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The Effect of Profit Sharing Ratio And Corporate Social Responbility on Financial Performance of Sharia Commercial Banks With Intelectual Capital As A Moderating Variable

Putri Amanatus Stalistah[1], Fadlil Abdani[2]

[1]Faculty of Economics, Universitas Islam Negeri Maulana Malik Ibrahim Malang, putriamanatus@gmail.com

[2] Faculty of Economics, Universitas Islam Negeri Maulana Malik Ibrahim Malang, fadlilabdani@uin-malang.ac.id

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Abstract

This study aimed to determine how profit sharing ratios and corporate social responsibility affect the financial performance of Islamic commercial banks with intellectual capital as a moderating variable. This research was conducted on Indonesian Islamic commercial banks registered with OJK from 2018-2020. The number of samples used as many as 14 samples with purposive sampling method. The analysis technique used is multiple linear regression analysis. Based on the results of the analysis, it was found that the profit sharing ratio and corporate social responsibility had no effect on financial performance. Intellectual capital is not able to moderate the profit sharing ratio on financial performance. Intellectual capital is not able to moderate corporate social responsibility on financial performance.

INTRODUCTION

Islamic banking in Indonesia is a financial entity or bank company whose business is carried out in accordance with guidelines that are in accordance with Islamic sharia. In Law No. 21/2008 clearly explains the principles of Islamic banking that must be used in Islamic banking which is sourced in a fatwa which is regulated by an agency or institution where the institution is authorized in the field of implementing Islamic sharia, namely the National Sharia Council (DSN) (Khasanah, 2016).

According to data evidence released by the financial services authority (OJK), the growth rate of Islamic banking in Indonesia is gradually growing rapidly, marked by the number of Islamic bank offices that have been spread throughout the provinces in Indonesia, where OJK is the institution authorized to oversee the banking industry including Islamic banks in Indonesia, the evidence released by the OJK shows that the development of Islamic banks has proven to be growing rapidly, with statistical data from the financial services authority (2020) showing that Islamic commercial banks consisting of 14 names of banks in Indonesia have increased (Ojk.go.id).

Islamic banking was developed to provide benefits to the community and make the best contribution to the national economy. Modern Islamic banking in general to society without discrimination. In the banking system, the context of the problems faced by Indonesian people today, and taking into account the socio-cultural conditions in which this country is writing its history and developing the banking system in the form of an applicable sharia economic concept. Thus, efforts to solve p the Indonesian people can accept efforts to solve problems in the country by developing a sharia banking system asure the financial performance of Islamic banks is to using the Islamic Performance Index. To measure performance against sharia objectives, the Islamic Performance Index can be used because the purpose of the index is to determine whether the financial performance of a Sharia bank has been implemented in accordance with established Sharia principles. The components of this Islamic Performance Index are Sharia Investment Profit Sharing Ratio vs. Non-Islamic Investment, Director-Employee Benefit Ratio, Zakat Performance Ratio, Sharia Income vs Non-Islamic Income and the AAOIFI Index (Hardina dkk., 2019).

Based on research journals (Almira & Wiagustini, 2020), Return on Assets (ROA) is a measuring tool whose function is to measure and see the company's overall ability to gain profits with the total assets contained in the company. the high level of management profitability so that the greater the company's management implements earnings management practices (*Fitriyah 2021*). Many non-financial things can be used to measure company performance and that can affect it, such as corporate social responsibility and intellectual capital. Corporate Social Responsibility is a program of corporate responsibility towards the environment and the people living around the company, for example, employees, government, and consumers. While intellectual capital is a concept, it can provide new knowledge-based resources and represent an intangible asset that when used properly can enable companies to execute their strategies efficiently and effectively (Rahayu dkk., 2020).

In a journal research profit sharing (PSR) is one of the main objectives of Islamic banking. Therefore, it is very important to see how far Islamic banks are in sharing profits through profit sharing ratios (PSR). The profit-sharing ratio can be calculated using the sum of mudharararabah financing and musyarakah financing and then comparing it with the total financing.

A previous study published by (Rahayu dkk., 2020) mentions the sum of three important organizational elements, including human capital (HC), structural capital (SC), and consumer capital (CE) which can be used to add value to the company. This is related to knowledge and technology called intellectual capital. Invisible assets in institutions can be used to provide more value for institutions by combining two capitals, namely human and structural, which is called Intellectual Capital (Hardina dkk., 2019) To measure this Intellectual Capital can use the IB-VAICTM (Islamic Banking Value Added Coefficient). These three important elements of the VAICTM canteen through company resources, namely VACA (Value Added Capital Employed), VAHU (Value Added Human Capital), and STVA (Structural Capital Value Added) (Ulum, 2013).

METHODS

Population and Sample

The population of this research is the Indonesian Sharia General Banking which is registered with the OJK (Financial Services Authority). In the sample in this study there are 14 Islamic commercial banks registered with the ojk as follows:

Table 1. Research Sample

No.	Bank Umum Syariah	Website
1.	PT. Bank Aceh Syariah	www.bankaceh.co.id
2.	PT. BPD Nusa Tenggara Barat Syariah	www.bankntb.co.id
3.	PT. Bank Muamalat Indonesia	www.muamalatbank.co.id
4.	PT. Bank Victoria Syariah	www.bankvictoriasyariah.co.id
5.	PT. Bank BRI Syariah	www.bankbsi.co.id
6.	PT. Bank Jabar Banten Syariah	www.bjbsyariah.co.id

7.	PT. Bank BNI Syariah	www.bankbsi.co.id
8.	PT. Bank Syariah Mandiri	www.bankbsi.co.id
9.	PT. Bank Mega Syariah	www.megasyariah.co.id
10.	PT. Bank Panin Dubai Syariah	www.paninbanksyariah.co.id
11.	PT. Bank KB Syariah Bukopin	www.syariahbukopin.co.id
12.	PT. BCA Syariah	www.bcasyariah.co.id
13.	PT. BTPN Syariah	www.btpnsyariah.co.id
14.	PT. Bank Aladin Syariah	www.maybanksyariah.co.id

Source: Data Processed (2022)

Sampling Method

The sample in this study was selected by the researcher and taken according to certain predetermined criteria. The following are the criteria used by researchers to select samples in this study:

1. Sharia Commercial Banks in Indonesia that have been registered with OJK since 2018-2020.
2. Companies that are complete in reporting their annual reports for the period 2018-2020.
3. Having complete data related to the variables used in the study.

Data and Data Types

The data used in this study is secondary data which is data obtained from journal sources, theory books, published company annual reports, and other writings.

In this study, the data used is the annual report of Islamic Commercial Banks obtained from the official website of Islamic banks registered with the Financial Services Authority for the 2018-2020 period.

Method of collecting data

In this study, the data collection method used is the documentary method, namely the method by collecting data in the form of annual reports and financial reports of subsidiaries under the auspices of the Financial Services Authority obtained from the websites of each bank company. This study also uses research with libraries or what is called library research, namely research by collecting data obtained from many library sources such as theoretical books and previous research to support the research carried out.

Research Variable

The variables used in this study consisted of independent variables, namely profit sharing ratio and corporate social responsibility as measured by Islamic social reporting,
the dependent variable was financial performance and the moderating variable was intellectual capital.

Variable Operational Definition

Profit Sharing Ratio (PSR) (X1)

The Profit Sharing Ratio is calculated by adding up the mudharabah and musyarakah contracts which are then compared with the total financing.

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

Corporate Social Responsibility (X2)

In this sharia-based study, corporate social responsibility can be measured using the Islamic Social Reporting (ISR) formula. ISR is a tool to see the reactions of shareholders and stakeholders as well as good trust in physical products (Rahayu dkk., 2020).

So it can be concluded that corporate social responsibility (CSR) is a tool used to identify and measure how far Islamic banks are, which includes promotion, image of the entity, increasing sales, and building loyalty as well as the confidence of company employees.

The following is the formula for calculating CSR in Islamic banks as measured by ISR:

$$\textbf{\textit{ISR}} = \frac{\textbf{Amount Disclosed}}{\textbf{Maximum Number of Disclosures}}$$

Financial Performance (Y)

Financial Performance To evaluate the financial performance of a company using financial statements, namely information that describes the state of an entity, which will become informed about the company's performance called financial statements.

Financial reports function to view activities resulting from the accounting process. With the financial statements, the company can see the actual condition of the company, if there is a decrease or increase in revenue from the company, and see the asset statistics of the company (Khasanah, 2016).

Financial performance in this study was measured using Return on Assets (ROA). Here's the formula for calculating ROA:

$$\boldsymbol{ROA} = \frac{\textbf{Profit Before Tax}}{\textbf{Average Total Assets}} \textbf{ X 100\%}$$

Intellectual Capital (Z)

Intellectual Capital is the sum of three important organizational factors, namely human capital (HC), structural capital (SC) and consumer capital (CE) which can be used to add value to companies related to science and technology called intellectual capital (Rahayu dkk., 2020). It is also mentioned that assets are invisible to entities that can be used to provide more value for an entity by combining two intellectual capital, namely human and structural which is called Intellectual Capital (Hardina dkk., 2019).

The model for measuring Intellectual Capital can use the IB VAICTM (Islamic Banking Value Added Coefficient) which is a modified model from the previous VAICTM whose function is to measure the intellectual capital of a company using accounts from Islamic banks that are different from conventional banks. IB-VAICTM is the summation of three important elements that can be seen through company resources, namely IB VACA, IB-VAHU and IB-STVA (Ulum, 2013).

The formulation in the stage of calculating Intellectual Capital is as follows:
The formula IB-VACA = VA /CE, CE is total equity
Formula IB-VAHU= VA / HC, HC is employee expense
The formula IB-STVA= SC / VA, SC is Structural Capital
To find IB-VAICTM = iB-VACA + iB-VAHU + iB-STVA

RESULTS AND DISCUSSION

Descriptive statistics

Table 2. Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PSR	42	0.000	597925934219038.000	22643118796657.340	97394398561685.880

CSR	42	0.088	0.692	0.551	0.117
ROA	42	-0.069	0.136	0.018	0.035
IC	42	- 846846308100925.000	944697415198587.000	319567476494860.500	310026090983011.400

Source: Data Processed Using SmartPLS3. (2022)

The tests carried out in (table 1) are related to the financial statements of 14 banks with a research period of 3 years which have been processed in descriptive analysis to produce minimum, maximum, mean and standard deviation values for each variable.

Outer Model

Convergent Validity

The convergent validity test is seen from the loading factor value. Outer loading output results from data collection using 42 samples from the PLS Algorithm can be seen in Table 3 as follows:

Table 3. Convergent Validity

	Financial Performance	Intellectual Capital	Moderating Effect 1	Moderating Effect 2	X1 PSR	X2 CSR
CSR						1.000
IC		1.000				
PSR					1.000	
ROA	1.000					
PSR*IC			0.816			
CSR*IC				1.590		

Source: Data Processed Using SmartPLS3. (2022)

Based on the outer loading output in Table 3, it can be seen that the loading factor results of all indicators for each construct have met convergent validity, because the loading factor value of each indicator is above 0.7. It was concluded that all constructs in this research model proved valid.

Discriminant Validity

Table 4. Discriminant Validity

	Financial Performance	Intellectual Capital	Moderating Effect 1	Moderating Effect 2	X1 PSR	X2 CSR
CSR	0.257	0.260	-0.081	-0.094	0.011	1.000
IC	-0.046	1.000	-0.126	-0.447	0.162	0.260
PSR	0.028	0.162	0.943	-0.042	1.000	0.011
ROA	1.000	-0.046	0.003	-0.079	0.028	0.257
PSR*IC	0.003	-0.126	1.000	0.096	0.943	-0.081
CSR*IC	-0.079	-0.447	0.096	1.590	-0.042	-0.094

Source: Data Processed Using SmartPLS3. (2022)

Based on Table 4, it can be seen that the cross loading output shows that there is no low construct value for the intended construct. Each construct showed significant results or the highest compared to other constructs. With that, the results of the validity test in this study can be said to be valid.

Construct Reliability

Table 5. Construct Reliability

	Cronbach's Alpha	Composite Reliability
Financial Performance	1.000	1.000
Intellectual Capital	1.000	1.000
PSR*IC	1.000	1.000
CSR*IC	1.000	1.000
PSR	1.000	1.000
CSR	1.000	1.000

Source: Data Processed Using SmartPLS3. (2022)

Table 5 shows that each composite reliability and Cronbach's Alpha value produced has met the reliability construct value, which is above 0.7. it can be said that the reliability test at the purification stage is said to be reliable.

Multicollinierity Test (VIF)

Table 6. Multicolinierity Test

	VIF
CSR	1.000
IC	1.000
PSR	1.000
ROA	1.000
PSR*IC	1.000
CSR*IC	1.000

Source: Data Processed Using SmartPLS3. (2022)

Table 5 shows that the resulting VIF value has met the multicollinearity test, namely the critical value above 0.9. So it can be said that the multicollinearity test at the purification stage is said to have no problems.

Inner Model

R-Square

Table 4. Coefficient of determination

	R Square
Financial Performance	0.088

Source: Data Processed Using SmartPLS3. (2022)

The R-Square value in table 4 shows that the profit sharing ratio and corporate social responsibility have an effect of 0.088, which means that this variable has an effect of 8.8% on financial distress and the remaining 91.2% is influenced by other variables outside of the research. This R-Square value also shows that this research model is included in the weak category.

Path Coefficients

Table 3. Path Coefficients

	Original Sample(O)	Sample Mean (M)	Standard Deviation (STEDV)	T Statistics (O/STEDV)	P Values
Moderating Effect 1 -> Financial Performance	-1.221	262429.866	5395121.509	0.000	1.000
Moderating Effect 2 -> Financial Performance	-0.077	-0.109	0.156	0,491	0.623
Profit sharing ratio -> Financial Performance	1.034	-174319.532	3547905.591	0.000	1.000
Corporate social responsibility -> Financial Performance	0.274	0.329	0.119	2.297	0.022

Source: Data Processed Using SmartPLS3. (2022)

From the results of the path coefficients test found 4 supported hypotheses. The first hypothesis is moderating effect 1 on intellectual capital with a t-statistic value of 0.000 < 1.64 and a p-value of 1,000 > 0.05. This indicates that intellectual capital is not able to moderate the effect of profit sharing ratio on financial performance.

The second hypothesis examines the moderating effect of intellectual capital with a t-statistic value of 0.491 < 1.64 and a p-value of 0.623 > 0.05. This indicates that intellectual capital is not able to moderate the influence of corporate social responsibility on financial performance.

The third hypothesis is profit sharing ratio with t statistic value 0.000 < 1.64 and p value 1,000 > 0.05. This indicates that the profit sharing ratio does not have a significant effect on financial performance.

The fourth hypothesis is Corporate social responsibility with a statistical t value of 2.297 > 1.64 and a p value of 0.022 < 0.05. This indicates that corporate social responsibility has a significant effect on financial performance.

The effect of profit sharing ratio on financial performance

The profit-sharing ratio is used to see the extent to which Islamic banking has achieved success with the profit-sharing obtained from funding provided to Islamic bank customers. Profit sharing is a very important component in Islamic banking, it can be said that funding is a very important thing in the practice of Islamic banks, namely profit sharing (Rahayu dkk., 2020).

The results of this study indicate that the higher the profit-sharing ratio, the higher the profit-sharing ratio causes a decrease in the financial performance of Islamic banks and if the value is lower the profit-sharing ratio will increase the value of the financial performance of Islamic banks. This is because the profit sharing ratio is financing that tends to be high risk and is usually less desirable (Felani dkk., 2020).

These results are supported by the results of research (Felani dkk., 2020) which is based on the results of the analysis can be concluded hypothesis states that the profit-sharing ratio has a positive effect on financial performance is rejected. The result of this study implies "that the finance department" is expected to focus more on reporting activities of corporate profit sharing ratios. Investors can also use these results as a consideration in analyzing financial statements companies such as profit sharing ratio reports in making investment decisions.

The influence of corporate social responsibility on financial performance

Corporate Social Responsibility is a corporate responsibility program for the environment and the people living around the company. In this sharia-based research, Corporate Social Responsibility can be measured using the Islamic social reporting (ISR) formula, which is a tool to see good responses and trust from stakeholders aimed at products from entities (Rahayu dkk., 2020).

From this research, it is found that CSR as proxied by ISR does not affect financial performance as proxied by ROA. The results of the study (Marli mentor 2016) show that CSR and accounting measures of financial performance are positively related. This indicates that CSR has a positive effect on corporate profits. One interpretation of this result is that socially responsible stocks have lower required returns. The results are still not consistent with previous studies that support the hypothesis.

The result of these studies implies that management is expected to focus more on corporate social responsibility activities to improve company performance and consider the quality and quantity of company social disclosure of responsibilities in the company prospectus to reduce information asymmetry. Investors can use these results as a consideration in analyzing non-financial disclosures companies such as disclosure of corporate social responsibility in making investment decisions.

The effect of profit sharing ratio on financial performance with intellectual capital as a moderating variable

The existence of intellectual capital owned by Islamic banking is expected to be an added value in Islamic banking so that intellectual capital can moderate the Profit Sharing Ratio.

The result of the research conducted is that intellectual capital is not able to moderate PSR on financial performance as proxied by ROA. The results showed that non-profit sharing financing, profit-sharing financing and intellectual capital had a positive and significant effect on financial performance in Islamic banking. Furthermore, it shows that intellectual capital significantly moderates the relationship between non-profit sharing finance and profit sharing finance on the financial performance of Islamic banks. This shows that this research is not in line with the research conducted by (Nurmawati dkk., 2020).

The result of this study implies "that the finance department" is expected to focus more on reporting activities of corporate profit sharing ratios. Investors can also use these results as a consideration in analyzing financial statements companies such as profit sharing ratio reports in making investment decisions.

The influence of corporate social responsibility on financial performance with intellectual capital as a moderating variable

The existence of intellectual capital owned by Islamic banking is expected to be an added value in Islamic banking so that intellectual capital can moderate Corporate Social Responsibility. Corporate social responsibility can be

measured using the Islamic Social Reporting (ISR) formula. ISR is a tool to see the reaction of shareholders and stakeholders as well as good trust in physical products (Rahayu dkk., 2020).

This study found that intellectual capital was able to moderate CSR as proxied by ISR to financial performance as proxied by ROA. These results are in line with research conducted by (Iqbal dkk., 2019) which shows that intellectual capital as a moderating variable is empirically proven to be able to increase the influence of CSR on company performance. These results indicate that increasing the company's intellectual capital which includes human capital, relational capital, and structural capital can increase the influence of CSR on company performance (ROA).

CONCLUSION

The value of the independent variable profit sharing ratio which is not consistent in each bank that has been researched for 3 years is a significant cause of the ineffectiveness of the dependent variable of financial performance. The second independent variable, namely CSR results also cannot affect financial performance, which is a note for company managers to pay more attention to non-financial disclosures such as corporate social responsibility. The next result shows that the moderating variable of intellectual capital is not able to moderate the independent variable PSR but can moderate the independent variable CSR.

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