

The Influence of Intellectual Capital and Sharia Compliance on the Financial Performance of Islamic Banks Registered with the Financial Services Authority, With Corporate Social Responsibility as a Moderating Variable (2021-2023)

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ABSTRACT

This study also considers the role of Corporate Social Responsibility (CSR) as a moderating variable that may strengthen or weaken the relationship between intellectual capital and Sharia compliance on bank performance. In the context of Sharia banking, CSR functions not only as a form of social responsibility but also as a reflection of Islamic values that emphasize justice, transparency, and concern for the community.

The research is expected to contribute to the development of strategic management theory and practice, as well as enrich the literature related to Sharia banking. The findings are anticipated to provide valuable insights for Islamic bank managers is formulating strategies to enhance firm value through the optimal management of intellectual assets, adherence to sharia principles, and the effective implementation of CSR.

Keyword: Intellectual Capital, Sharia Compliance, Financial Performance (ROA), Corporate Social Responsibility (CSR).

INTRODUCTION

A Sharia bank is a financial institution that conducts all business activities based on provisions and values that are compliant with Islamic Sharia teachings. In its operations, Sharia banks adhere to Sharia law, which prohibits riba (interest), maysir (speculation or gambling), gharar (uncertainty or excessive uncertainty), and transactions involving elements banned by Islam. Sharia banks also apply the principles of fairness, transparency, and sustainability in their operations. The Indonesian public's interest in Sharia banking is evident in the rapid growth of the Sharia banking industry. The significant increase in the Muslim population in Indonesia presents a promising market opportunity for developing Sharia banking products and services.

Sharia banks continue to expand their branch networks, increase accessibility, and provide comprehensive services to their customers. Sharia banking assets, which grew by more than 20% compared to the previous period in 2016, indicate significant growth in the Sharia banking sector in Indonesia. This growth reflects growing public interest and trust in Sharia banking institutions in finding financial alternatives that align with Sharia values. Islamic banks are also beginning to

utilize digital technology to expand services, such as mobile banking and online account opening. Furthermore, collaboration with Islamic fintech companies strengthens Indonesia's inclusive and innovative Islamic financial ecosystem.

Indonesian Sharia banking demonstrated positive financial performance between 2021 and 2023. The Financial Services Authority (OJK) reported that in 2022, total Sharia banking assets reached IDR 802.26 trillion, a 15.63% increase compared to the previous year, with a market share of 7.3%. BSI also recorded strong performance. 2023 BSI recorded a net profit of IDR 5.7 trillion, a 33.8% increase compared to IDR 4.26 trillion in 2022. In 2023, revenue from fund management as *mudharib* was recorded at IDR 22.3 trillion, a 13.40% increase compared to 2022. The OJK noted that Sharia banking financing grew 20.44% year over year (YOY) in December 2022, higher than conventional banks' 10.72% yoy growth.

Asset stability was successfully maintained, with the NPF rate decreasing from 2.42% in 2022 to 2.08% in 2023. Overall, the period from 2021 to 2023 shows that Indonesian Sharia banking has successfully recovered and grown positively after the impact of the COVID-19 pandemic, with significant increases in assets, financing, and profits. To maintain customer trust and loyalty, Islamic banks need to implement various strategies and principles that support sustainability and growth.

One effort is through the merger process between Islamic banks. The merger, amalgamation, consolidation, or conversion of Islamic banks can be a strategy to strengthen the national banking system and increase the competitiveness of the Sharia banking industry. Through this process, several Islamic banks can combine into a larger entity to face increasingly dynamic and complex challenges in the future. Mergers can be a potential strategy to strengthen Sharia banking and maintain the sustainability of the national banking

industry. Mergers are expected to lead companies to a more solid and secure position.

The smooth and successful merger process is heavily influenced by solid management and supportive government regulations. Clear regulations and support are needed to create an environment conducive to the growth and progress of Islamic banks and the banking industry. The merger of Bank Syariah Mandiri, BRI Syariah, and BNI Syariah has been included in the Indonesian government's strategic plan since 2015. The merger, implemented on February 1, 2012, reflects structured and thorough preparation. The merger of three state-owned Islamic banks is expected to create a new force to support the national economy by applying principles of investment stability and fairness in the financial system.

This merger aims to encourage growth, strengthen the Islamic financial sector's competitiveness, and enhance these banks' innovation, benefits, and strengths. Considering the untapped capacity of the Islamic market, it is hoped that Sharia banking can compete with conventional banks and become a driving force for development in Indonesia. The merger's success will depend on sound management, effective integration, regulatory support, and adaptation to market changes. The government needs to maintain sustainability and closely monitor the implementation of this merger to ensure that the desired goals are achieved and that all Indonesians feel its benefits.

Fluctuating economic conditions can impact the performance of Sharia banking, just as they do with conventional banking. Efforts include optimizing marketing strategies, strengthening risk management, and improving Islamic financial literacy to increase customer confidence in Sharia banking products and services. A bank's profitability is influenced by several factors, such as operational efficiency, the level of Non-Performing Financing (NPF), income from operating activities, and fluctuations in

exchange rates. The success of a merger will depend heavily on an integration strategy, sound risk management, and efforts to restore the quality of problematic financing. The banks involved in this merger must conduct careful analysis and appropriate implementation to overcome existing obstacles and achieve greater profitability in the future.

The development of the Sharia banking industry throughout Indonesia depends heavily on the contribution of the human resources available within these companies. Human resources with intellectual competence are crucial in the Sharia banking industry. If human resources lack skills in Sharia banking, it will hinder the development of the national Sharia banking industry.

The interest of Islamic economics and finance experts is growing as various issues within the management system of the Sharia banking sector emerge (Asrori, 2014). A crucial starting point in operating an Islamic bank is the application of Sharia principles. In addition to emphasizing the ideals of peace and harmony, Islamic banks must conduct their business operations under Sharia principles, which prohibit *riba* (interest), *maysir* (speculative/gambling elements), and *gharar* (uncertainty). Weaknesses in Sharia banking corporate governance can arise if bank management cannot ensure adherence to Sharia principles in every product and service offered. This condition can be caused by several factors, such as a lack of understanding of Sharia principles and adequate supervision and control to ensure adherence to Sharia principles.

In addition to Intellectual Capital and Sharia Compliance, according to Iqbal et al. (2019) and Nguyen et al. (2021), public expectations of companies deemed responsible for environmental damage arise due to contemporary social and ecological issues. Previous research by Chandra (2021), Devie (2020), and Harningsih (2019) supports this research. One significant moderating factor

is corporate social responsibility, a component of Islamic banks' business ethics and social responsibility. In addition to enhancing a bank's public perception and reputation, corporate social responsibility (CSR) strengthens relationships with stakeholders, which can help improve financial performance. This study investigates whether CSR can enhance the impact of Sharia Compliance and Intellectual Capital on the financial performance of Islamic banks registered with the Financial Services Authority (OJK), using CSR as a moderating variable. This study aims to investigate the impact of intellectual capital and Sharia compliance on the financial performance of Sharia banking after the merger in 2021. Through this study, it is hoped that it will be known whether the merger results positively impact banking development, or vice versa.

LITERATURE REVIEW

Financial Performance

Financial performance results from achieving business success, reflecting all activities undertaken. Financial performance is an investigation to assess the extent to which a business or company adheres to regulations in conducting financial activities (Lestari et al., 2020). Financial performance can also be defined as implementing procedures and an entity's results in distributing products or services to customers (Destiana, 2016).

Financial performance is a benchmark for company management in decision-making. The level of performance achieved depends on the performance of company management, individually and collectively. Financial ratios can help companies assess whether financial performance aligns with company expectations (Astuti and Raharja, 2024). Financial performance assessments assess management's success in running and managing a business, as they determine specific metrics for measuring the organization's/company's success in

generating profits. It is crucial in planning and control. It allows companies to determine strategies to achieve their goals, which can be achieved by analysing available financial reports. The purpose of performance appraisals is to motivate employees to achieve organisational goals and meet established behavioural standards, as a basis for decision-making, and as a means of determining liquidity, solvency, profitability, and business stability, as a basis for deciding future strategies (Karini and Apriliyanto, 2024). A profitability ratio indicator is used to assess financial performance, which measures a company's ability to generate profits compared to the total costs and expenses incurred during a specific period. The formula used to calculate this profitability ratio is as follows:

$$ROA = \frac{\text{Net profit after tax}}{\text{Total Assets}} \times 100\%$$

Intellectual Capital

Intellectual capital combines three key organisational elements: human capital, structural capital, and customer capital. These elements are crucial in utilizing knowledge and technology to generate added value and strengthen a company's competitiveness. This intellectual capital reflects the collective ability of an entity—whether an organization, a scientific community, or a professional group—to manage its knowledge and skills (Rahayu et al., 2020).

Intellectual capital measurement indicators consist of three combined components (Prambodo, 2016):

1) Human Capital Efficiency (HCE)

Human Capital Efficiency (HCE) describes the expenditure on employees that can generate Value Added (VA). Suppose a company can generate higher revenues using a unit of Human Capital. In that case, the company can use HCE to evaluate the quality of the entity's workforce and

its ability to generate VA. HCE is calculated using the formula:

$$HCE = \frac{VA}{HC}$$

Description:

VA: Value Added

HC: Savings and salary

2) Value Added

The importance of Value-Added lies in its ability to measure the contribution made by each human, structural, physical, and financial resource.

VA=OUT-IN

Description:

Output: the total revenue generated from selling products and services, including additional revenue.

Input: selling expenses and variable costs, except for

3) Capital Employed Efficiency (CEE)

Capital Employee Efficiency (CEE) describes the amount of Value Added (VA) generated by one unit of Capital Employed. If a company can achieve a higher return from one unit of Capital Employed, this demonstrates its ability to utilise its Capital Employed effectively. Optimal utilisation of Capital Employed is crucial to a company's intellectual capital. Therefore, CEE indicates a company's ability to utilize its capital more effectively, demonstrating its ability to manage its Capital Employed.

$$CEE = \frac{VA}{CA}$$

Description:

VA: Value Added

CA: Available capital refers to usable financial resources, such as net income and equity.

- 4) Structure Capital Efficiency (SCE)
Structure Capital Efficiency (SCE) describes the extent to which Structure Capital (SC) is needed to obtain Value Added (VA). It reflects the importance of Structure Capital's (SC) success in creating value for the company.

$$SCE = \frac{SC}{VA}$$

Description:

SC: Structural Capital is the sum of value added (Value Added) minus Human Capital (HC).

VA: Value Added

HC: Human Capital refers to costs associated with labour or employee wages.

Sharia Compliance

Sharia compliance, often known as Sharia compliance, is a fundamental principle inherent in Islamic financial institutions, ensuring they operate correctly and per established Sharia principles. Sharia compliance, in other words, is an attitude and action to ensure that Sharia principles serve as the basic guideline for a company's operations. Some experts link Sharia compliance with Islamic corporate governance. The link between Sharia fintech and Islamic corporate governance requires both to adhere to Sharia compliance principles consistently. A fundamental aspect of a fintech startup is the obligation to remain within established Sharia principles (Abubakar & Handayani, 2018).

Sharia compliance refers to a Sharia bank's adherence to regulations following Islamic law. This compliance is a concrete example of the application of Sharia principles in all of the institution's operational activities, demonstrated by the trustworthiness, integrity, and character of the Sharia bank. The attitudes, behaviours, and activities that help Islamic banks comply with all Bank Indonesia regulations are known as a culture of

compliance. In general, the primary responsibility of Sharia Compliance is to ensure that all operational activities of Islamic financial institutions comply with Sharia law. Furthermore, Sharia compliance is a safeguard to increase and maintain public trust in Sharia-compliant financial institutions. Sharia banks provide a unique organizational structure with the authority to conduct Sharia supervision to ensure compliance (Hasanah et al., 2022). Sharia Compliance Measurement Indicators:

- 1) Islamic Income Ratio (IIR)

The Islamic Income Ratio (IIR) refers to the income generated from investments that comply with Sharia principles. According to Hameed et al. (2017), Sharia principles encourage the use of legitimate (halal) transactions and prohibit transactions involving *riba* (interest), *gharar* (excessive uncertainty), and gambling. Therefore, Islamic banks generally generate most of their income from halal sources.

$$IRR = \frac{\text{Halal Income}}{\text{Total Revenue}}$$

- 2) Profit Sharing Ratio

The Profit Sharing Ratio is a profit-sharing ratio calculated based on revenue after deducting management costs. In the Sharia system, this pattern is used to distribute the operating results of Islamic financial institutions.

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

- 3) Zakat Performance Ratio

This ratio uses the Zakat Performance Ratio as its denominator to reflect the financial performance of Islamic banks. Zakat is the obligation of the zakat payer to provide a certain amount of wealth to the *mustahiq*

according to the predetermined nisab and haul.

$$ZPR = \frac{Zakat}{Net\ Asrt}$$

Corporate Social Responsibility

According to the World Business Council for Sustainable Development (WBCSD), a business's commitment to driving sustainable economic growth through the active participation of workers, their families, and local communities to improve the quality of life for everyone is known as corporate social responsibility, or CSR. Because it encompasses a moral obligation to stakeholders that goes beyond legal commitments, corporate social responsibility (CSR) is often considered a crucial component of business ethics. Corporate social responsibility encompasses all relationships between a company and its stakeholders, including consumers, employees, communities, shareholders or investors, governments, suppliers, and competitors (Saputra, 2018).

Corporate social responsibility activities create value for the company, particularly in building positive stakeholder relationships. The implementation of CSR aims to benefit two groups of stakeholders: internal and external. Philosophically, CSR is based on the principle of corporate management that benefits internal stakeholders and positively impacts the surrounding environment. Therefore, companies must manage their operations responsibly by producing products that positively impact society and the environment (Yudha, 2021). CSR plays a role in meeting social needs while supporting society's economic and cultural stability. Corporate Social Responsibility is measured using the CSRI proxy from the Global Reporting Initiatives (GRI) indicators.

$$CSRI = \frac{\sum Xi}{N}$$

Description:

$\sum Xi$: Number of CSR indicators disclosed by the company

N: Number of indicators according to GRI 4.0

Framework

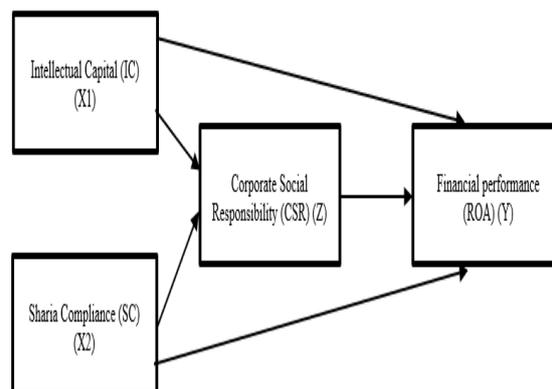


Figure 1. Conceptual Framework

H1: Intellectual Capital has a positive effect on financial performance.

H2: Sharia Compliance has a positive effect on financial performance.

H3: Intellectual Capital positively and significantly affects financial performance, moderated by Corporate Social Responsibility (CSR).

H4: Sharia Compliance positively and significantly affects financial performance, moderated by Corporate Social Responsibility (CSR).

MATERIALS & METHODS

In this study, the researcher adopted a quantitative approach. Sugiyono (2018) states that a quantitative approach is a research method based on the positivist paradigm. In this approach, research data is in the form of numbers measured using statistical techniques to test and analyse the data. This study used a population of 12 Islamic commercial banks registered with the Financial Services Authority (OJK) for 2021-2023. The sample selection method used in this study was purposive sampling,

which is based on specific criteria or considerations. The following criteria were used in the sampling process:

1. Islamic banks registered with the Financial Services Authority (OJK) between 2021 and 2023.
2. Islamic banks registered with the Financial Services Authority (OJK), continuously issuing financial reports from 2021 to 2023.

The analysis technique used in this study was SEM PLS software.

RESULT

A. Structural Model Outer Models

The tests to measure the outer model with reflective indicators consist of outer loadings, discriminant validity, composite reliability, average variance extracted (AVE), and Cronbach's alpha.

1. Outer Loadings

Table 1. Initial Outer Loadings

Indicator/Variable	Loading factor	Description
Intellectual Capital		
CEE	0,562	Not Valid
HCE	0,922	Valid
SCE	0,876	Valid
VA	0,888	Valid
Sharia Compliance		
IIR	0,664	Valid
PSR	0,781	Valid
ZPR	0,967	Valid
CSR		
CSR	1,000	Valid
ROA		
ROA	1,000	Valid

Source: SEM PLS Software

The table above shows that most items are valid, with outer loadings greater than 0.6. However, several items are invalid, with outer loadings less than 0.6. Therefore, these invalid items need to be eliminated to continue the analysis.

Table 2. Final Outer Loadings

Indicator/Variable	Loading factor	Descriptions
Intellectual Capital		
HCE	0,944	Valid
SCE	0,845	Valid
VA	0,909	Valid
Sharia Compliance		
PSR	0,781	Valid
ZPR	0,967	Valid
CSR		
CSR	1,000	Valid
ROA		
ROA	1,000	Valid

Source: SEM PLS Software

For each variable, there is a dominant item that shapes that variable. The results are as follows:

- a. The most dominant indicator in the Intellectual Capital variable is the HCE indicator, namely Human Capital Efficiency, with the highest factor loading of 0.944.
- b. The most dominant indicator in the Sharia Compliance variable is the ZPR indicator, the Zakat Performance Ratio, with the highest factor loading of 0.967.
- c. The dominant indicator in the CSR variable is the CSR indicator with the highest factor loading of 1.
- d. The dominant indicator in the ROA variable is the ROA indicator with the highest factor loading of 1.

2. Cronbach's Alpha, Composite Reliability, and AVE

Cronbach's Alpha, Composite Reliability, and AVE values determine whether a statement item is reliable.

Table 3. Cronbach's Alpha, Composite Reliability, and AVE

	Cronbach's alpha	Composite reliability (rho _a)	Average variance extracted (AVE)
Intellectual Capital	0,885	0,972	0,811
Sharia Compliance	0,858	1,624	0,662

Source: SEM PLS Software

Each variable had a Cronbach's Alpha value > 0.7, thus concluding that these variables are reliable. Furthermore, the composite

reliability value for each variable also exceeded 0.7, indicating that they fall into the high reliability category. Meanwhile, discriminant validity, measured by the Average Variance Extracted (AVE), demonstrated that all variables had AVE values greater than 0.5, indicating that they met the validity criteria.

3. Discriminant Validity

Discriminant validity is conducted to determine the validity of a statement item based on a correlation comparison with other statement items. There are two methods for calculating discriminant validity: the Fornell-Larcker Criterion and the Cross-Loading Factor.

Table 4. Fornel-Larcker Criterion

	CSR	Intellectual Capital	ROA	Sharia Compliance
CSR	1,000			
Intellectual Capital	-	0,900		
ROA	0,030	-0,318	1,000	
Sharia Compliance	0,699	-0,308	0,275	0,814

Source: SEM PLS Software

The Fornell-Larcker calculation results in Table 3 above show that the correlation value of the variable with itself is higher than with other variables. Thus, it can be concluded that the variable statement is valid.

Table 5. Cross-Loading Factor

	CSR	Intellectual Capital	ROA	Sharia Compliance
CSR	1,000	-0,122	0,030	0,699
HCE	-0,082	0,944	-0,361	-0,299
IIR	0,996	-0,118	0,020	0,664
PSR	0,969	-0,274	0,106	0,781
ROA	0,030	-0,318	1,000	0,275
SCE	-0,057	0,845	-0,255	-0,213
VA	-0,235	0,909	-0,192	-0,327
ZPR	0,498	-0,292	0,312	0,967

Source: SEM PLS Software

The cross-loading calculation results in Table 4 above show that the correlation value of the item with itself is higher than with other variables. Thus, it can be concluded that the variable statement is valid.

B. Inner Model Structural Model

In this study, the PLS structural model was created using SmartPLS 3.0 software. The resulting structural diagram is as follows.

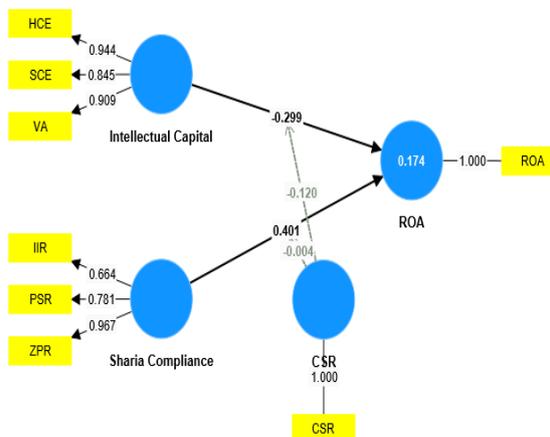


Figure 2. Structural Model
Source: SEM PLS Software

The following is the structural model equation based on the figure above:

$$ROA = 0.299 \text{ Intellectual Capital} + 0.401 \text{ Sharia Compliance} + 0.120 \text{ Intellectual Capital} * \text{CSR} + 0.004 \text{ Sharia Compliance} * \text{CSR}; R^2 = 0.174$$

The tests used to measure the inner model include the R-square coefficient of determination, predictive relevance using Q-square, and the Goodness of Fit Index (GoF).

1. Coefficient of Determination (R2)

Table 6. Coefficient of Determination

Effect	R Square
Intellectual Capital, Sharia Compliance → ROA	0,174

Source: SEM PLS Software

Since the coefficient of determination (R-square) of the first model, which measures the influence of sustainable human resource management, employee engagement, and organizational identification on turnover intention, is 0.174, these variables can explain 17.4% of the turnover intention variable. In comparison, the remaining 82.6% is influenced by variables not included in this study.

2. Effect size (F²)

Table 7. Effect Size

Exogenous	Endogen	F Square	Descriptions
Intellectual Capital	ROA	0,025	Moderate effect
Sharia Compliance	ROA	0,050	Small effect

Source: SEM PLS Software

The F-squared value indicates the magnitude of the impact or ratio of exogenous to endogenous variable diversity. The F-squared coefficient is classified as small if its value is between 0.02 and 0.15, medium if its value is between 0.15 and 0.30, and large if its value is greater than 0.30.

3. Goodness Of Fit

Table 8. Goodness of Fit Model

Criteria Goodness Of Fit	Estimated Model	Descriptions
SRMR	0,067	Fit

Source: SEM PLS Software

Based on Table 8, the goodness of fit test for the structural equation model refers to the theory proposed by Ghozali and Latan (2015), where the feasibility of the model can be evaluated through the SRMR (Standardised Root Mean Square Residual) value generated from the model fit output in the SmartPLS version 3 application. The structural equation model meets the feasibility criteria if the SRMR value is below 0.15, while a value above this indicates the model is not feasible. In this study, the SRMR value obtained was 0.067, thus proving that the model has met the established standards. The analysis results confirm the SRMR value of 0.067, indicating that the structural model in this study meets the feasibility criteria and can be stated as following the applicable standards.

4. Predictive Relevance (Q²)

Table 9. Predictive Relevance

	SSO	SSE	Q ² (=1-SSE/SSO)
Intellectual Capital	120,000	120,000	
ROA	40,000	35,639	0,172
Sharia Compliance	120,000	120,000	

Source: SEM PLS Software

The Q-square calculation results indicate that the first model can explain 0.172 the data variability. Therefore, it can be concluded that the model's effect is classified as moderate (>0.15).

C. Hypothesis Testing

The relationship between variables is considered statistically significant if the p-value is less than 0.05; conversely, a p-value greater than 0.05 indicates that the effect is insignificant. The following results were obtained from calculations performed using SmartPLS software:

1. Direct Effect Hypothesis

Table 10. Direct Effect Hypothesis Testing

	Original sample (O)	T statistics (O/STDEV)	P values
Intellectual Capital -> ROA	0,258	4,159	0,000
Sharia Compliance -> ROA	0,195	4,896	0,000
Intellectual Capital * CSR -> ROA	0,120	2,300	0,032
Sharia Compliance * CSR -> ROA	0,004	2,049	0,046

Source: SEM PLS Software

Based on Table 10, it is known that the intellectual capital variable has a positive and significant effect on increasing ROA. The t-statistic for this effect is greater than the critical value (4.159 > 1.960), and the p-value is less than α (0.000 < 0.05). Therefore, the decision to reject H₀ is made. The p-value is less than α (0.000 < 0.05), and the t-statistic for the relationship between Sharia compliance and ROA is greater than the critical value (4.896 > 1.960). Therefore, the conclusion that Sharia compliance positively and significantly increases ROA leads to rejecting H₀.

The p-value is less than α (0.032 < 0.05), and the t-statistic is greater than the critical value (2.300 > 1.960), indicating that intellectual capital and CSR interact to influence ROA. The finding that the interaction between intellectual capital and CSR factors has a positive and substantial effect on increasing ROA leads to rejecting H₀.

The P-value is smaller than α (0.046 < 0.05) and the T-statistic is greater than the critical

value (2.049 > 1.960), indicating that Sharia compliance and CSR factors interact to influence ROA. Therefore, the finding that the interaction between Sharia compliance and CSR factors has a positive and substantial effect on increasing ROA leads to rejecting H0.

DISCUSSION

The Effect of Intellectual Capital on Financial Performance

Hypothesis 1 (one) was accepted because the hypothesis test results indicated that intellectual capital had a positive and significant effect on financial performance. This research finding aligns with the hypothesis that intellectual capital positively and significantly affects economic performance. Positive research findings indicate that economic performance will improve along with increased intellectual capital. Based on its effectiveness in generating profits, the company's intellectual capital can directly influence the quality of a company's financial performance. It therefore can be used to predict or explain its financial performance. Intellectual capital can enhance an organisation's ability to innovate. Employee knowledge and expertise can be used to develop new products or services to increase revenue and profitability. Employee expertise and experience can help businesses improve operational effectiveness. Profitability and costs can be increased through more effective company procedures. Organisations with strong intellectual capital can be more competitive in the marketplace. They can produce superior products or services, attract more customers, and may be able to charge higher prices. Employee skills and knowledge can help businesses develop a strong brand. Financial success can benefit from a strong brand's ability to enhance consumer appeal and provide a competitive advantage. Organisations with strong leadership and effective intellectual capital management can optimise employee knowledge and expertise to achieve financial

goals. Intellectual capital can improve employee productivity and work processes. Increased productivity can contribute to increased revenue and profitability. Highly knowledgeable and experienced staff members are better able to interact with clients. Building strong relationships with consumers can enhance long-term revenue and customer loyalty. An organization's intellectual capital can be a valuable asset in many situations. However, its impact on financial performance can vary depending on the extent to which the organization effectively manages, develops, and utilises it. Therefore, sound intellectual capital management is crucial to maximizing its positive impact on financial performance.

The Effect of Sharia Compliance on Financial Performance

Hypothesis 2 (two) was accepted because the hypothesis test results indicated that Sharia compliance has a positive and significant effect on financial performance. This finding is consistent with the hypothesis that Sharia Compliance positively and significantly affects financial performance. Positive research findings indicate that financial performance will improve along with increased Sharia Compliance. One significant influence is that a company's Sharia compliance can be used to predict or explain its financial performance because it directly impacts the quality of its financial performance, which is determined by how well the company generates profits.

Islamic financial institutions that adhere to Sharia principles command high trust from Muslim clients or customers. Sharia compliance demonstrates a commitment to conducting business per Islamic ethical principles, which can increase customer trust and loyalty. It can positively impact business growth and improve financial performance. Sharia Financing: Islamic financial institutions provide Sharia-compliant financial services and products, including interest-free loans and morally sound

investments. It can attract Muslim customers who wish to comply with Sharia principles. These products can generate significant revenue and contribute to positive financial performance. Islamic financial institutions may face higher operational risks due to the stringent regulations required to ensure Sharia compliance. However, effective risk management and robust control systems can help mitigate these risks and any negative impact on financial performance. Islamic financial institutions often avoid investments in businesses deemed non-Sharia-compliant, such as gambling or alcohol. It can lead to healthier and more sustainable portfolio diversification, reducing risk and providing stable returns. Islamic financial institutions have a social responsibility to benefit society and support principles of justice. It can include supporting charities, providing loans to needy sectors, and other positive contributions. These actions can enhance the institution's image and provide long-term benefits to financial performance. It is important to remember that the impact of Sharia compliance on financial performance will vary between financial institutions, depending on their business strategy, risk management, and implementation of Sharia principles. However, if implemented well, sharia compliance can positively impact financial performance, particularly through increased customer trust, revenue from sharia products, and social responsibility benefits.

The Effect of Intellectual Capital on Financial Performance Moderated by CSR

The hypothesis test results indicate that intellectual capital has a positive and significant effect on financial performance, moderated by CSR. This finding aligns with the previously formulated hypothesis that CSR can moderate the influence of intellectual capital on financial performance. Consequently, hypothesis three is confirmed. The positive study findings

indicate that financial performance will improve as the relationship between intellectual capital and CSR increases. One crucial factor explaining how a company's intellectual capital can be used to predict or explain its financial performance is that it directly impacts the quality of its financial performance, which is determined by how well the company generates profits.

Corporate social responsibility plays a significant role in moderating the influence of intellectual capital on a company's financial performance because CSR can strengthen a company's positive image and increase stakeholder trust in using intellectual capital. CSR can enhance a company's image and reputation. When a company has a high Intellectual Capital (IC) and is active in CSR, public trust and customer loyalty will increase, resulting in a positive financial impact. If CSR is not implemented effectively or is merely symbolic (greenwashing), even if the IC is high, public trust may decline, weakening the impact of IC on financial performance. Intellectual capital encompasses human capital (HR), structural capital (systems, processes, organizational culture), and relational capital (relationships with customers and partners).

IC can create competitive advantage and innovation, improving financial performance when managed well. CSR as a moderating factor means that the relationship between IC and financial performance is strengthened when CSR is actively implemented. CSR helps boost a company's reputation and image in the eyes of customers, investors, and the public. When the public perceives a company as intellectually intelligent and socially conscious, trust and loyalty increase, which positively impacts financial performance.

The Effect of Sharia Compliance on Financial Performance Moderated by CSR

Hypothesis 4 (four) was accepted because the hypothesis test results indicated that

Sharia compliance had a positive and significant effect on financial performance, moderated by CSR. This finding supports the hypothesis that CSR can moderate the impact of Sharia compliance on financial performance. Because a company's Sharia compliance directly impacts the quality of its financial performance based on its effectiveness in generating profits, this significant effect explains how it can be used to predict or explain a company's financial performance.

Corporate social responsibility can have a significant influence as a moderating variable in the relationship between Sharia compliance and a company's financial performance. Sharia compliance, which reflects the alignment of a company's activities with Sharia principles (such as the prohibition of *riba*, *gharar*, and *maysir*), tends to increase the trust of Muslim investors and customers. However, the direct effect on financial performance can vary depending on how the market responds to these Sharia commitments. In empirical studies, CSR is often found to have a positive moderating effect on the relationship between Sharia compliance and financial performance. Sharia companies with high levels of CSR tend to demonstrate better financial performance than those focusing solely on Sharia compliance. CSR serves as a bridge between ethical commitment and business results. In the context of Islamic companies, CSR not only strengthens their image but also magnifies the positive impact of Sharia compliance on profitability.

CONCLUSION

This study aims to analyse the influence of intellectual capital and Sharia compliance on the financial performance of Islamic banks registered with the Financial Services Authority (OJK) in 2021-2023. The results of this study provide the following conclusions:

1. Intellectual capital positively and significantly affects the financial

performance of Islamic banks registered with the OJK in 2021-2023.

2. Sharia compliance positively and significantly affects the financial performance of Islamic banks registered with the OJK in 2021-2023.
3. Corporate Social Responsibility significantly influences intellectual capital, sharia compliance, and the performance of Islamic banks registered with the OJK. It indicates that higher CSR disclosure substantially impacts a company's financial performance.

LIMITATIONS

Based on the discussion and conclusions presented, this study still has several limitations, namely:

1. This study relies on secondary data from publicly available annual reports and sustainability reports of Islamic banks. This limitation can affect the completeness and accuracy of the data, particularly in measuring intellectual capital and CSR, which are sometimes not disclosed explicitly or uniformly across banks.
2. The measurement of intellectual capital and Sharia compliance does not fully represent the actual conditions of Islamic banks. The quantitative method does not capture deeper qualitative aspects such as spiritual values or the quality of Sharia compliance.
3. This research was conducted at Islamic banks in Indonesia, so the results cannot necessarily be generalized to Sharia banking in other countries with different legal systems, regulations, and cultures.
4. Observations were conducted between 2021 and 2023. Therefore, they do not capture long-term changes or policy/regulatory dynamics that may influence the relationship between intellectual capital, sharia compliance, and CSR.

5. External factors such as macroeconomic conditions, government regulations, or market sentiment are not included in the research model, even though these factors can influence the analysis results and interpretation of the relationship between variables.

IMPLICATIONS

Based on the limitations of this study, the implications of this study are as follows:

1. It is hoped that future research will consider collecting primary data, due to the limitations of secondary data.
2. It is hoped that future research will conduct mixed methods (qualitative and quantitative) so that the results represent the actual conditions of Islamic banks, their spiritual values, and the quality of Sharia compliance.
3. It is hoped that future research will be conducted in Indonesia and neighbouring countries such as Malaysia, Thailand, and Singapore.
4. It is hoped that future research will expand the research timeframe by using data for at least 10 years and up to the current year for long-term use.
5. It is hoped that future research will include macroeconomic and regulatory variables to obtain a more holistic picture. It is done to avoid bias in interpreting the relationships between variables.

Declaration by Authors

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