THE IMPACT OF INTELLECTUAL CAPITAL AND GOOD CORPORATE GOVERNANCE ON THE ISLAMIC BANKS' FINANCIAL PERFORMANCE: THE MODERATING ROLE OF COMPETITIVE ADVANTAGE

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Abstract

This study examines the impact of intellectual capital and good corporate governance on the financial performance of Islamic commercial banks moderated by competitive advantage. Using panel regression analysis of Indonesian Islamic Banks from 2016 to 2021, our study reveals that intellectual capital can affect financial performance, but good corporate governance has no impact on the financial performance of Islamic commercial banks. This study also shows the relationship between intellectual capital and good corporate governance with financial performance cannot be moderated by competitive advantage. The results of this study imply the importance of managing intellectual capital to improve financial performance and the implementation of good corporate governance needs to be improved.

Keywords: *Financial Performance, Intellectual Capital, Good Corporate Governance, Competitive Adventage*.

INTRODUCTION

One of the fastest-growing industries in the global financial sector is Islamic banking (Aneesh and Parameshwara, 2022). Although Islamic banking is expanding rapidly, there are still issues that need to be addressed to support this expansion and maintain the achieved success (Nurohman and Qurniawati, 2022). One of these issues is that Islamic banks struggle to obtain human resources with the necessary knowledge and skills in the field of Islamic finance. This problem can certainly affect the quality of service and product development. Finding a solution to this problem is crucial because the Islamic banking sector needs qualified human resources to manage banks in order to enhance the profitability of the Islamic banking industry (Yusuf, 2015).

Human resources are the totality of knowledge, skills, energy, creativity, talent, physical or mental capacity to work sustainably, and other human qualities inherent in all individuals who are actually or potentially available and can be used at any time to generate value in any form to meet social needs (Kant Sharma, 2015). Human resources have been identified as a key component of intellectual capital and are essential in building sustainable competitive advantage (Maratis, 2018). Furthermore, having strong intellectual capital helps businesses gain a positive reputation and attract consumers to use their products and services (Ginesti et al., 2018).

The current economy is undergoing changes and increasingly emphasizing intangible assets such as intellectual capital (Ousama et al., 2020). However, financial reports often fail to report IC as a crucial part of the organization's total value. This can create the perception that businesses with high IC are less competitive than they actually are (Kianto et al., 2013). Research on IC has been extensively conducted. However, studies in the financial sector have found varied results regarding the relationship between IC and bank performance. According to Desoky and Mousa (2020), company financial performance is significantly positively correlated with elements of IC. These findings are also supported by research from Ozkan et al. (2017), Soewarno and Tjahjadi (2020), Nishanthini (2021), and Ali et al. (2022), which reveal that IC significantly contributes to financial performance. Conversely, results from Ristiani and Wahidahwati (2021) and Tarigan et al. (2019) suggest that IC does not contribute to financial performance.

Companies can use Good Corporate Governance (GCG) practices as a framework to promote human resource development (Tijow and Hayat, 2021). GCG is implemented in Islamic banks based on the GCG principles outlined in PBI No. 11/33/PBI/2009, namely transparency, accountability, responsibility, independence, and fairness (Hamdani, 2016). The presence of GCG in Indonesia is an effort to build a business environment conducive to avoiding scandals within companies, but in reality, GCG has not been fully implemented to date (Azizah et al., 2023). The implementation of GCG principles in Indonesia is significantly influenced by cultural and historical aspects. These aspects are inseparable and closely related to social elements. These factors create significant barriers for the government to implement and enforce various policies. The diversity and complexity of Indonesian society also hinder the application of GCG concepts (Azizah et al., 2023).

Researchers have found various results regarding the impact of GCG on financial performance based on several previous studies. According to findings from Lubis (2020) and Fitriyani (2021), GCG has a positive contribution to the financial success of Islamic banks and the health of Islamic cooperatives. These findings align with the research by Mahrani and Soewarno (2018) and Kyere and Ausloos (2021), which demonstrate a positive impact of GCG mechanisms on financial success. On the other hand, Hindasah et al. (2021), Maulana and Iradianty (2022), and Fatimah and Setiany (2023) did not find evidence of a relationship between GCG and company financial success.

In addition to human resource and governance issues, competition with conventional banks is another challenge faced by Islamic banks. Islamic banks face difficulties in producing products and services as creative and competitive as those offered by conventional banks (Mandiri et al., 2022). To address this issue, Islamic banks need to develop competitive strategies that can create a competitive advantage and deliver superior performance compared to their competitors. Having a competitive advantage can enhance sales processes, increase customer loyalty, foster new innovations, and improve overall sales.

The impact of IC management and GCG implementation on financial performance has been the subject of conflicting findings in previous research. This study aims to reinforce existing empirical findings and present new insights into the effect of IC and GCG on the financial performance of general Islamic banks in Indonesia, with a moderating test for competitive advantage. The contribution of these findings for stakeholders in Islamic banks is to better understand the role of intellectual capital and GCG in strengthening the performance of the Islamic banking industry in Indonesia. These findings may also serve as a guide for future academics interested in studying how GCG and intellectual capital affect Islamic banking performance.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Agency Theory

According to agency theory, everyone acts in their own best interest. The existence of agency relationships is also assumed by agency theory. An agency relationship is formed by a contract between shareholders and business management. The owner grants permission to management to run the business, including formulating policies, in accordance with the terms of the contract (Jensen and Meckling, 1976). Shareholders and management have an agency relationship, just as shareholders and creditors are part of financial management. This disagreement is known as an agency conflict because, in this situation, managers are supported by employees in the decision-making process regarding the expansion of the company in their departments for self-development, with the goal of taking on greater responsibilities and incentives (Adi and Suwarti, 2022).

Resources Based Theory

Owning, managing, and utilizing key strategic assets (both tangible and intangible) allows a company to outperform business competition and achieve strong financial performance (Wernerfelt, 1984). According to Jackson and Schuler (1995), this theory emphasizes organizational resources such as oversight, control, and social ties between the organization and the outside world, as well as physical resources like factories, technology, equipment, and location.

Legitimacy Theory

Dowling and Pfeffer introduced the concept of legitimacy for the first time in 1975. This idea is based on the premise that organizational legitimacy is a resource that can be claimed or lost by competing organizations. Legitimacy theory emphasizes the interaction between a company and its environment and suggests that companies need to operate in accordance with social norms and values to maintain their legitimacy in the eyes of society. An entity will continuously ensure that its operational actions align with the standards governing the surrounding society through the lens of legitimacy theory (Cormier et al., 2004).

Intellectual Capital

Trademarks, patents, and brand names are examples of intangible assets accounted for according to modern accounting practices, including members and their knowledge-based practices, referred to as intellectual capital according to Roos and Roos (1997). All procedures and resources that are often not included in the balance sheet are also part of IC. Brand names, patents, and trademarks are examples of intellectual property (IP) that may be valuable to companies and society, according to Baroroh (2013).

Value Added Intellectual Capital (VAIC) is a technique for evaluating intangible assets using a company’s financial data to measure intangible capital. The VAIC approach, created by Pulic (1998), is a methodology frequently used by academics to assess intellectual capability. In this evaluation, the terms "value added capital employed," "value added human capital," and "value added structural capital" are used interchangeably.

Good Corporate Governance

Effective Good Corporate Governance (GCG) is defined by The Indonesian Institute for Corporate Governance (IICG) as “rules, schemes, and procedures used by corporate entities to enhance business value in the long term while considering the interests of stakeholders.” This definition is based on applicable laws and standards. Tangkilisan defines GCG as a system that helps manage the company and influences its value, and provides it to parties with significant influence over the company's activities, such as consumers, suppliers, creditors, trade associations, government, and the general public.

The principles of GCG that govern banking include transparency, accountability, responsibility, independence, and fairness (Hamdani, 2016). Companies need to implement GCG and consistently apply business ethics to develop transparent, healthy, and efficient companies in the era of modernization and high competition (Mustofa, 2007).

Competitive Advantage

Competitive advantage, according to Porter (1985), is the capacity of an organization to consistently deliver returns on investment above the industry average. Competitive advantage reflects a company's ability to create value as a result of efficiently using its resources. A company's innovative approach to standing out in competition and capturing market share is termed competitive advantage (Libyanita and Wahidahwati, 2016).

Asset Utilization Effectiveness (AUE) can be used to determine competitive advantage, taking into account total revenue and total assets. This metric helps us understand how most companies utilize their resources to generate revenue. Competitive advantage can also be maintained by using Price Premium Capacity (PPC), which employs margin of error and total revenue as metrics. This task aims to enhance innovative strategies in educating customers when purchasing goods and services (Kusuma and Suwandi, 2022).

HYPOTHESES DEVELOPMENT

Intellectual Capital and Islamic Banks Financial Performance

The term "intellectual capital" refers to the ability to forecast a company's economic performance. Several studies have revealed that optimally managing intellectual capital can enhance a company's revenue (Zhang et al., 2021). Effective management of IC will drive the development of a company’s financial performance by providing a better comparative advantage compared to other companies (Rachmawati, 2017). The company’s structure, relationships with the environment, and control over human resources are key factors in the potential for financial success (Kusuma and Suwandi, 2022). This is consistent with the findings of Desoky and Mousa (2020), where organizational financial performance has a strong relationship with IC components. Similar results are shown by Ozkan et al. (2017), Soewarno and Tjahjadi (2020), Nishanthini (2021), and Ali et al. (2022), indicating that IC significantly contributes to financial performance. Therefore, companies need to focus on developing and managing intellectual capital, which includes human resources, organizational structure, and relationships with the environment, to improve their financial performance. The initial assumption is formulated as follows:

H1: Intellectual capital affects the financial performance of Islamic Banks.

Good Corporate Governance and Islamic Banks Financial Performance

The goal of implementing Good Corporate Governance (GCG) in business is to enhance strategies for achieving objectives, operations, efficiency, sales, financial forecasting, product creation, human resource management, and company growth tactics (Ria Murhadi et al., 2018). Proper and accurate implementation of GCG facilitates transparency, which builds trust among external and internal stakeholders regarding the company's performance, contributing to the company's success (Badawi, 2018). According to research by Lubis (2020) and Fitriyani (2021), GCG has a positive impact on the health and financial performance of Islamic cooperatives. This finding is reinforced by Candra (2021), which highlights the importance of GCG practices for financial development. The results of studies by Mahrani and Soewarno (2018) and Kyere and Ausloos (2021) also support this, revealing that GCG mechanisms can have a positive effect on financial performance. It is important to note that the correlation between GCG and financial performance may depend on various factors such as company size, industry, and the implementation of GCG practices. Therefore, a comprehensive implementation of GCG is essential for companies to improve their financial performance. The initial assumption is formulated as follows:

H2: Good Corporate Governance affects Islamic Banks' financial performance.

The moderating role of Competitive Advantage on the relationship beween Intellectual capital and Islamic Banks Financial Performance

Companies with substantial intellectual capital (IC) must implement competitive strategies to enhance their competitiveness and foster a positive relationship between IC and financial performance (Amin et al., 2018). Effective IC management can lead to innovation and value creation. By investing in IC, companies can boost innovation capacity, customer relationships, and brand reputation. Such investments can create competitive advantages, resulting in increased sales and revenue (Susanto et al., 2023).

According to Ristiani and Wahidahwati (2021), the relationship between IC and financial performance can be moderated by competitive advantage. Their findings indicate that increasing employee motivation and development is necessary to build a company's IC, thereby creating added value and gaining a competitive advantage. Research by Febriyanti et al. (2022) also shows that competitive advantage can moderate the relationship between IC and financial performance. Achieving a competitive advantage in the market requires unique product qualities that differentiate a company from its competitors. To enhance sales value and improve financial performance, product variation can influence customer interest in purchasing the company's goods. Therefore, the initial assumption is formulated as follows:

H3: Competitive advantage moderates the relationship between intellectual capital and financial performance of Islamic banks.

The moderating role of Competitive Advantage on the relationship between Good Corproate Governance and Islamic Banks Financial Performance

Competitive advantage can enhance the fundamental relationship between Good Corporate Governance (GCG) and the financial success of Islamic banks. GCG practices can directly impact competitive advantage (Yuliana and Khoiriyah, 2018). Islamic banks can gain competitive advantages in terms of reputation, customer trust, and risk management capabilities when they properly adopt GCG (Sehen Issa et al., 2022). GCG serves as a tool to ensure that company management acts in the best interests of shareholders, while improper implementation of GCG can lead to fraud and other negative consequences (Sriekaningsih, 2022). GCG not only promotes growth in the financial performance of general Islamic banks but also enhances their liquidity and access to capital markets (Diyani and Oktapriana, 2020). Based on the above discussion, the initial assumption is formulated as follows:

H4: Competitive advantage moderates the relationship between Good Corporate Governance and financial performance of Islamic banks.

RESEARCH METHODS

This quantitative study examines the impact of Intellectual Capital (IC) and Good Corporate Governance (GCG) on financial performance, with the analysis conducted on Islamic banks operating in Indonesia for the period from 2016 to 2021. Purposive sampling was used to collect data based on the following criteria:

a. Islamic banks in Indonesia that are registered with the Financial Services Authority (OJK).

b. Islamic banks that provide annual reports and GCG implementation reports during the study period.

c. Islamic banks that possess the necessary information for this research.

Table 1
Sample selection

No	Criteria	Jumlah
1	Islamic Business units listed on Indonesian Financial Services Authority (OJK)	83
2	Islamic Business Units with complete annual report and GCG reports	9
3	Islamic Banks with the balanced sample	9
4	Total observations: 2016-2021	54

In this study, the financial performance of Islamic banking is the dependent variable. The profitability ratio, based on Return on Assets (ROA), is used to anticipate financial success. Intellectual Capital (IC) and Good Corporate Governance (GCG) are the independent variables. The VAIC approach is employed to measure intellectual capital, which combines value added capital employed, value added human capital, and value added structural capital. For evaluating GCG components, the Financial Services Authority Circular (SEOJK) No. 10/SEOJK.03/2014 on the Assessment of the Health Level of General Islamic Banks and Sharia Business Units is used.

This study also incorporates a moderating variable, competitive advantage. According to Ghozali (2009), a moderating factor can either enhance or diminish the correlation between independent and dependent variables. Asset Utilization Effectiveness (AUE), which uses total revenue and total assets as measures of competitive advantage, is employed to determine competitive advantage. AUE helps us understand the extent to which a business utilizes its resources to generate profits (Meyer and Habanabakize, 2017).

Table 2
Measurements

No	Variables	Measurements	References
1	Dependent variable Islamic Banks Financial Performance	ROA = $\frac{\text{Net Income}}{\text{Total Asset}}$	Hanafi and Halim (2016)
2	Independent variables *Intellectual Capital* *Good Corporate Governance*	VAIC = VACA +VAHU + SCVA *Self Assessment: ranked criteria* 1, 2, 3, 4 and 5	Pulic (1998) SEOJK Nomor 10/SEOJK.03/2014
3	Moderating variable *Competitive Advantage*	AUE = $\frac{\textit{Total Revenue}}{\textit{Total Asset}}$	Meyer dan Habanabakize (2017)

The regression model to test the hypothesis is formulated as follows:

$$\mathbf{Y = \alpha + \beta_1 VAIC + \beta_2 GCG + \beta_3 VAIC.CA + \beta_4 GCG.CA + e \ldots (1)}$$

where:

Y : Islamic Banks financial performance
α : Constant
β_1 - β_4 : Regression coefficients
VAIC : *Value Added Intellectual Capital*
GCG : *Good Corporate Governance*
CA : *Competitive Advantage*
e : error

The model can be depicted visually as in figure 1 below:

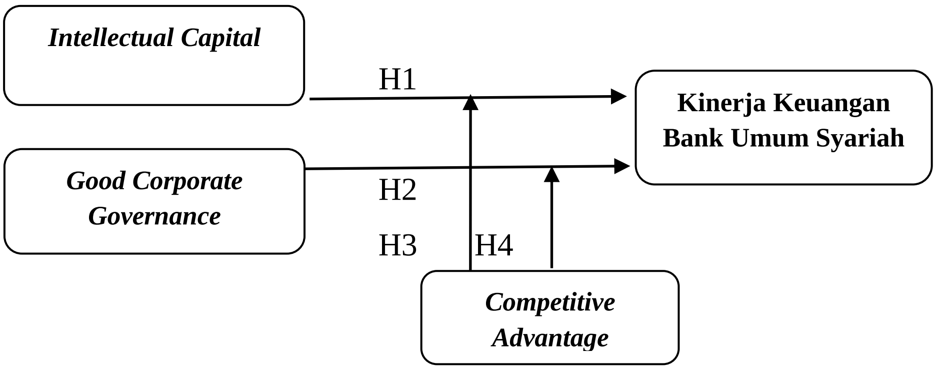

Figure 1
Empirical model

RESULTS AND DISCUSSION

Descriptive statistics

The characteristics of each research variable are explained through descriptive test findings. Descriptive statistics provide data on the mean, variance, standard deviation, median, and other variables. Below are the descriptive data for the factors investigated in this study:

Table 3

Results of descriptive statistics

	ROA	VAIC	GCG	CA
Mean	2.506481	2.634489	2.056296	0.083865
Median	1.000000	2.363900	2.000000	0.069500
Maximum	13.58000	12.99190	3.000000	0.317300
Minimum	0.020000	1.132300	1.000000	0.003500
Std. Dev.	3.565123	1.741043	0.643634	0.071091

Based on the information provided in Table 3, the average financial performance of Islamic banks, measured by ROA, is 2.5, with a maximum of 13.6 and a minimum of 0.02. The average Intellectual Capital (IC) is 2.6, with a maximum of 12.9 and a minimum of 1.13. The average IC is classified in the "good performance" category, as it falls between 2.00 and 2.99. This average IC value indicates that Islamic banks have managed their resources well. Meanwhile, the average competitive advantage is 0.08, with a maximum of 0.32 and a minimum of 0.003. Competitive advantage is something unique to a company that cannot be easily replicated. The value generated internally is what distinguishes a company from its competitors.

Table 4

Frequency distribution

Variable	Categories	Frequency	Percentage
GCG	Rank 1	7	12,96
	Rank 2	30	55,55
	Rank 3	17	31,49
	Rank 4	-	-
	Rank 5	-	-
	Total	54	100

The implementation of Good Corporate Governance (GCG) in Islamic banks for the period 2016-2021, based on the frequency distribution data in Table 4, reveals that there are 7 banks ranked 1, 30 banks ranked 2, 17 banks ranked 3, and no Islamic banks ranked 4 or 5. The average ranking for Islamic banks is 2, as shown in Table 4, which is considered good but indicates that the implementation of GCG in these institutions still requires improvement.

Panel Regression model selection

At this stage, the Chow and Hausman tests are used to evaluate different methods and select the most appropriate one for the research data. The Chow test, a statistical test that assesses the significance of regression coefficients, is used to choose the best and most relevant method between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). To determine the most suitable model for estimating panel data, the Hausman test is employed to compare the Fixed Effect Model (FEM) and the Random Effect Model (REM).

Table 5

Panel Regression model selection

No	*Effect Test*	*Statistic*	d.f.	Prob.
1	Uji Chow	22.331933	8	0.0043
2	Uji Hausman	9.225652	3	0.0264

The chi-square probability value from the Chow test is 0.0043, which is less than the significance level of 0.05, based on the data in Table 5. This indicates that the Fixed Effects Model (FEM) is the appropriate model for this investigation. The Hausman test results in a chi-square probability value of 0.0264, which is also less than the significance level of 0.05, suggesting that the Fixed Effects Model (FEM) is the best choice. It can be concluded that the Fixed Effects Model (FEM) is the most relevant model to use.

Results of panel regression

In panel data regression testing using the Fixed Effects Model (FEM), the Least Squares Dummy Variable (LSDV) approach is applied. Categorical variables are converted into dummy variables and used as independent variables in the regression model with this approach (Ratnasari et al., 2014).

Table 6

Results of panel regression

Variables	Regression coefficients	t-test	Probability
C	-1.565936	-0.832573	0.4098
VAIC	0.588089	3.490866	0.0011
GCG	1.024269	1.462551	0.1510
CA	4.971139	0.414126	0.6809
VAIC.CA	5.888157	1.113347	0.2722
GCG.CA	-5.223267	-0.270978	0.7878
R^2	= 0.810770		
Adjusted R^2	= 0.757965		
F-*test*	= 18.42373		
F-probability.	= 0.000000		

Classical assumptions tests

The purpose of classical assumption testing is to ensure that the estimated regression equation is accurate, objective, and consistent. Classical assumption tests include tests for multicollinearity, heteroscedasticity, and autocorrelation. The multicollinearity test assesses whether the independent variables in the regression model are cross-correlated or collinear. If the correlation coefficient between two variables reaches 0.85, it indicates multicollinearity. The heteroscedasticity test determines whether there is a discrepancy in variance among the residuals from one or more independent variables in a regression model. Conversely, the autocorrelation test evaluates the degree of correlation between variables in the regression model. The Durbin-Watson test is one of the procedures used to test for autocorrelation.

Table 7

Classical assumption test results

No	Types of classical assumption tests	Indicators	Summary
1	Multicollinearity	Korelasi antar variabel independen 0,141939 < 0,85	No multicollinearity
2	Heteroscedasticity	Nilai *Prob.Chi-Square* C = 0.5659 > 0.05 VAIC = 0.9429 > 0.05 GCG = 0.4228 > 0.05	No heteroscedasticity
3	Autocorrelation	$d_u < dw < 4\text{-}d_u$ 1,5983 < 2,351592 < 2,4062	No autocorrelation

Based on Table 7, the correlation between the IC and GCG variables is 0.141939, which is less than 0.85. This indicates that there is no multicollinearity between the IC and GCG variables. Table 8 shows that the Prob.Chi-Square values are 0.5659, 0.9429, and 0.4228. Since these values are greater than 5%, there is no heteroscedasticity between the IC and GCG variables. The results also indicate that the value of $d_u < dw < 4-d_u$ (1,5983 < 2,351592 < 2,4062), which concludes that there is no autocorrelation in this study.

Hypothesis tests

F test

The F-test determines the extent to which the independent variables affect the dependent variable. With an F-statistic value of 18.42373 and a probability of 0.0000, Table 6 indicates that IC and GCG have a positive contribution to the financial performance of Islamic commercial banks in Indonesia.

Partial regression tests.

The test is designed to determine the extent to which the independent variables individually explain the dependent variable. To assess this, t-statistics and significance values are used. The results show that the probability value for VAIC is 0.0011, which is less than 5%, and the coefficient value is positive at 0.588089, as shown in Table 6. This indicates that IC has a significant and positive impact on the financial performance of Islamic commercial banks in Indonesia. This suggests that these banks operate more profitably with a higher amount of intellectual capital. Therefore, Islamic commercial banks can enhance their financial performance by investing in intellectual capital, such as spiritual capital, structural capital, and social capital. This finding supports previous research by Kusuma and Suwandi (2022), Desoky and Mousa (2020), and Nishanthini (2021), which demonstrates a substantial positive relationship between IC and financial performance. Additionally, the research by Aisyah and Pratikto (2022) confirms that maximizing the use of IC and resources can improve bank profitability. To boost their financial performance, Islamic commercial banks should focus on creating and managing intellectual capital.

The average GCG score for Indonesian Islamic banks is slightly above 1.5% but less than 2.5% or 2.05%, which is categorized as rank 2 or good. This indicates there is still room for improvement in GCG implementation. Based on Table 6, the probability value for GCG is 0.1510, which is greater than 5%, and the coefficient is positive at 1.024269. Thus, it can be concluded that GCG does not significantly impact the financial performance of Indonesian

Islamic commercial banks. This result aligns with the findings of Hindasah et al. (2021), Maulana and Iradianty (2022), and Fatimah and Setiany (2023), who could not establish a relationship between GCG and financial success. This result contradicts the findings of Badawi (2018), Candra (2021), Lubis (2020), and Fitriyani (2021), which state that organizational financial performance can be improved through proper implementation of GCG.

The variable competitive advantage does not moderate the relationship between intellectual capital and financial success of Islamic banks. According to Table 6, the probability value for VAICCA is 0.2722, which is greater than 5%, and the coefficient is positive at 5.888157. Similarly, for GCGCA, the coefficient is -5.223267, and the probability value is 0.7878, which is greater than 5%. This suggests that competitive advantage does not explain the relationship between IC and GCG with the financial success of Islamic commercial banks in Indonesia. This finding does not align with the results of Ristiani and Wahidahwati (2021) and Febriyanti et al. (2022), who revealed that the correlation between intellectual capital and financial success could be moderated by competitive advantage. Their research indicates that increasing employee motivation and development are necessary to build the company's IC resources to enhance value and achieve competitive advantage. The conclusion of this study contradicts these findings, as this research did not find evidence of a moderating effect of competitive advantage on the relationship between IC and GCG with financial performance.

Coefficient determination (R^2) represents the proportion of the variance in the dependent variable that is predictable from the independent variables. Based on Table 6, with an R^2 value of 0.810770, 81.077% of the financial performance of Islamic commercial banks (BUS) in Indonesia can be explained by the components of Intellectual Capital (IC) and Good Corporate Governance (GCG). This indicates that these factors have a substantial impact on the financial performance. The remaining 18.923% of the variance in financial performance may be attributed to other factors not examined in this study.

CONCLUSION AND SUGGESTIONS

This finding provides empirical evidence that, contrary to the lack of impact of Good Corporate Governance (GCG) on financial performance, Intellectual Capital (IC) has a significant positive effect on the financial performance of Islamic commercial banks. The study reveals that enhancing intellectual capital, which includes human capital, structural capital, and social capital, can improve the financial performance of Islamic banks.

Therefore, to boost financial performance, firms should focus on creating and enhancing their intellectual capital. Based on the average self-assessment results, the GCG scores of Indonesian Islamic commercial banks are rated in the second category, indicating that there is still room for development in GCG implementation at these banks.

The research further indicates that the moderation analysis results show that the impact of IC and GCG on the financial performance of Indonesian Islamic banks cannot be improved by competitive advantage. The influence of IC and GCG on performance may vary depending on factors such as the conditions and characteristics of the banks. Further research is needed to understand the relationship between IC and GCG with the financial performance of Islamic banking. The use of a limited number of variables and samples is a limitation of this study.

Future researchers may consider expanding the sample size and variables in their studies to gain a deeper understanding of how intellectual capital and GCG impact the performance of Islamic banking in Indonesia. Profitability ratios, asset quality ratios, liquidity ratios, and solvency ratios could be used to analyze bank performance; however, profitability ratios based on Return on Assets (ROA) were the only measure used in this study to evaluate the performance of Islamic commercial banks in Indonesia. Future research could use a combination of these ratios to assess the financial success of Islamic banks. Additionally, future studies should explore the use of maqasid sharia-based methodologies to evaluate the performance of Islamic banks in accordance with sharia objectives.

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