Khoiriyah (2024) suggests that CAR has no significant impact. A higher CAR can increase public trust and give banks greater flexibility to allocate resources for profitable ventures (Mayunita, 2017).

Given the gaps in the literature and conflicting

research findings, further studies are necessary. This study examines the effects of intellectual capital, good corporate governance, and capital adequacy ratio on the financial performance of Islamic commercial banks in Indonesia from 2017 to 2022. The findings are expected to provide valuable insights for stakeholders and serve as a reference for future research on financial performance analysis in Islamic banking.

Literature Review

Intellectual Capital (IC)

In the modern business environment, Particularly in knowledge-based economies, intellectual capital is acknowledged as a precious intangible asset. It is critical in fostering creativity, advancing innovation, creating value, and improving business performance. Intangible resources, such as intellectual property assets, can give a sustained competitive edge by protecting property rights legally. Resources can take the form of tangible or intangible assets. In order to improve corporate performance and establish favorable conditions for sustainable competitive advantage, intellectual capital is essential (Siswanti *et al*., 2023). Businesses can gain and maintain a competitive edge with exceptional talent, capabilities, innovation, and creativity. According to (Fauziah & Andriani, 2021), one technique for calculating intellectual capital efficiency is the Value-Added Intellectual Coefficient (VAIC) method. This model incorporates the evaluation of human, structural, and employed capital. A metric for evaluating intellectual capital, the VAIC model has been used in many prior studies, and the main \change made to the VAIC model is the substitution of innovation capital.

Good Corporate Governance

According to (Gasperz *et al*., 2022), good corporate governance (GCG) is an initiative used by every company to provide added value on a long-term and sustainable basis while still considering aspects of the structure, system, and also processes of other stakeholders. To increase shareholder value while considering other stakeholders' interests, Islamic banking can demonstrate to the community that it is professionally run, prudent, and well-managed by implementing GCG (Zahrawani & Sholikhah, 2021). Effective corporate governance is based more on the fundamental requirements of every Muslim to uphold the absolute perfection of Islamic law than on management accountability to capital owners. Therefore, the provisions of the current positive law should be cited when applying GCG principles to sharia banking. Furthermore, he needs to implement Sharia principles to secure the bank's governance and ensure that it continues operating under the rail/corridor sharia while benefiting the stakeholders (Fajriah & Jumady, 2022). The ownership structure is one of the elements used in this study to assess and measure GCG. This structure compares the number of internal company shares with shares owned by external investors.

Capital Adequacy Ratio (CAR)

The Capital Adequacy Ratio (CAR) is a capital ability ratio that illustrates the degree of risk associated with a bank asset. CAR is a parameter imposed by banks as an interpretation of the level of funds that are considered sufficient for banks to overcome potential risks. Capital carries risks because banks get it from non-bank sources (Ningsih & Dewi, 2020). CAR should be in a percentage of 8% in line with Bank Indonesia Circular Letter No 23/PBI/2021 concerning the third amendment to Bank Indonesia Regulation No 20/8/PBI/2018. More excellent financial resources are available for business development and can be used to anticipate potential lending losses, which is correlated with higher CAR values. The sufficiency of bank capital In other words, it will ensure that the bank has adequate reserve money in case the risk of subpar financing ever presents a problem (Kusumastuti & Alam, 2019). The higher the CAR, the more likely a financial institution will be able to support its goals and withstand the risks associated with financing score risk. Higher CAR will eventually result in higher bank financing disbursements and higher profitability. The less money that the banks disburse, the lower the CAR. So, this ratio is a crucial customer concern and must be carefully

considered by Islamic banks.

Financial Performance

Performance is frequently linked to examining and assessing the company's annual report. Annual report data is frequently used to forecast the company's performance based on past business activities. Finance and non-finance components can be used to gauge the Islamic banking industry's financial performance (Haryadi *et al*., 2020). In order to assess the level of a company's financial performance, stakeholders typically examine financial statements and financial ratio analysis. The financial elements of Return on Assets (ROA) are used in this research. A comparison of the rate of return with assets owned, or ROA, indicates how well a business manages its assets to turn a profit and demonstrates its superior performance when compared to sales, volume, total assets, and owner investments. Return on Asset (ROA), which gauges how healthy businesses use their assets to generate profits, is why it is used as a financial performance indicator for the Islamic banking sectors. This implies that the likelihood of financial hardship decreases with the company's profits. Effective profitability generation will also boost investor confidence in Islamic banks, which is expected to boost the economy (Ishak *et al*., 2021).

Hypothesis Development

Enhancing financial performance is mainly dependent on intellectual capital. Possessing, acquiring, and applying strategic assets well will give a business a competitive edge and higher performance. Companies that possess, create, and employ intangible and tangible assets to sustain profitable and competitive business strategies are considered to have strategic assets. Combining both tangible and intangible assets could be a tactic to boost business performance (Fauziah & Andriani, 2021). Financial performance and intellectual capital have been linked in previous research. Based on research by (Saragih & Sihombing, 2021; and Yudha, 2021), The performance of finances is positively impacted by intellectual capital. Businesses with higher levels of intellectual capital will have a competitive edge that can be leveraged to enhance social performance. The hypotheses of this study are H1: Intellectual capital significantly affects financial performance.

Corporate governance will lessen agency issues and is likely to enhance the reputation of banks, safeguard stakeholders' interests, and enhance adherence to relevant laws, regulations, and industry ethics to establish a stable banking system. The Good Corporate Governance (GCG) guidelines, governing transparency in business operations, are mandatory for Indonesian banks, and all bank levels are required to evaluate performance based on these standards. The ownership structure is one of the elements used in this research to assess and measure GCG. This structure compares the number of internal company shares with those owned by external investors. Based on research by (Harisa *et al*., 2019; and Siswanti and Cahaya, 2019) declared that the financial success of Islamic banking is significantly impacted by sound corporate governance. Based on theoretical considerations and prior research, the researcher projects a strong correlation between corporate governance implementation by businesses and the success of Islamic banking companies. Thus, the following are the research's hypotheses H2: Good corporate governance significantly affects financial performance.

In order to build a business and assume the risk of loss, one must understand the capital adequacy ratio or CAR. Banks that exhibit healthy indicators are those with high levels of capital adequacy. Banks that possess adequate or sufficient capital typically demonstrate greater profitability. This correlation emphasizes the direct relationship between bank capital and profitability. The absence of CAR demonstrates how cautiously Islamic banking management typically handles the risks associated with assets. Bank capital is disrupted as a result of excessive financing distribution. In these circumstances, it makes sense for banks to withhold financing since, to comply with the CAR requirements, they must add capital to the riskier assets the more financing they withhold. Numerous risks, such as when a bank-financed company files for bankruptcy, contribute to the decline in financial performance. The results of

the research (Quan *et al*., 2019; Zaidanin, 2020) found that Capital Adequacy Ratio significantly affects financial performance in Islamic banks. The hypotheses of this research are H3: Capital Adequacy Ratio (CAR) has a significant effect on financial performance.

Research Method

The quantitative method with panel data regression is the approach that researchers used in this study. This research incorporates literature studies by referencing pertinent articles from journals and books as theoretical foundations. The data is produced in numerical form and generated from secondary data in financial reports obtained from the IDX (Indonesia *et al*.) on its official website. Data was collected by documenting and observing Sharia Commercial Banks in Indonesia. This study's population is 12 Sharia Commercial Banks, and the sample size is determined by purposive sampling technique. The sample selection results in 54 samples from 9 Sharia Commercial Banks were obtained that met the criteria; these are BTPN Syariah, Bank NTB Syariah, BJB Syariah, BMS, BCAS, BAS, BMI, BPDS, and BBS with the criteria of Sharia Commercial Bank (BUS) which had consistent and complete financial records through the publication of an annual report in 2017-2022. The data analysis techniques use EViews 10, and the research model uses a random effect model (REM) with panel data regression analysis, which involves one dependent variable, three independent variables, and one moderation variable. This study uses four methods as follows: (1) Descriptive Statistics Test, (2) Pairwise Correlation Analysis, (3) Classical Assumption Test, (4) Determination Coefficient Test (R2), F-Statistics Test, and also T-Statistics Test.

Result and Descussion

Result

Descriptive Statistics Analysis

An overview of the properties of each variable under investigation, including the minimum, and maximum values, mean, and also standard deviation was the aim of the descriptive analysis in this study.

Table 1 .Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	54	0.030000	2.940000	0.840000	0.770820
IC	54	1.264633	4.025310	2.267352	0.749556
GCG	54	0.151865	0.855015	0.452866	0.224508
CAR	54	8.103000	35.40335	22.12044	10.76550

Source: Data processed with EViews 10 (2024).

Based on table 1, the minimum value of ROA is 0.030000 with maximum value of 2.940000 and average value of 0.840000, indicating moderate variations in the Islamic banks efficiency in generating profits based on total assets owned and there is thought to be intense competition amongst Islamic banks. The minimum value of Intellectual Capital (IC) is 1.264633 with maximum value of 4.025310 and average value of 2.267352. A company with a higher intellectual capital value is more likely to be able to generate added value. The minimum value of GCG is 0.151865 with a maximum value of 0.855015 and the average value is 0.452866, indicating that Islamic Commercial banks in Indonesia have implemented GCG well and in accordance with the regulations issued by the OJK. The minimum value of CAR is 8.103000 with maximum value of 35.40335, and the average value is 22.12044, show that the Islamic commercial banks have a CAR met the standards set by Bank Indonesia, namely a minimum of 8%.

Regression Model Selection

Several model specification tests are performed in panel data analysis to ensure that the best model is used to estimate panel data regression. Which panel data model is best can be ascertained using one of two test models,

namely the Chow test, and the Hausman test. The fixed effect model and common effect models are compared using the Chow test to see which one fits the data better. It is determined that the Common Effect Model is valid if the probability cross section value of the Chow test result is higher than 5% (0.05). The Chow Test results indicate that the probability value of 0.0001 is less than 0.05. Thus, it can be determined that the Fixed Effect Model is chosen based on the Chow test.

Table 2. The Chow-Test Results
Redundant Fixed Effects Tests

Effects Test	Statistic	d.f	Prob.
Cross-Section F	4.504246	(8.43)	0.0001
Cross-Section Chi-Square	35.666226	8	0.0000

Source: Data processed with EViews 10 (2024).

Using the Hausman test, the best model between the fixed effect and also random effect models is identified. The fixed effect model is deemed acceptable when the random probability cross-section value in the result is less than 0.05.

Table 3. Hausman-Test Results
Correlated Random Effects - Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f	Prob.
Cross-Section Random	9.955525	5	0.0144

Source: Data processed with EViews 10 (2024).

Based on Hausman test results, the probability value of 0.0144 is less than 0.05. The fixed effect model was selected as the best model in model goodness test, according to the results of the Chow test and Hausman test mentioned above. Consequently, the Lagrange Multiplier test, which compares the random and also common effect models is not performed.

Classical Assumption Test

The goal of classical assumption test is to ascertain whether the study data are normal and devoid of autocorrelation, heteroscedasticity, and multicollinearity signs. A normality test can be used to determine if the data distribution is expected or not. If Jarque-Bera profitability value is greater than 0.05, the data may be considered normal.

Table 4. The Normality Test

Jarque-Bera	Probability
1.511866	0.435908

Source: Data processed with EViews 10 (2024).

The Normality test results indicate that there is a probability of 0.435908, which is higher than 0.05. Thus, based on the normality test results, it can be said that the data in this study are normally distributed. A multicollinearity test can be used to ascertain the correlation between independent variables. If there is no multicollinearity in the data, the VIF value should be less than 10. To find the correlation between independent variables, a multicollinearity test can be employed. If the VIF value of less than 10 indicates that the data no symptoms of multicollinearity occur.

Table 5. The Multicollinearity Test Results

Variable	Coefficient Variance	Uncertered VIF	Centered VIF
C	1.066150	18.52035	NA
IC	0.057729	4.559851	1.085388
GCG	0.058155	5.042868	2.490885
CAR	7.501108	15.06808	1.403180

Source: Data processed with EViews 10 (2024).

The Multicollinearity test results indicate that a

probability value of less than 10.00. The multicollinearity test indicates that there are no multicollinearity symptoms, thus this conclusion can be made. Heteroscedasticity tests can be used to determine whether there is an inequality of variables from residuals or observations to other observations in the regression model. If the profitability value is greater than 0.05, data show no signs of heteroscedasticity.

Table 6. The Heteroscedasticity Test Results
Dependent Variable: Financial Performance

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	1.196880	1.275560	1.318364	0.3365
IC	0.071547	0.095148	0.852057	0.4479
GCG	0.082715	0.125348	0.448905	0.4740
CAR	0.123382	0.311810	5.063229	0.5336

Source: Data processed with EViews 10 (2024).

According to the Heteroscedastisity test result, probability value is greater than 0.05. Thus, it can be said that there are no signs of heteroscedasticity. Both the LM test, and the Durbin-Watson test can be used to detect autocorrelation. The signifier does not form an autocorrelation when the F-count > 0.05. In this study, where D-W is > (dU) and < (4-dU), so autocorrelation symptoms are absent.

Table 7. The Autocorrelation Test Results

R-squared	0.145787	Mean dependent var	0.036833
S.E. of regression	0.057725	Akaike info criterion	-3.297583
Sum squared resid	0.095580	Schwarz criterion	-2.881566
Log likelihood	51.58669	Hannan-Quinn criter.	-3.222824
F-statistic	1.785581	Durbin-Watson stat	2.096555
Prob (F-statistic)	0.174473		

Source: Data processed with EViews 10 (2024).

The findings of this research autocorrelation test demonstrate that the test is satisfied. Where DW = 2.096555, dL= 1.4464, dU = 1.6800, 4-dU = 2.3200 and 4-dL = 2.5536. As a result, the autocorrelation is not formed, with dL < dU < DW < 4-dU < 4-dL, and Prob. 0.174473 greater than 0.05, so the autocorrelation is not formed.

Panel Data Regression Coefficient Estimation and Hypothesis Testing

Panel data regression analysis conducted in this study has provided a detailed understanding of the impact of intellectual capital, good corporate governance (GCG), and the capital adequacy ratio (CAR) on the financial performance of Islamic commercial banks from 2017 to 2022. The T-test results were used to assess whether each independent variable significantly affected the dependent variable, with significance determined by a p-value below 0.05. The findings of this analysis are crucial for comprehending how these factors contribute to bank performance. The analysis revealed that intellectual capital has a positive and significant relationship with financial performance, evidenced by a coefficient of 0.137257 and a p-value of 0.0058. This finding supports the perspective that intangible assets, such as knowledge and innovation within an institution, enhance efficiency and profitability. Effective management of intellectual capital equips banks with the capability to navigate competitive challenges and improve their operational outcomes. Good corporate governance (GCG) also showed a substantial positive impact on financial performance, with a coefficient of 0.737208 and a p-value of 0.0066. This underscores the essential role of governance mechanisms in ensuring that banks are managed in a way that aligns with stakeholder

interests and regulatory requirements. Strong governance frameworks not only bolster investor trust but also contribute to better oversight and strategic decision-making, which, in turn, improves financial health. The capital adequacy ratio (CAR) was another significant factor affecting financial performance, indicated by a coefficient of 0.083384 and a p-value of 0.0001. This result highlights the importance of maintaining sufficient capital reserves to support bank operations and absorb potential risks. A higher CAR not only assures shareholders and customers of the bank's stability but also provides the bank with the flexibility to engage in profitable ventures while complying with regulatory standards. The R-squared value of 0.979282 suggests that the model explains approximately 97.93% of the variation in financial performance, indicating a strong explanatory power. The adjusted R-squared of 0.964856 reaffirms this, showing that the inclusion of multiple variables in the model does not diminish its predictive capability. Furthermore, the highly significant F-statistic (57.28422) and its corresponding probability (0.000000) confirm that the overall model is statistically sound and fits the data well.

Table 8. Estimation of Panel Data Regression Coefficient Values

Variable	Coefficient	Std. Error	t-Statistic	Prob.
IC	0.137257	0.055921	2.918206	0.0058
GCG	0.737208	0.330777	2.880201	0.0066
CAR	0.083384	0.022830	5.085339	0.0001
C	15.54066	2.862242	5.707369	0.0000
R-squared	0.979282			
Adjusted R-squared	0.964856			
F-statistic	57.28422			
Prob(F-statistic)	0.000000			

Source: Data processed with EViews 10 (2024).

Based on the table above, regression line equation can be formed, namely:
Financial Performance = 15.54066 + 0.137257 IC + 0.737208 GCG + 0.083384 CAR
The explanation of escriptive analysis of regression equation model presented above, among others:

1) With a positive sign of 15.54066 for the constant (α), it suggest unidirectional influence between the independent and dependent variables. This show that the financial performance is 15.54066 if the IC, GCG, and CAR are 0 percent or unchanged.
2) The above regression equation model leads to the conclusion that intellectual capital (IC) has a major impact on financial performance. This is demonstrated by the finding of probability value of 0.0058 < 0.05 and a positive coefficient value of 0.137257. That is, there is a direct correlation between the financial performance and the IC.
3) Financial performance is significantly impacted by good corporate governance (GCG). A probability value of 0.0066 < 0.05 and a positive coefficient value of 0.737208 serve as evidence for this. It suggests that an increase in financial performance will occur after an increase in GCG.
4) The Capital Adequacy Ratio (CAR) has a significant impact on financial performance according to the regression equation model described above. This is demonstrated by the acquisition of a probability value of 0.0001 < 0.05 and a positive coefficient value of 0.083384. That is, a 1% increase in the CAR, it will lead to an increase in financial performance.

To ascertain the percentage of influence that the independent variable (x) has over the dependent variable (y), one can utilize the results of the coefficient of determination test (R^2). The R^2 only takes two values, 0 and 1. The low R^2 value suggests that the independent variables capacity to explain the dependent variable is constrained. However, almost all information about the dependent variable can

be obtained from the independent variable if the value is near to 1.

Table 9. Test Coefficient of Determination (R^2)

	R-Square (R^2)	Adjusted R-squared
Financial Performance Y)	0.436556	0.518066

Source: Data processed with EViews 10 (2024).

The R-square findings indicate that the effects of Intellectual Capital (X_1), Good Corporate Governance (X_2), and Capital Adequacy Ratio (X_3) on financial performance (Y) with value of 0.436556or 43,6% falls into the moderate category. While, the remaining 56,4% could be influence by other variables outside the study.

Discussion

Based on the data analysis, intellectual capital significantly affects financial performance in Islamic Commercial Banks for the 2017-2022 period with a coefficient value of 0.137257 and a p-value of 0,0058 < 0,05, which means that H1 is accepted. Considering that intellectual capital is an essential intangible asset for Islamic banks, applying it can help them perform better. *Intellectual capital* is the knowledge that can benefit a company by donation or contribution, which can add value and be put to different uses for the company. It is a crucial and strategic component of human resource measurement in Islamic banks. Improved financial performance and increased firm value are often associated with high intellectual morale. The long-term benefits of intellectual capital for a business include increased competitive advantage, improved operational efficiency, improved product and service innovation, and improved company reputation. Furthermore, firms with intellectual capital are better equipped to handle shifting market conditions and intensifying rivalry. The company can effectively manage and expand its intellectual capital by concentrating on staff education and training, developing and refining products, implementing new technologies, and safeguarding its intellectual property. Optimizing intellectual capital management enhances firm value by elevating investor appeal, which impacts stock values. The business can also create value and tangentially enhance its stakeholders' well-being. Information about intellectual capital will positively signal investors and impact their decision to invest. This study's findings align with previous research conducted by (Saragih & Sihombing, 2021; and Yudha, 2021); the relationship between intellectual capital and financial performance in Islamic commercial banks is significant.

Based on the data analysis, good corporate governance has significantly affected financial performance in Islamic Commercial Banks for the 2017-2022 period with a coefficient value of 0.737208 and a p-value of 0.0066 < 0.05, so H2 is accepted. It implies that an increase in good corporate governance will increase the company's value and vice versa. In this study, GCG refers to corporate governance mechanisms such as ownership structure. Corporate governance arises because of the company's interest in ensuring funders (investors) that the funds invested are used appropriately and efficiently. In addition, with good corporate governance, the company assures that the management acts in the company's best interests. Institutional ownership can enhance the performance and value of the company, enhance oversight, and help put the corporate governance process into practice to meet investor expectations. Institutional shareholders can better influence company policy, take appropriate action when needed, and evaluate its performance because they can access more resources and information. The company value will rise noticeably and profitably as a result. This suggests that investors have faith that their money will eventually increase the value of the business. The company's financial performance increases due to the support of the GCG structure for implementing resource empowerment. Corporate governance is the rules and regulations guiding an organization to balance its power and authority while holding extraordinary shareholders and other

stakeholders accountable. This study's findings align with previous research conducted by (Harisa *et al.*, 2019; Siswanti and Cahaya, 2019); good corporate governance significantly affects financial performance in Islamic commercial banks.

Based on the data analysis, the capital adequacy ratio significantly affects financial performance in Islamic Commercial Banks for the 2017-2022 period with a coefficient value of 0.083384 and a p-value of 0.0001 < 0.05, which means that H3 is accepted. CAR's high value indicates that Islamic banking has sufficient capital to support its needs and bear the risks, including financing risk. CAR can provide trust and confidence to shareholders, customers, and the public that the financial institution has a solid financial foundation and can fulfill its obligations ethically and according to Sharia principles. Thus, CAR positively affects financial performance by ensuring Islamic banks maintain and protect the interests of all parties involved. The financial performance will increase if the CAR value is higher. Sharia banks consider risk, so they only change the ratio according to the CAR level. The implications given by CAR on financial performance are due to increasing profits accompanied by an increase in the need to form reserves so that various risks can be anticipated along with asset productivity, which is also optimized. Sharia banks with a high CAR have capital resistant to various types of risks, allowing the bank to operate smoothly and get maximum profits from its business. The increasing CAR has implications for sufficient capital, resulting in maintaining the reputation of Islamic banks, and the public will continue to entrust their funds to be managed by Islamic banks. This study's findings align with previous research conducted by (Quan *et al.*, 2019; Zaidanin, 2020); capital adequacy ratio significantly affects financial performance in Islamic commercial banks.

Conclusion

The study findings, based on the problems formulation, data analysis, and discussion, show that intellectual capital, good corporate governance, and capital adequacy significantly influence financial performance in Islamic Commercial Banks for 2017-2022. When appropriately applied, intellectual capital can yield many benefits for the business, including improved financial results. A company's ability to leverage its intellectual capital more effectively will boost investor confidence and profitability. The current profitability of BUS may be raised by using the current capital adequacy to manage the ratio of current bad financing to non-performing receivables. The profitability and growth of a business can be sustained by good corporate governance. Therefore, the more consistently corporate governance is implemented, the better financial performance is given, which will raise profits.

Based on the research findings, Islamic bank management must pay close attention to protecting its intellectual capital and corporate governance, among other vital implications in industry practice. The management must set aside funds to support the development of human resources and guidance in fiqh muamalah, Islamic banking services, and products, as well as effective business communication and in-depth market knowledge to anticipate competitors in ways compliant with sharia. As a result, by offering details on the financial standing of businesses in the safe, gray, or distressed zone, this research helps Islamic commercial banks. This study has several limitations, one of which is that it only looks at Indonesia's Islamic banking industry. More studies are advised to increase the range of industries in the research sample.

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