



The Role of Risk Financing, Intellectual Capital and Corporate Governance on Performance Islamic Banks in Indonesia

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ABSTRACT

In general, this study wants to create a model of the performance of Islamic banks in Indonesia through the risk of financing, intellectual capital, and corporate governance. The population of this study consists of 14 (fourteen) Islamic commercial banks (BUS) in Indonesia, and the sampling criteria were Islamic commercial banks that had published annual and financial reports for the years 2016–2020. As a result, 9 (nine) Islamic commercial banks were selected as samples. According to research, risk financing has a significant positive impact on financial performance, as does intellectual capital. Good corporate governance, however, reduces the impact of risk financing on financial performance but does not reduce the impact of intellectual capital on financial performance

Keywords: *Financing Risk, Intellectual Capital, Corporate Governance, Financial Performance.*

1. INTRODUCTION

Data from the Financial Services Authority (OJK) indicate in early 2020, the number of Sharia Commercial Banks (BUS) is 14, Sharia Business Units (UUS) is 20, Sharia People's Financing Banks (BPRS) are 163 with a market share of only 6%. The data indicates that Islamic banking still shows positive growth despite experiencing a slowdown. This is much different from the market share of Islamic banks in Malaysia which has reached a figure ranging from 25%-30%, even the Middle East has reached a figure above 60%. Meanwhile, it is known that Indonesia is a country with the largest Muslim population in the world. The market share of Islamic banks in Indonesia should grow faster than other countries, otherwise, this opportunity could be taken by other countries.

Factors may contribute to why the market share of Islamic banks in Indonesia is running slowly, among others, due to the lack of socialization carried out by both Islamic banks and by the government and other parties that should be able to help the development of Islamic banks. Another factor that can also affect the market share of Islamic banks is the lack of innovation of Islamic

bank products, including inadequate technological developments. The risk and volume of human funding sources from Islamic banks must also be taken into consideration by Islamic banks, which until now are still deemed to be insufficient in terms of both risk and quantity.

Currently, Islamic and conventional banks are in competition with one another, is more fierce than ever, therefore Islamic banks are required to have good performance, in order to compete in the national banking market in Indonesia. Profitability is one of the main focuses that is always considered in running a business, especially in banking. This is because banks in carrying out their operational activities want to obtain maximum profits [1]. Therefore, the bank will always optimize its financial performance. Better bank management will bring benefits that can increase profits.

Profitability is a measure used to judge a bank's performance. A bank's ability to increase its profitability may reflect its financial performance. Conversely, if the achieved profitability is low, the bank's profit generation performance will be suboptimal. Profitability is the most appropriate indicator to measure a bank's performance

[2]. When a bank performs well, the public's confidence in the bank will rise; conversely, if the bank performs poorly, the public's confidence in the bank will fall as well. In this study, profitability will be proxied by using return on assets (ROA) as a measure of bank performance, because ROA is used by bank management to measure its ability to obtain overall profits. The greater the ROA, the better financial performance.

In general, the largest source of income of Islamic banks is derived from financing distributed by Islamic banks to the public. However, it should be noted that not all financing disbursed by banks to the public will be smooth, for that Islamic banks need to control the possibility of financing risks, because if there are many financing risks that are problematic then this will affect the income of Islamic banks which, in turn, will ultimately affect the performance of Islamic banks as a whole. If the level of financing risk is higher, it will lower the bank's income, and vice versa, Islamic bank financing risk can be measured by the ratio of non-performing financing (NPF), where all the rules have been established by Bank Indonesia, if the financing risk is getting smaller then the risk of financing is getting smaller. This will increase the income of Islamic banks. As the results of research conducted by [1] [3] [4] [5]. which states that the financing risk reflected by non-performing financing (NPF) has a negative effect on bank performance as measured by return on assets (ROA).

Companies are compelled by globalization to innovate by acting locally while thinking globally. Technology advancements that quicken the performance of various tasks, with their various drawbacks and benefits, ratchet up the level of competition in the business world. The growth of businesses centered on knowledge and information has increased the emphasis on intellectual capital. We'll do everything we can to help you reach your predetermined objectives. Increasing intellectual capital is one of the efforts being made to accomplish corporate goals. There are three main components of intellectual capital: capital in relationships, capital in structures. [6] pointed out that intellectual capital is regarded as a crucial component of a company's value creation process and increasingly plays a crucial role in preserving a company's competitive advantage. Since realizing the value of intellectual capital, the majority of businesses and banks in Islamic nations have begun to adopt new perspectives. Intangible assets with significant value to a company's competitiveness are referred to as intellectual capital, and include things like technology, customer information, brand name, reputation, and corporate culture. Intellectual capital is regarded as the most crucial strategic asset for a company's success in the current business environment. High-tech companies are reliant on their intellectual capital to survive. As a result,

there is a critical need to advance the idea and use of intellectual capital in the banking industry. [7]

According to [8], Value creation is the main objective of the knowledge economy. To add value, there must be enough intellectual potential (represented by employees with the required aptitudes and skills) and physical capital (represented by available funds). The idea and use of intellectual capital in the banking industry. [9] conducted research to develop a metric for Islamic banking's intellectual capital. His research achievements have been called the intellectual capital of Islam.

Research on intellectual capital was initially conducted by [10], who tested the effect of intellectual capital on the performance of companies listed on the Indonesia Stock Exchange. The test results show that a company's financial performance is significantly enhanced by intellectual capital. Likewise, the results of the research by [11], which states that intellectual capital has a significant effect on the financial performance of Islamic banks in Indonesia.

Corporate governance from an Islamic point of view invariably links all notions of behavior in corporate management with spiritual issues. The significance of corporate governance in Islamic banks is supported by a study conducted in [12], who concluded that current corporate governance practices are insufficient. The importance of Sharia compliance was highlighted in a survey of 14 Islamic banks in Bahrain, Bangladesh and Sudan, where 62% of respondents said that if they suspect that their operations have been compromised due to Sharia violations, they will not contact other Islamic banks. The answer is that they will contact the government, and there is a possibility that Sharia will be changed. This is also highlighted by the survey results that answered that they would provide funds.

This research needs to be done considering that there are many cases that occur in conventional banks where the implementation of corporate governance is still low and the level of credit risk is high. So that this does not happen to Islamic banks, Islamic banks should always pay attention to putting good corporate governance into practice and pay attention to the level of financing risk, including the level of intellectual capital. The novelty of this research is the model proposed by the researcher using corporate governance as a moderating variable.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Financial Performance

Financial performance describes a company's financial position over a period of time, both in terms of funding and distribution, and is typically measured using measures of capital adequacy, liquidity and profitability

[13]. Return on Investment is a corporate financial measure used to measure a company's ability to generate profits. The more profitable a company is, the higher the company's ability to generate profits, and the higher the level of disclosure a company makes to attract investors to invest in it.

Both small and large businesses have the same goal: to make a profit. A sustainable company is one that can generate profits continuously without interruption. Of course, in order to generate sustainable profits, appropriate business strategies are required in terms of technology, production, marketing, etc. Profit in Islam focuses on business through moral aspects to achieve maximum profit. This shows that Islam is related to the economy and morality, both of which cannot be separated.

A healthy bank and its good performance can certainly be identified by its ability to generate revenue in the form of profits. The more profits achieved, the better the bank's performance and the healthier its financial position. Return on assets (ROA) measures the ability of bank management to generate profits (net income before taxes) and is used to measure the bank's effectiveness in generating overall profits. The bigger the ROA, the greater the level of profit achieved by the bank, so that the bank in carrying out its activities can run well. The best standard for return on assets (ROA) according to Circular Letter of Bank Indonesia No.6/23/DPNP May 31, 2004, is more than 1.5%.

2.2. Risk Financing

As the main function of the bank is to collect and distribute funds from the public and channel funds to the public. The function of the bank in channeling funds to the public is in the form of providing financing. It should be noted that not all funds channeled to the public in the form of financing will be smooth because there are times when the financing becomes substandard, doubtful, or even gets stuck. To find out the financing risk in Islamic banks, it can be reflected by the non-performing financing (NPF) formula.

According to [14] Dendawijaya (2005), regarding the definition of non-performing loan (NPF), a non-performing loan is one in which the debtor defaults on his obligation to pay the agreed principal installments. [15], non-performing financing is a loan that has difficulty repaying due to internal factors, namely intentional and external factors, namely an event beyond the control of the creditor. There are three types of non-performing financing, namely: substandard financing, doubtful financing and non-performing financing.

Based on Bank Indonesia Regulation No. 12/11/DPNP dated March 31, 2010, which regulates the soundness

evaluation system of commercial banks, the higher the NPF value (more than 5%), the lower the soundness of the bank. So if the NPF value is still below 5%, the bank is still considered healthy. Several previous research results related to the effect of financing risk on bank financial performance as the results of research conducted by: [16] [4] [17], stated that non-performing loans have a significant effect on bank financial performance. According to the related theory and the findings of earlier studies, the hypothesis is as follows:

H1: financing risk has a significant negative effect on the financial performance of Islamic banks in Indonesia.

2.3. Intellectual Capital

Specifically, net profits from sharia-compliant activities and non-operating sharia income are the sources of Islamic intellectual capital's value added (VA), according to [9]. It is important that the Islamic Banking Intellectual Capital Performance Assessment Model (called iB-VAIC) is created as a modification of the existing model, the Value Added Intellectual Coefficient VAIC. VAIC is designed to measure the intellectual capital performance of companies with common transaction types. Islamic banks, on the other hand, have their own transaction types that are relatively different from common/traditional banks.

In assessing a company's human resources, intellectual capital is crucial and plays a strategic role. Knowledge that can be given or donated to a company for its benefit and that adds value and has a variety of uses to the company is known as intellectual capital. The term "intellectual capital" has different meanings according to different economic theories. A very valuable asset is intellectual capital. The financial statements do not reflect the recognition of these assets because it is challenging to estimate the value of intellectual capital. Therefore, an indirect measure known as the VAIC (Value Added Intellectual Coefficient) method was developed and developed by [18] to measure the efficiency of value creation of a firm's intellectual capital.

The VAIC provides data on how effectively a company's tangible and intangible assets create value. The performance of a company's intellectual capital can be evaluated using the VAIC tool. Because it is based on the accounts of the annual financial statements (balance sheet and income statement), this model is fairly straightforward and very simple to implement. Meanwhile, [19] stated that in general, the researchers identified three main constructs, namely: from intellectual capital, namely: Human Capital (HC), Structural Capital (SC), and Capital Employed (CE).

Several previous research results related to the influence of intellectual capital on bank financial performance as the results of research conducted by [20] [11] [21] [8] [22] state that intellectual capital has a significant positive effect on the performance of Islamic banks in Indonesia. Likewise, [23] state that intellectual capital has a significant effect on manufacturing companies in Malaysia. The results of the research by [24], stated that intellectual capital has an influence on financial performance and is able to encourage the sustainable development of micro, small and medium enterprises in Malaysia, as well as the results of the research by [25], which also states that intellectual capital has a significant effect. on financial performance. Based on this description, the hypotheses are proposed as follows:

H2: Intellectual capital has a significant positive effect on the financial performance of Islamic banks in Indonesia.

2.4. Corporate Governance

Corporate governance is a relatively new topic in the world of corporate management. In general, corporate governance refers to the system of mechanisms and relationships that regulate relationships and create incentives among a company's stakeholders so that the company can optimally achieve its business objectives. There is no uniform definition of the concept of corporate governance. In its first publication using the Cadbury Committee definition, the Indonesian Corporate Governance Forum (FCGI) stated: A set of regulations that govern relationships between shareholders, management, creditors, governments, employees, and other stakeholders. Other internal and external related rights and obligations, in other words the systems that regulate and control the company. Furthermore, FCGI states that the purpose of corporate governance is to create value for all stakeholders.

Guidelines for Good Corporate Governance in Indonesian Banking, according to the National Committee on Governance Policy, states that banks as intermediary institutions and trust institutions, banks must adhere to the principles of transparency in the conduct of their business activities and measure performance against these standards at all levels of the bank. Compliance with regulatory banking practices, ensuring the implementation of relevant regulations as a form of bank responsibility, objectivity and not be under any pressure from any party in decision-making (independence), and always respecting the interests of all stakeholders based on the principles of equality and fairness are all examples of what a bank is expected to do in accordance with its corporate values, business objectives, and banking strategy [26].

According to Indonesian Banking Regulation (PBI) No.11/33/PBI/2009, corporate governance is defined as bank governance that adheres to the principles of transparency, accountability, responsibility, professionalism, and fairness. Definition of development: Corporate governance is the structure of relationships and responsibilities among stakeholders, whose members include shareholders, directors, and management, with the purpose of promoting the achievement of good business performance. Achieving the company's primary objectives competitive advantage needed to.

In relation to the performance of a company, the results of research by [27] examined the impact of corporate governance variables on the financial performance of various types of banking sectors in Pakistan. The results of the study indicate that there is a significant effect of the corporate governance variable on the overall performance of the banking sector. Likewise, the results of research by [28] [29] [6], which assert that both corporate and banking companies' financial performance is significantly impacted by good corporate governance across a range of industrial sectors. This description serves as the foundation for the following study's hypothesis:

H3: good corporate governance moderates the effect of risk financing on financial performance

H4: good corporate governance moderates the effect of intellectual capital on financial performance

Based on the above description, the conceptual framework for this research is depicted as follows:

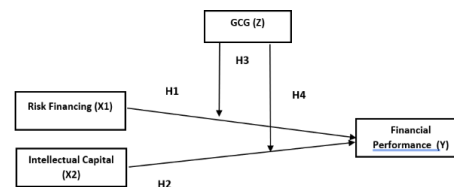


Figure 1. Conceptual Framework,

3. RESEARCH METHODOLOGY

The financial statements and annual reports of Islamic banks from 2016 to 2020 are used as secondary data in this study. All 14 Indonesian Islamic banks were included in the study's sample. Purposive sampling was used to choose the samples. Some examples of the criteria used in this study are:

1. Islamic Banks that publish financial reports for the period 2016-2020
2. Islamic Banks that publish annual reports for the period 2016-2020.

3. Islamic Banks established before 2015

The following nine Islamic banks are included in the sample size for this study based on the aforementioned criteria. Muamalat Bank, Mega Sharia Bank, BRI Sharia Bank, BNI Sharia Bank, Bukopin Sharia Bank, BCA Sharia Bank, Panin Sharia Bank, and Victoria Sharia Bank are all examples of banks that follow Islamic law. The data used in this study is the secondary data, where the data was obtained directly from the web site of the Islamic banks and considered as the samples of this research. The research variables include the independent variables which is consisted of: risk financing, intellectual capital, good corporate governance and the dependent variable in this study is financial performance. The measured values for each variable are shown in the following

Table 1. Operational and Measurement Definition

Variable	Operational Definition	Measurement
Financial Performance (ROA)	The rate of return obtained from the bank's operational activities comes from own capital and loans.	$ROA = \frac{\text{Net Income}}{\text{Total Assets}} \times 100 \%$ Source: SEBI No.6/23/DPNP/2004
Finance Risk (NPF)	Bank's ability to manage non-performing financing.	$NPF = \frac{\text{Poor financing}}{\text{Total Financing}} \times 100 \%$ Source: SEBI No.12/11/DPNP/2010
Intellectual Capital (IC)	The knowledge that provides information about the company's intangible value that can affect the durability and competitive advantage of a company.	$VAIC = VACA + VAHU + STVA$ Source: Ulum (2013)
Good Corporate Governance	<i>a corporation that upholds the values of openness, responsibility, accountability, professionalism, and fairness..</i>	Quality Rating of Good Corporate Governance Source: SEBI No. 12/13 /DPbS tahun 2010

Data processing and analysis were performed using Eviews version 10 to determine significance for panel data multiple regression analysis.

4. ANALYSIS AND DISCUSSION

4.1. Panel Data Regression Model Selection

The appropriate model in this study produced the following results from testing the data using eviews:

Table 2. Panel Data Regression Model

Method	Testing	Result
Chow test	common effect >< fixed effect	fixed effect
Hausman test	fixed effect >< random effect	fixed effect

Given that two of the three regression model test results indicated a more precise fixed effect method, it can be said that the fixed effect method is the best panel data regression estimation method in this study. The results of the fixed effect model panel data regression can be seen in table 3 below:

Table 3. Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NPF	-0.21549	0.084943	-2.536856	0.0133
MI	0.006191	0.001272	4.865959	0.0000
FDR	0.00506	0.017654	0.286578	0.7752
C	0.011068	0.017184	0.645807	0.5204

Effects Specification

Cross-section fixed (dummy variables)			
R-squared	0.756905	Mean dependent var	0.012424
Adjusted R-squared	0.712267	S.D. dependent var	0.011605
S.E. of regression	0.008897	Akaike info criterion	-6.52282
Sum squared resid	0.005778	Schwarz criterion	-6.3144
Log likelihood	267.9129	Hannan-Quinn criter.	-6.43926
F-statistic	10.23579	Durbin-Watson stat	0.750869
Prob(F-statistic)	0.00000		

(data processed 2022)

4.2. Hypothesis test

4.2.1. F test

The F test was conducted to determine the effect of the independent variable simultaneously on the dependent variable. With the level of confidence for hypothesis testing is 95% or $\alpha = 0.05$ (5%).

Table 4. F test

R-squared	0.754478	Mean dependent var	3.013889
Adjusted R-squared	0.720726	S.D. dependent var	1.081119
S.E. of regression	0.748454	Akaike info criterion	2.338043
Sum squared resid	36.97215	Schwarz criterion	2.527765
Log likelihood	-78.16953	Hannan-Quinn criter.	2.413572
F-statistic	16.42815	Durbin-Watson stat	1.478389
Prob(F-statistic)	0.000000		

(data processed 2022)

Based on table 4, the results for the prob (F-statistics) are 0.00000. So it can be concluded that the prob value (F-statistics) < α 5%.

4.2.2. Coefficient of Determination (R2)

The coefficient of determination R2 measures how well the model explains the variation in the dependent variable. The value of the coefficient of determination is between 0 and 1.

A low adjusted R2 value indicates that the independent variable's capacity to explain variation in the dependent

variable is very constrained. The more variation in the independent variable can be explained by variation in the dependent variable, the closer the adjusted R2 value is to 1. [30].

Table 5. Coefficient of Determination Test

R-squared	0.754478	Mean dependent var	3.013889
Adjusted R-squared	0.720726	S.D. dependent var	1.081119
S.E. of regression	0.748454	Akaike info criterion	2.338043
Sum squared resid	36.97215	Schwarz criterion	2.527765
Log likelihood	-78.16953	Hannan-Quinn criter.	2.413572
F-statistic	16.42815	Durbin-Watson stat	1.478389
Prob(F-statistic)	0.000000		

(data processed 2022)

In table 5, it can be seen that the Adjusted R-squared value is 0.720726. This shows that the value of the independent variables, namely risk financing and intellectual capital can explain the financial performance variable by 72.07%, while the remaining 27.93% is explained by other variables outside the study.

4.2.3. Partial Test (t-test)

The hypothesis was partially tested using the t-test to demonstrate the impact of each independent variable on the dependent variable separately. Testing using a significance level of $\alpha = 5\%$. The significance level of 0.05 is a standard measure that is often used in research [28].

Table 6.t-test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.555528	0.173435	14.73476	0.0000
RF	0.293941	0.133248	2.205970	0.0309
IC	0.360345	0.092211	3.907811	0.0002
GCG	0.649372	0.116785	5.560417	0.0000
SNM1	0.381711	0.115506	3.304677	0.0015
SNM2	-0.051348	0.156336	-0.328447	0.7436

(data processed 2022)

From the results of the t test in table 6, it can be concluded that the results of the influence between the independent variables on the dependent variable are as follows:

4.3. The Effect of Risk Financing on Financial Performance

The non-performing financing (NPF) indicator of financing risk has a significant negative impact on financial performance as indicated by return on assets (ROA), according to the t test results. This shows that with the decreasing level of non-performing financing (NPF) it will increase the financing income of Islamic banks, thus the financial performance of Islamic banks will increase by decreasing financing risk. Thus it can be said that if a bank has a high Non-Performing Financing (NPF), it shows that the bank is not professional in managing its financing, as well as an indication that the

level of risk or the provision of financing to the bank is quite high in line with the high Non-Performing Financing (NPF) faced by banks. The results of this study are in line with [16] [4] [17] [31], which state that non-performing loans have a significant negative effect on bank financial performance. Thus the research hypothesis proposed by the researcher which states that financing risk has a negative effect on financial performance is proven to be proven.

4.4. The Effect of Intellectual Capital on Financial Performance

Based on the results of the t test, it can be stated that intellectual capital has a significant effect on financial performance which is reflected by return on assets (ROA). This shows that intellectual capital consisting of human capital, structural capital and capital employed has been implemented well by Islamic banks. The application of intellectual capital properly in Islamic banks can improve the performance of Islamic banks, considering that intellectual capital is an intangible asset element that is very important for Islamic banks. Intellectual capital has a very important and strategic role in measuring human resources in Islamic banks and intellectual capital is knowledge that can provide benefits to the company by donating something or making contributions that can provide added value and different uses for the company. The results of this study are supported by the research of [20] [11] [21] [8] [32] state that intellectual capital has a significant positive effect on the performance of Islamic banks in Indonesia. Likewise [23] state that intellectual capital has a significant effect on manufacturing companies in Malaysia. The results of research by [24], state that intellectual capital has an influence on financial performance and is able to encourage sustainable development of micro, small and medium enterprises in Malaysia, as well as the results of research by [25], also states that intellectual capital has a significant effect on financial performance. Thus, the research hypothesis proposed by the researcher which states that intellectual capital has a positive effect on financial performance is proven to be proven.

4.5. The Effect of Risk Financing on Financial Performance with Good Corporate Governance as Moderation Variable.

The results of the study state that good corporate governance moderates the effect of risk financing on financial performance. One of the factors that make a company continue to develop is Good Corporate Governance. Good Corporate Governance is a principle applied by a company with the aim of continuously improving the company's development, values, performance, and contribution to maintain the sustainability of the company in the long term. The

implementation of Good Corporate Governance in Islamic banks is very important because it can affect the growth and development of Islamic banks and maintain the image of the Islamic bank. GCG in financial institutions, especially banks, is unique when compared to governance in non-bank financial institutions. Thus the existence of Good Corporate Governance in Islamic banks if implemented properly and correctly can reduce financing risk which will ultimately improve the financial performance of Islamic banks in Indonesia.

The results of this study are in line with the research of [33] which states that Good Corporate Governance has a significant positive effect on the financial performance of Islamic banks in Indonesia. [20] [26] [6] [33] [34] also state that Good Corporate Governance has a significant positive effect on the financial performance of Islamic banks.

4.6. The Effect of Intellectual Capital on Financial Performance with Good Corporate Governance as Moderation Variable

The results of the study indicate that good corporate governance does not moderate the influence of intellectual capital on financial performance. Although it is well known that intellectual capital directly influences financial performance in a positive and significant way, the study's findings indicate that the presence of good corporate governance does not actually moderate this impact. intended to obtain bank management that is in accordance with the five basic principles, but is also intended for wider interests. Among other things, this interest includes enhancing compliance with applicable laws, regulations, and ethical standards that are generally relevant to the Islamic banking sector. In Islamic banks, the implementation of GCG is more concerned with carrying out the obligations and responsibilities of the board of directors and the board of directors. the reliability and effectiveness of the organizations and departments that implement internal control. completing the tasks and obligations assigned to the Shariah Supervisory Board. Conducting compliance functions, internal audits, and external audits. Upper limit for withdrawal of funds. transparency of financial and non-financial conditions; so that it can be seen that the implementation of good corporate governance does not pay attention to the existence of intellectual capital. The results of this study are in line with the research of [35] which states that good corporate governance does not moderate the effect of intellectual capital on financial performance.

CONCLUSIONS AND SUGGESTIONS

From the description and explanation in the previous chapter, it can be concluded that financing risk has a significant positive effect on the financial performance of

Islamic banks in Indonesia, this shows that with the decreasing level of non-performing financing (NPF) it will increase the financing income of Islamic banks, thus the financial performance of Islamic banks will increase with a decrease in financing risk. Intellectual capital has a significant positive impact on financial performance. This indicates that intellectual capital consisting of human capital, structural capital and employment capital is properly utilized by Islamic banks. Considering that intellectual capital is a very important element of intangible assets for Islamic banks, the proper use of intellectual capital in Islamic banks can improve the performance of Islamic banks. Good corporate governance reduces the impact of risk financing on financial performance. This indicates that the presence of good corporate governance in Islamic banks, if properly and properly implemented, can reduce funding risks and ultimately improve the financial performance of Islamic banks in Indonesia. Good corporate governance does not moderate the influence of intellectual capital on financial performance, this is because the implementation of good corporate governance focuses more on implementing the principles of corporate governance, so it can be seen that the implementation of good corporate governance pays less attention to the existence of intellectual capital.

The author can provide suggestions as follows: Islamic banks in Indonesia must further improve the implementation of good corporate governance, not only focusing on the application of the principles of good corporate governance, considering that the relationship with intellectual capital also needs attention so that the performance of Islamic banks can be further improved. Islamic banks are expected to always maintain the value of non-performing financing so that financing risk can be reduced even lower. And Islamic banks are expected to further increase their intellectual capital so that the performance of Islamic banks in the future can continue to increase.

DECLARATION OF CONFLICTING INTERESTS

In the research, writing, and/or publication of this article, the authors have disclosed that they have no potential conflicts of interest.

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