Analysis of the influence of intellectual capital and bank risk on the performance of maqashid sharia based Islamic banking in Indonesia

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Abstract

Purpose - This study aims to determine the effect of intellectual capital and bank risk on the performance of maqashid sharia based Islamic banking in Indonesia (An empirical study on Islamic Commercial Banks registered in Financial Services Authority (OJK) in 2017-2019).

Method - This study used secondary data and used the multiple linear regression analysis method. The sample used was the purposive sampling method with the results of 12 Islamic Commercial Bank (BUS) as a sample of 14 BUS populations.

Result - The results of this study stated that iB-VACA had a significant adverse effect on MSI variable; iB-VAHU had a positive but not significant effect on MSI variable; iB-STVA had an insignificant negative effect on MSI variable; CAR had an insignificant negative effect on MSI variable, and FDR had a positive but not significant effect on MSI variable.

Implication - Islamic banking is advised to optimize its intangible assets and estimate the risks that will occur, as well as to pay attention to its sharia objectives to increase company value and performance.

Originality - The secondary data source of this research is obtained from the official website of OJK, and financial report data is obtained from the website of each BUS.

Keywords: intellectual capital; capital risk; liquidity risk; maqashid sharia index

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Introduction

The market share of Islamic banks as of October 2020 only touched 6.33%, which is still far behind, compared to conventional banks. Islamic banking literacy is only 8.93%, which is still very small compared to the national index of 38.03%. Meanwhile, the inclusion of Islamic banking is only 9.1%, which is still far from the national index of 76.19%. From these data, it can be concluded that the penetration rate of Islamic finance in Indonesia is still low. Compared to conventional banks, the number of people who make transactions at Islamic banks is still very small (Audriene, 2021). Problems faced by Islamic banking include limited human resources, a limited understanding of Islamic banking systems and principles, the absence of significant business model differences, and delays related to digital transformation.

The management of resources owned by Islamic banking also affects its business competition. According to Solikhah et al. (2010), business people are starting to realize that the ability of business competition lies not only in the ownership of tangible assets but also in innovation, information systems, organization and management, as well as their human resources. Thus, the company changed its business strategy from a labor-based business to a knowledge-based business, also known as intangible assets. One of the methods used for the valuation and measurement of intangible assets is intellectual capital (Hartono, 2018). The company, for now, cannot rely only on the factors of production that it has but also on need of capital called intellectual capital (Kusuma, 2017). The knowledge-based management model encourages companies to manage intellectual capital effectively. Intellectual capital is considered important and it needs to be disclosed because it contains intangible assets used to determine the value of the company. In addition, the company's management also believes that intellectual capital disclosure is necessary to meet the users' needs of information (Hanif, 2018). In this case, Islamic banking also needs to disclose and manage its intellectual capital to develop its business competition, which

of course, can be an indicator of achieving good performance in Islamic banking.

In managing banking performance, this is inseparable from the bank risk. Bank risk includes indicators that measures banking performance based on financial ratios. This financial ratio can be used as a benchmark to assess the health and financial performance of a company. Some financial ratios based on a company's financial risk are divided into several types, including capital risk and liquidity risk.

Islamic banking is a banking system based on Islamic sharia (law). As the institutions that operate based on Islamic principles, Islamic banks must have different characteristics from other companies in terms of performance orientation. The performance of Islamic banking needs to be measured from non-financial aspects as measured from the concept of sharia objectives, not only measured from its financial performance. Because there are still many Islamic banks that further optimize the economic aspects or the creation of high profits and forget their priority in fulfilling their maslahah function, it is necessary to measure the performance of Islamic banking in accordance with sharia goals. This is to find out whether the banking performance applied by Islamic banking is in accordance with its social function or not. Islamic banking performance measurement model that reflects sharia objectives that use maqashid sharia performance or can be called Maqashid Syariah Index (MSI) has been developed by Mohammed & Razak (2008). The development of MSI is based on the nonconformity of the use of conventional performance indicators in Islamic banking (Hartono, 2018). This research shows that Islamic banking can be measured in terms of the extent to which Islamic banks can carry out their Islamic principles and objectives well.

Literature Review

Resource-Based Theory

Resource-Based Theory (RBT) illustrates that by developing existing resources, it is able to direct the company to survive on a long-term basis and

can increase competitive advantage (Wernerfelt, 1984). Based on Resource-Based Theory, if the company owns, controls, and utilizes important assets such as tangible assets and intangible assets, the company will gain competitive advantage and good financial performance.

Stakeholder theory

Based on stakeholder theory, Freeman et al. (2010) in Hermawan (2018) assumes that companies that tend to make their stakeholders better are those that are able to maintain support, and their participation will continue to grow over time. In addition, the company needs to maintain stakeholder support so that its company's goals are achieved.

Signal Theory

Signal theory suggests how a company should signal to users of financial statements. By providing signals to stakeholders about reliable financial information, it will reduce information asymmetry and uncertainty about the company's future prospects (Rokhlinasari, n.d.).

Intellectual Capital

According to Stewart (1997) in Bontis (1998), Intellectual Capital is intellectual material consisting of knowledge, information, intellectual property, and experience, which can be used to create wealth. In general, there are three main indicators of intellectual capital, namely: Human Capital (HC), Structural Capital (SC), and Capital Employed (CE). Human Capital (HC) represents the individual knowledge of employees of a company including genetic inheritance, education, experience, and attitude about life and business. Structural Capital (SC) encompasses all non-human knowledge in an organization, such as databases, organizational charts, process manuals, strategies, routines and everything that can make a company's value greater than its material value (Bontis et al., 2000). While Capital Employed (CE) is the ability of companies to generate income by utilizing the value of assets owned (Ramadhan, 2017).

The intellectual capital measurement model used in this study is a research model provided by Ulum (2013), iB-VAIC (Islamic Banking-Value Added Intellectual Coefficient), as a modification of the existing model, the Value Added Intellectual Coefficient-VAIC™ developed by Pulic. iB-VAIC (Islamic Banking Value Added Intellectual Coefficient) performance assessment model developed by Ulum (2013) Spelled out as follows:

iB-VA = OUT - IN

Where OUT (Output): Total revenue, obtained from:

Net income of sharia activities = main operating income of sharia activities + other operating income - third party rights to revenue sharing and temporary *shirkah*.

The iB-VAIC calculations developed in this study are based on accounts in traditional financial reports so they are easy to implement and can provide an idea of the performance of Islamic banking intellectual capital (Ulum, 2013). The intellectual capital measurement stages are: The first stage, calculating iB-VA with the formula above.

The second stage, calculating value added capital employed (iB-VACA), iB-VACA is an indicator for iB-VA created by a unit of human capital. This ratio indicates the contribution each unit makes from capital employed to the value added of the company (Ulum, 2013). iB-VACA can be calculated by formula:

$$iB\_VACA = \frac{VA}{CE}$$

The third stage, calculating iB-VAHU. iB-VAHU shows how much iB-VA can generate with funds spent on labor. This ratio is the contribution made by every rupiah invested in HC to value added organizations. iB-VAHU can be calculated by the formula:

$$iB\_VAHU = \frac{VA}{HC}$$

The fourth stage, calculating iB-STVA. iB-STVA is the ratio to measure the amount of SC needed to generate a single rupiah from iB-VA and is an indication of how successful SC is in value creation. iB-STVA can be calculated by formula:

$$iB\_STVA = \frac{SC}{VA}$$

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The last stage, calculating iB-VAIC by summing the three indicators iB-VACA, iB-VAHU, and iB-STVA.

Bank Risk

In the business of banks and other financial institutions, risk does not necessarily mean bad. For those who can manage it well, this risk can even contain good opportunities (Yulianti, 2009). Many studies have been conducted to measure the effect of financial ratios to company performance. The risks that will be analyzed in this study are capital risk and liquidity risk. Capital risk can be measured using the Capital Adequacy Ratio (CAR). Liquidity risk can be measured using the Financing to Deposit Ratio (FDR). Capital Adequacy Ratio (CAR) is a ratio that shows how far all bank assets that contain risk to be financed from the bank's own capital funds. The formula for calculating it is:

$$CAR = \frac{Modal}{ATMR} \text{ x } 100\%.$$

When a bank has a high CAR value, the CAR ratio can show the level of health of the bank, but if it is too high then it shows that the bank in allocating its funds is less efficient so that the allocated funds are greater than the capital it has, so that it can reduce the bank's performance (Sutrisno, 2016). Regulations from Bank Indonesia explain that CAR is a ratio that shows the amount of all assets that have credit risk, participation, securities and bills from other banks that are also financed with their own capital from the bank. While Financing to Deposit Ratio (FDR) is a ratio to measure the ability of banks to meet their obligations. The formula:

$$FDR = \frac{Total \text{ of } Financing}{Total \text{ of } Third \text{ } Parties' Financing} \text{ x } 100\%.$$

When the value of FDR is higher, the profit earned by the bank will increase so that the bank's performance also increases. A good FDR value should be in a predetermined range, neither too low nor too high. This is to show the effectiveness or absence of Islamic banks in allocating funds. Whether it's too high or too low in FDR value, the bank is considered ineffective in collecting and allocating funds obtained from customers (Riyadi & Yulianto, 2014). If the Non Performing Financing (NPF) is getting bigger

due to congestion in financing activities, it can indicate that non-compliance with sharia will decrease the performance of maqashid sharia.

Performance of Maqashid Sharia

According to Arabic, *maqashid* sharia is composed of two words, namely *maqashid* and *syari'ah* (Fauzia & Riyadi, 2014). The word *maqashid* is the plural form of *maqshud* which means intentionality or purpose, while *syari'ah* in Arabic means the way to the source of the spring, or it can be said to be the path to the source of life. According to Ahmad Al-Raysuni, *maqashid* sharia is the goal that has been set by the *syari'ah* to be achieved for the benefit of humankind. Thus, it can be concluded that *maqashid* sharia aims for the welfare and well-being of humankind.

The performance of Islamic banking in accordance with sharia objectives can be measured using the Maqashid Syaria Index (MSI) developed by Mustafa Omar Mohammed and Dzuljastri Abdul Razak in their research entitled "The Performance Measures of Islamic Banking Based on the Maqasid Framework". Mohammed & Razak (2008) classify *maqashid* sharia into 3-parts according to Abu Zaharah, namely: a) *Tahdhib al-Fard* (educating individuals): its orientation is that Islamic banks are required to play a role in developing knowledge not only for its employees but also the general public. b) *Iqamah al-'Adl* (establishing justice): its orientation is that Islamic banks are required to be able to conduct transactions fairly and equally so as not to harm their customers. c) *Jalb al-Maslahah* (maintaining welfare): its orientation is that the greater the profits obtained by Islamic banks will have an impact on improving welfare and benefits for Islamic bank owners and employees, as well as Islamic banking stakeholders (Setiyobono & Ahmar, 2019). The concepts, dimensions, elements, ratios and weights of each element in the maqashid sharia Index measurement are as follows:

Table 1. Application of Maqashid Sharia Index

Concept (Purpose)	Dimension	Element	Performance ratio
1. Educate individuals	D1: increase knowledge	E1: Education Assistance	R1: Education Assistance/ Total Income
		E2: Research	R2: Research Burden/ Total Burden
	D2: add and upgrade new abilities	E3: Training	R3: Training Load/ Total Load
	D3: creating awareness of the existence of Islamic banks	E4: Publication	R4: Promotional Expenses/Total Expenses
2. Upholding Justice	D4: fair transaction	E5: Fair return	R5: Profit Sharing Undistributed/ Total income
	D5. affordable products and services	E6: Distribution Function	R6: *Mudarabah* & *Musharaka*/Total Financing
	D6: eliminate elements that can create injustice	E7: Interest-Free Product	R7: Interest-free income/ Total Income
3. Maintaining the Benefit	D7: Bank Profitability	E8: Profit Ratio	R8: Net Profit/Total Assets
	D8: Income Redistribution & Welfare	E9: Individual Income	R9: Zakat/Net Assets
	D9. Investment in the real sector	E10: The ratio of investment in the real sector	R10: Real Sector Investment/Total Investment

Source: (Mohammed & Razak, 2008)

Table 2. The Weight of Each Goal and Element

Destination	Goal Weight (%)	Element	Element Weight (%)
T1. Educating Individuals	30	E1: Education Assistance	24
		E2: Research	27

		E3: Training	26
		E4: Publication	23
		Total	100
T2. Upholding Justice	41	E5: Fair return	30
		E6: Distribution Function	32
		E7: Interest-Free Product	38
		Total	100
T3. Maintaining the Benefit	29	E8: Profit Ratio	30
		E9: Individual Income	33
		E10: The ratio of investment in the real sector	37
		Total	100
Total	100		

Source: (Mohammed & Razak, 2008)

There are three stages to measure the performance of *maqashid* sharia based on MSI, namely: The first stage, assessing each performance of the 10 maqashid sharia performance ratios. The second stage is to determine the rating of Islamic banks based on Performance Indicators (IK). The third stage is to determine the maqashid sharia Index of each bank.

Hypothesis Development

Based on resource-based theory, human resources or in this case employees of companies who have high expertise and competence will become competitive advantage for the company if utilized and managed properly, then this can affect the increase in employee productivity (Lusda et al., 2017). As for its relationship with the performance of *maqashid* sharia, if employees of Islamic banks perform good service in accordance with Islamic norms or in accordance with Islamic banking standards, the customers' trust in Islamic banks will increase.

> *H_1: Capital employed has a positive and significant influence on the performance of maqashid-sharia-based Islamic banking*

The relationship between Human Capital and *maqashid* sharia performance is in line with one of the indicators of *maqashid* sharia performance measurement, namely about *Tahdhib al-Fard* (educating individuals) by developing knowledge. Referring to the Sumner power-based theory, if the company develops the knowledge and expertise of employees in improving the company's performance and value and accompanied by the provision of incentives such as appropriate salaries or benefits, it is expected that it will lead to the creation of good *maqashid* sharia performance as well.

H₂: *Human Capital has a positive and significant influence on the performance of maqashid-sharia-based Islamic banking*

Structural capital plays a role in banking performance by providing infrastructure and good systems or procedures to support the work of wealthy people effectively (Ramadhan, 2017). In conjunction with the performance of *maqashid* sharia, based on the concept of Resource-based Theory, if Islamic banking companies continue to increase structural capital in the form of infrastructure and transaction systems or procedures in accordance with Sharia principles, they will be able to compete in the banking business and will produce better performance of *maqashid* sharia (Ramadhan et al., 2018). Further, according to Ramadhan et al. (2018), better infrastructure and efficient customer transaction procedures will bring up better customer's response to the bank and customer transactions will continue to run smoothly so as to improve the bank's financial performance.

H₃: *Structural Capital has a positive and significant influence on the performance of maqashid-sharia-based Islamic banking*

Capital Adequacy Ratio (CAR) is a capital ratio, which describes the amount of capital itself required to cover the risk of losses that may be caused by the investment of risky assets (Faisal, 2012). In conjunction with the bank's financial performance, the bank must keep the CAR value no less than the minimum requirement of 8%. But the value of CAR should also not be too large, because it can lead to less efficient bank performance. If the bank's CAR value is too high, it will indicate that many funds are held in the bank because

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many funds are idle. Thus, it will reduce the chances of making a profit. Afda (2019) in his research entitled "Analysis of The Effect of Risk and Efficiency on the Performance of Islamic Banks (Case Study on Islamic Banks in Indonesia in the Period 2013-2017)" stated that CAR negatively affected the performance of Islamic banks meaning that CAR increases and bank profitability decreases.

H_4: *Capital Adequacy Ratio (CAR) has a negative and insignificant influence on the performance of maqashid-sharia-based Islamic banking*

The lower the value of FDR, it indicates the smaller the level of bank liquidity. The ratio of FDR is considered to have a good value is when it is among the values set by Bank Indonesia. Because when it is in the range of value, the bank can be said to be effective in financial allocation so that the profit earned by the bank will increase and it will also show improvements in the bank's performance (Gayatri & Sutrisno, 2004). Research on the effect of FDR on the company's financial performance has been conducted by Anam & Khairunnisah (2019) entitled "The Effect of Profit Sharing Financing and Financing To Deposit Ratio (FDR) on Profitability (ROA) of Bank Syariah Mandiri", which stated that FDR had a negative and insignificant effect on the profitability of Bank Syariah Mandiri.

H_5: *Financing to Deposit Ratio (FDR) has a negative and insignificant influence on the performance of maqashid-sharia-based Islamic banking*

Research Methods

This type of research is quantitative research. In Sugiyono (2010), quantitative research is empirical research using data that can be calculated by data collection and analysis techniques in numerical form. The source of the data obtained was secondary data. The data was obtained from the annual report and Islamic banking financial statements obtained from the official website of each Islamic banking during the research period. The population in this study was Islamic Commercial Bank (BUS) registered in the

Financial Services Authority (OJK) consisting of 14 BUS companies. The sampling used purposive sampling methods with certain criteria, with only 12 BUS that met the sampling criteria. The data collection methods used were documentation and literature studies. The data analysis method was multiple linear regression models.

The dependent variable was the Performance of Maqashid Sharia where the research indicators used proxies and research criteria from Mohammed & Razak (2008). While the independent variables were Intellectual Capital (IC) with the measurements used Islamic Banking Value Added (iB-VAIC) and bank risk was measured based on Capital Adequacy Ratio (CAR) as indicators measuring capital ratio and Financing to Deposit Ratio (FDR) as indicators measuring liquidity ratios.

Results and Discussion

Multiple Linear Regression Test

Table 3 shows the results of multiple linear regression tests that aim to test the influence of independent variables on dependent variables. Based on the table above, the obtained regression formula:

$$Y = 0{,}041 - 0{,}169X1 + 0{,}034X2 - 0{,}023X3 - 0{,}301X4 + 0{,}211 + \varepsilon$$

The equation above means: (1) The constant value of 0.041, meaning that when the independent variable is assumed to be equal to 0 (zero), then the Performance of Maqashid Syariah Index (MSI) will increase by 0.041; (2) The iB-VACA regression coefficient value of -0.169, meaning that iB-VACA negatively affects MSI; (3) iB-VAHU regression coefficient value of 0.034, meaning that iB-VAHU positively affects MSI; (4) iB-STVA regression coefficient value of -0.023, meaning that iB-STVA negatively affects MSI; (5) CAR regression coefficient value of -0.301, meaning that CAR negatively affects MSI; (6) The value of the FDR regression coefficient is 0.211, meaning that FDR has a positive effect on MSI.

Table 3. Multiple Linear Regression Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.041	.098		.418	.679
	IB-Value Added Capital Employed	-.169	.070	-.541	-2.431	.021
	IB-Value Added Human Capital	.034	.023	.400	1.449	.158
	IB-Structural Capital Value Added	-.023	.020	-.187	-1.162	.254
	Capital Adequacy Ratio	-.301	.201	-.331	-1.495	.145
	Financing to Deposit Ratio	.211	.119	.296	1.780	.085

a. Dependent Variable: Maqashid Syariah Index

Table 4. Coefficient of Determination (R2) Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.579[a]	.336	.225	.06123	.960

a. Predictors: (Constant), Financing to Deposit Ratio, iB-Value Added Human Capital, iB-Structural Capital Value Added, Capital Adequacy Ratio, iB-Value Added Capital Employed

b. Dependent Variable: Maqashid Syariah Index

Coefficient of Determination (R^2) Test

Table 4 is the result of a coefficient of determination (R2) test that aims to determine the percentage of influence of independent variables on dependent variables. Based on table 4, the Adjusted R square (R2) value is 0.225, meaning that independent variables are able to explain dependent variables by 22.5%, while the remaining 77.5% is explained by other variables outside the research model.

Simultaneous Significance Test (F test)

Table 5 shows the results of the F test which aims to find out whether independent variables (X) significantly together affect dependent variables

(Y). Based on table 5, the value of F is 3,030 with a significant value of 0.025 (0.025<0.05), meaning that the variables of Intellectual Capital (iB-VACA, iB-VAHU, and iB-STVA), capital risk (CAR), and liquidity risk (FDR) together have a significant effect on Performance of Maqashid Syariah Index (MSI).

Table 5. Simultaneous Significance Test (F test)

		ANOVA[b]				
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.057	5	.011	3.030	.025[a]
	Residual	.112	30	.004		
	Total	.169	35			

a. Predictors: (Constant), Financing to Deposit Ratio, iB-Value Added Human Capital, iB-Structural Capital Value Added, Capital Adequacy Ratio, iB-Value Added Capital Employed

b. Dependent Variable: Maqashid Syariah Index

Table 6. Individual Parameter Significance Test (t test)

	Coefficients[a]				
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.041	.098		.418	.679
IB-Value Added Capital Employed	-.169	.070	-.541	-2.431	.021
IB-Value Added Human Capital	.034	.023	.400	1.449	.158
IB-Structural Capital Value Added	-.023	.020	-.187	-1.162	.254
Capital Adequacy Ratio	-.301	.201	-.331	-1.495	.145
Financing to Deposit Ratio	.211	.119	.296	1.780	.085

a. Dependent Variable: Maqashid Syariah Index

Individual Parameter Significance Test (t test)

Table 6 shows the results of the t test which aims to find out whether each independent variable has an influence on the dependent variable. Based on table 6 : (1) iB-VACA shows significant value of 0,021 (0,021<0,05) indicating that iB-VACA has significant impact on the performance of *Maqashid* Sharia; (2) iB-VAHU shows significant value of 0,158 (0,158 > 0,05) indicating that iB-VAHU has insignificant effect on *Maqashid* Sharia Performance; (3) iB-STVA shows significant value of 0,254 (0,254 > 0,05) indicating that iB-STVA has insignificant effect on the Performance of maqashid sharia; (4) CAR shows significant value of 0,145 (0,145 > 0,05) indicating that CAR has no significant effect on the performance of *Maqashid* Sharia; (5) FDR shows significant value of 0,085 (0,085 > 0,05) indicating that FDR has a positive but insignificant effect on the performance of maqashid sharia.

The Influence of Capital Employed (iB-VACA) on the Performance of Maqashid Syariah Index (MSI)

Capital Employed (iB-VACA) has a significant negative effect on the Maqashid Syariah Index (MSI) Performance variable. Thus, the first hypothesis (H1) is rejected. This is in accordance with research conducted by Ramadhan (2017) which states that Capital Employed negatively affects the performance of *maqashid* sharia.

The results of this study indicate that Capital Employed in the form of physical and financial assets owned by Islamic banking in the routine process of the company may only be carried out for compliance in regulation or just a formality, but has not been based on the principle of *maqashid* sharia. Islamic banking still manages the resources it has based on concepts taken from conventional banking, so the concept of Sharia that should be applied is only limited to the creation of corporate value. This is in line with opinion from Ramadhan et al. (2018) which states that Islamic banking services in Indonesia have no significant differences with conventional banking, Islamic banking services are more dominant to their banking products than in the aspect of service to their customers. Thus, these results show that the

efficiency of working capital use in Islamic banking, especially for employees, has not met the good performance of *maqashid* sharia.

The Influence of Human Capital (iB-VAHU) on the Performance of Maqashid Syariah Index (MSI)

Human Capital (iB-VAHU) has a positive but insignificant effect on the Performance of Maqashid Syariah Index (MSI) variable. Thus, the second hypothesis (H2) is rejected. This is in accordance with the research done by Helmiatin (2015) which states that Human Capital (VAHU) has an insignificant influence on employees' performance.

Human Capital (HC) represents the individual knowledge of an organization that its employees represent (Bontis et al., 2000). According to Stewart (2002) quoted in Anggraini (2013), Human Capital refers to the value of human resources contained in the company including skills, knowledge, abilities, attitudes, competence, and quality of company employees as well as good mechanisms, support, and motivating employees' performance, such as training and development, employees' welfare, guarantee schemes (compensation) and a work environment that can be profitable. To achieve superior HC according to Ivada (2004), it can be done in three ways: a) Provide additional knowledge and skills such as through training, b) Provide all the tools an employee needs to do his or her job, c) Provide a work environment that can support high productivity.

Value Added Human Capital (VAHU) as a component of HC measurement, describes how much Value Added can be generated with funds spent on labor (Muhanik & Septiarini, 2017). The relationship between VA and HC can also indicate HC's ability to create corporate value (Ulum, 2007). Further, according to Ulum (2007), it refers to the stakeholder theory that if employees have been successfully placed or positioned themselves as stakeholders of the company, they will maximize their intellectual ability to create value for the company. The results of this study indicate that high Human Capital (HC) does not mean that Islamic banks will have high *maqashid* sharia performance as well. This is in line with the opinion from

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Ciptaningsih (2013) which states that this is possible because the salary figure is quite high and has a positive influence on the increase in the number of assets owned by Islamic banking but not accompanied by the addition of significant *maqashid* sharia performance. This can happen because there are indications that the cost of salaries and benefits provided to employees has not been able to increase the motivation of the employee in increasing the company's income, and without being accompanied by good human resource management such as the provision of training and employee development. On the other side, HC is in line with one measure of *maqashid* sharia performance about *Tahdhib al-Fard* (educating individuals) by developing knowledge. However, the high cost of salaries and employee benefits does not guarantee that the productivity of these workers is also high. That's as Helmiatin (2015) said that the measurement of human capital (HC) is not intended to determine the intrinsic value of human resources, but rather the behavioral impact of human resources on organizational processes.

Effect of Structural Capital (iB-STVA) on the Performance of Maqashid Syariah Index (MSI)

Structural Capital (iB-STVA) has an insignificant negative effect on the Performance of Maqashid Syariah Index (MSI) variable. Thus, the third hypothesis (H3) is rejected. This is not in accordance with the research that has been done by Chen et al. (2005) which states that STVA has a significant positive effect on financial performance as measured by ROE. However, in accordance with the research conducted by Muhanik & Septiarini (2017), STVA has no significant effect on ROA.

The results of this study indicate that Structural Capital showed no influence on the creation of *maqashid* sharia performance. This is possible because every structural capital implementation and management activity such as organizational systems, intellectual property, technology or banking system only refers to acts of banking legitimacy that seek to create corporate value alone, or maybe the management of Structural Capital is the same as conventional banking whose orientation is to attract customers for profit and

has high value in the eyes of stakeholders. This is in line with the opinion of Ramadhan et al. (2018) which states that it is very logical considering that most Islamic banking in Indonesia is the result of the role of conventional banking, so the managerial practice of Islamic banking adopts from conventional banking. Thus, if structural capital management such as transaction systems or procedures still uses the same system as conventional banks or not in accordance with sharia order, it will not improve the performance of *maqashid* sharia. This is in line with the opinion which Muhanik & Septiarini (2017) stating that if a company has possible structural capital such as planning, organizing, strategies, procedures, systems and other assets but not maximized properly, then it will not increase the profit of the company.

Effect of Capital Risk (CAR) on the Performance of Maqashid Syariah Index (MSI)

Capital Adequacy Ratio (CAR) has an insignificant negative influence on the Performance of Maqashid Syariah Index (MSI) variables. Thus, the fourth hypothesis (H4) is accepted. This is in line with the research conducted by Sutrisno (2016) and Hidayah (2019) that CAR has no significant negative effect on the bank's performance. It is different from research by Akhtar et al. (2011) which state that CAR has a positive effect on profitability measured by ROA.

The results of this study indicate that the high or low CAR does not affect the performance of *maqashid* sharia. This is in accordance with the opinion of Sutrisno (2016), that is likely because banking capital is included in the main aspects assessed by the banking authority, so that the bank must be able to control its CAR in order to always meet the minimum requirement of 8%. In this study seen from descriptive statistics, the average CAR from the BUS is 21.06% with a minimum value of 12% and a maximum of 45%. This shows the results that Islamic banking is very careful in managing capital risks. If the value of CAR is too high, it indicates that the bank is inefficient in allocating its funds. This shows that many funds are idle because many funds are stored in

banks. Thus, fewer funds are used to finance or receivable to its customers, therefore resulting in lower bank profits, so that it can reduce the performance of Islamic banking, especially at the value of Maqashid Syariah Index (MSI).

Effect of Liquidity Risk (FDR) on the Performance of Maqashid Syariah Index (MSI)

Financing to Deposit Ratio (FDR) has a positive but insignificant effect on the Performance of Maqashid Syariah Index (MSI) variable. Thus, the fifth hypothesis (H5) is rejected. This is in accordance with the research that has been done by Suwarno & Muthohar (2018) and Suryani (2011), that FDR has a positive but not significant effect on ROA.

The results of this study indicate that the increase in liquidity levels of Islamic Commercial Bank (BUS) does not affect the performance of its *maqashid* sharia. The average value of FDR of Islamic Commercial Bank (BUS) for the period 2017-2019 amounted to 84.34%, which is good because it is included in the safe FDR standard. However, there are some banks that have too high FDR value of 111% and too low at 65%. This allows FDR to have an insignificant effect. The FDR value of 65% reflects that the bank only distributes its funds by 65%, the remaining 35% is not allocated to parties in need, and this means that the bank does not function as a good intermediary. This is in line with the opinion from Sholihah & Sriyana (2014) which states that the relatively large FDR is not necessarily coupled with a large profitability as well.

The higher the FDR indicates that the bank is more oriented towards allocating more funds and it will also cause high financing risk, while if the FDR rate is low, it shows the lack of effectiveness of the bank in allocating funds so that the idle funds are many. Good management of bank liquidity risk according to Sutrisno (2016) is where the state of the bank can provide funds that are stored and can be taken at any time by customers and the bank is able to provide the funds to those in need.

Conclusion

The conclusion of this study states that Intellectual Capital (iB-VACA) has a significant negative effect on the performance of maqashid sharia; Human Capital (iB-VAHU) has a positive but not significant effect on the performance of maqashid sharia; Structural Capital (iB-STVA) has an insignificant negative effect on the performance of maqashid sharia; capital risk (CAR) has an insignificant negative effect on performance of maqashid sharia; and liquidity risk (FDR) has a positive but insignificant effect on the performance of maqashid sharia.

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