

A Sustainable Business Model in Islamic Bank (Review of the Scientific Literature)

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Abstract

The purpose of this study was to examine the influence of Islamic corporate governance and Islamic intellectual capital to the business sustainability of Islamic banks in Indonesia by Islamic financial performance as a mediating variable. Indicators used in variable Islamic Corporate Governance there are 11 (eleven) indicators, variable Islamic Capital Intellectual there are 3 (three) indicators, variable Islamic Financial Performance is 1 (one) indicator and variable Sustainability Business there are 3 (three) indicators.

Keywords: Islamic Corporate Governance, Islamic Intellectual Capital, Islamic Financial Performance, Sustainability Business

1. Introduction

The development of Islamic banks in Indonesia based on data from the Financial Services Authority (OJK) in 2015 noted that the growth in the number of Islamic Banks (BUS) as many as 12 banks, the number of Sharia (UUS) as many as 22 banks, office networks as many as 2,950 pieces and the number of BPR Syariah many as 163 bank. The development of Islamic bank in Indonesia is significant, it is because with the passage of Act Islamic banking has been a factor driving the growth of Islamic banks in Indonesia. In 2016 will be high competition at business financial, with the entry into force Asean Economic Community (MEA), and in order to meet MEA Banking in 2020, thus the competition in the financial services industry will be intense and it will affect the the performance of islamic banking, which is still hampered by some problems such as lack of capital, financial resources, human resources and information technology are not yet qualified.

As we know that, entering the 21st century, the demand for the implementation of good corporate governance in the management of banks is very important to do. Good corporate governance in Islamic perspective always related the concepts to behavior in good corporate governance with things that are transcendental. This is a consequence of the faith of a Muslim to God, as stated in surah Al-Baqarah: 282..."And do not be reluctant writer to write as people who believe, if you do not transact in cash for the specified time, you should write it. And let a writer between you God taught him, then let him write, and let those who owe it wrote (what would have written it), and let him fear Allah his Lord, and he must not detract at all from the debt "

The importance of good corporate governance in Islamic banks is reflected in the results of research conducted by Chapra and Habib (2002) which states that the implementation of GCG in several Islamic financial institutions in the Muslim world can improve community confidence in Islamic banks. Implementation of good corporate governance in Islamic banks is very important to do it not only to cultivate the presence of Islamic banks alone but to preserve the image or good name of Islamic banks in the eyes of society. That is because there is no guarantee that an institution that carries the name of sharia certainly be subject to and comply with the principles of sharia, for the presence of Islamic banks need to be escorted by the existence of a good corporate governance for Islamic banks.

2. Literature Review

There are many studies related to this study are:

Volker (2003) reveals that there are important issu of good corporate governance in Islamic banks concerning sharia complience namely the inability of management of Islamic banks in providing assurance of compliance with sharia in every product and services rendered. Results of research conducted by Chapra and Habib (2002) in Islamic banks in different countries has shown that the implementation of good corporate governance practices can not be implemented properly. Importance of sharia compliance as shown results of the study states that 62 percent of respondents involved in the survey conducted in 14 Islamic bank in Bahrain, Bangladesh and Sudan stated that they will transfer funds to other Islamic bank if it is considered a violation of sharia in operation. It shows that the implementation of good corporate governance that will either be able to increase public confidence in the Islamic bank

Generally, financial performance both in conventional banks and Islamic banks measured by

profitability level that reflected the level of ratios such as: the ratio of return on assets (ROA), return on equity (ROI), return on investment (ROI) and net interest margin (NIM) , Hameed et al (2004) make a financial performance measurement for Islamic banks, among others, using profit sharing ratio (mudharaba + musyarakah ratio) and zakat performance ratio. The use of profit sharing ratio that used at Islamic banks abroad is dominated by mudharabah and musyarkah, whereas in Indonesia financing, contract murabaha (sale and purchase) dominate (58%), mudharabah (34%), the remaining the other financing contract, so to measure the financial performance of islamic banks in Indonesia will be more accurate by using murabaha ratio.

Several studies reveal the importance of corporate governance relating to the performance of companies such as: Rehman and Mangla (2012); Mohammed and Fatimoh (2012); Aggarwal (2013); Nur'ainy, et al. (2013) in which all the research results stated that good corporate governance has a positive significant effect on the performance of companies that became the object of research. In line with previous researchers Asrori (2014), also said the results of his research that the duties and responsibilities of the supervisory board of sharia (DPS) and Sharia compliance positive significant effect on the performance of Islamic banks in Indonesia as measured by the ratio of the financing for the results, the ratio Islamic income and zakah performance ratio

Globalization guide the company to create a breakthrough in the way of thinking globally and acting locally, which further accelerate technological innovation do various activities with all the limitations and advantages to make competition in the increasingly competitive business world. Intellectual capital is an integral part in the development of the company. Since knowing the importance of intellectual capital, the majority of companies and banks in Islamic countries began to shift patterns of thinking. According Pulic (1998), the main purpose of the economy based on knowledge is to create value added (value added), while in order to create value added takes the exact size of the physical capital (monetary funds) and intellectual potential (represented by employees with all the potential and capabilities inherent in them). Research on intellectual capital originally performed by Bontis et al. (2000), which examines the effect of intellectual capital on firm performance services industry and non-industry services in the country of Malaysia. The test results showed positive significant effect between structural capital (SC) to business performance. The relationship between intellectual capital and financial performance has been demonstrated empirically by several researchers such as: Firer and Williams (2003); Chen et al. (2005); Tan (2007); Ulum, et al. (2008); Khan et al. (2012), in which all the results of their research states that intellectual capital has a positive significant impact to the company's financial performance

Good corporate governance and intellectual capital is also indicated as a variable that can affect the sustainability of the company (Hashim, et al.2015 and Akhtar, et al.2015). sustainability is a balance between people-planet-profit, known as the concept of the triple bottom line (TBL). sustainability lies at the confluence of three aspects: people-social; planet-environment; and profit-economic (Elkington, 1998). The implementation of sustainable business can be realized in Corporate Social responsibility (CSR). Corporate social responsibility (CSR) in prepektif Islam must reflect the principles of Islam by giving priority masalahah (public welfare), by because they were Islamic banks in running the business does not have to solely profit-oriented, but should strive to promote social welfare and protect the needs of society as a whole.

Various studies the effect of good corporate governance to the sustainability of any inconsistency between researchers, one with the other research. This is as shown in a study conducted by Sari and Marsono (2013); Janggu et al. (2014); Hashim, et al. (2015) and Ahmad (2015), in which all the results of their research states that good corporate governance has a positive and significant impact on the business of sustainable. This is in contrast to research conducted by Aras and Crowther (2008), which conducts qualitative research. From the results of the study is not enough to prove that good corporate governance that will either ensure that the company will be sustainable. Thus in order to prove his hypothesis necessary observations from time to time. Likewise, the results of research conducted by Aziz (2014), states that good corporate governance disclosure does not affect the sustainability report kualitas companies in Indonesia. Hashim research results, et al. (2015), showed that the presence of sharia supervisor board does not affect the sustainability practices.

In connection with the intellectual capital that is also indicated as a variable that can affect the sustainability of a company, it can be said that intellectual capital is the knowledge and information that can create value-added efficiency to generate wealth for the company (Stewart 1997). Research results show that intangible assets are comprised of intellectual capital, human capital and social capital were able to change the economic structure of a country and affect the sustainability development of a country. Likewise, the results of research conducted Akhtar et al. (2015), which states that the knowledge and innovation of intellectual capital dimensions have an influence in creating sustainable SMEs. Dino research (2016), showed that intellectual capital significant influence to growth rate sustainability.

Often the economic development of the industry and services always focusing on increasing revenues and the use of technology as efficiently as possible so that sometimes ignore the environmental and social aspects. Along with these conditions, the Indonesian public awareness of the importance of environmental and social performance of companies began to grow slowly. This awareness encourages public want to disclosure of information by companies that are not just for one aspect of performance alone, but all of sustainability

performance indicators namely economic performance, social and environmental.

Profitability be one measure for investors to invest, profitability is a measure used to determine the company's ability to generate profits. Profitability can be used as a means to convey information to investors. Dilling (2009), states that companies that have the characteristics of high profitability and has strong long-term growth it will affect the sustainability of business enterprises. The study is in line with research conducted by Nawaiseh (2015), which states that there is a positive and significant influence between firm size and CSR, for dimensions the employees and the environmental dimension.

3. Research objectives

1. to examine the influence of Islamic corporate governance on the Islamic Financial Performance.
2. to examine the influence of Islamic Intellectual Capital on the Islamic Financial Performance.
3. to examine the influence of Islamic corporate governance on Sustainability Business
4. to examine the influence of Islamic Intellectual Capital on Business Sustainability
5. to examine the influence of Islamic Financial Performance on Sustainability Business
6. to examine the influence of Islamic Corporate Governance on Business Sustainability through Islamic Financial Performance
7. to examine the influence of Islamic Intellectual Capital on Business Sustainability through Islamic Financial Performance

4. Literature review

4.1. Good Corporate Governance

Theories on corporate governance is very broad because it includes all the content of a company, one of the theories of good corporate governance that is often used is agency theory in which the agency theory considers that the company's management as "agents" for shareholders, who will act with full awareness of its importance itself, not as a party to the wise and prudent and fair to shareholders. agency theory considers that management can not be trusted to act in the best possible way for the benefit of stakeholders in general and shareholders in particular. The main principle of this theory assert their working relationship between the parties which authorizes ie investors with the receiving agency is the manager. (Jensen & Meckling, 1976).

Definition of Good Corporate Governance is based on Bank Indonesia Regulation (PBI) No. 11/33 / PBI / 2009 is: "Good Corporate Governance, governance is a bank that applies the principles of transparency, accountability, responsibility, professional, and fairness"

4.2. Islamic Corporate Governance

In Islamic banking, the implementation of good corporate governance has been arranged by Bank Indonesia through the issuance of Bank Indonesia Regulation (PBI) No. 11/33 / PBI / 2009, which the Islamic bank must apply the principles of good corporate governance which include: transparency, accountability, responsibility, independency, fairness. Good corporate governance in Islamic perspective always associate the concepts related to behavior in business governance with things that are transcendental. As revealed by the experts of Islamic finance in some literature introduced the term Islamic corporate governance. Bhatti and Bhatti (2010: 27) defines Islamic corporate governance is:

"Islamic corporate governance (ICG) seeks to devise ways in which economic agents, the legal system, and corporate governance can be by moral and social values based on Shari'ah laws. Its supporters believe that all economic, corporate, and business activities should be based on an ethareligious paradigm, with the sole aim being the welfare of individuals and society as a whole. In many ways, ICG pursues the sam objectives as conventional corporate governance, but within the religious-based moral codes of silam. A model of ICG may be proposed by recording the objectives of Sharia'ah with the stakeholder model of corporate governance"

In Islamic banking, implementation of corporate governance has been arranged by Bank Indonesia through the issuance of PBI No. 11/33 / PBI / 2009 and SEBI No. 12/13 / DPbS / 2010, where the indicators used in the assessment of the corporate governance of Islamic banks is composed of 11 indicators, namely:

1. The implementation of tasks and responsibilities of the Board of Commissioners
2. Implementation of duties and responsibilities of the Board of Directors
3. Completion and implementation of the Committee's tasks
4. Implementation of duties and responsibilities of the Shariah Supervisory Board
5. Implementation of Islamic principles in the activities of fund raising and distribution of funds and services
6. To Handle conflicts of interest
7. Implementation of compliance of banks
8. Implementation of the internal audit function
9. The implementation of external audit function
10. Disbursement Limit of credit

11. Transparency of financial and non financial condition, GCG implementation report and internal reporting

4.3. Islamic Intellectual Capital

Intellectual capital is a term that has various definitions in economic theories are different. According to Bontis (1998), "intellectual capital is elusive, but once it is discovered and exploited, it may provide an organization with a new resource-base from the which to Compete and win", While one definition of intellectual capital that is widely used is offered by the Organisation for Economic Co-operation and Development (OECD 1999), which explains that the intellectual capital as the economic value of two categories of intangible assets: (1) structural capital; and (2) human capital.

Intellectual capital is an asset that is very valuable, although recognition of these assets are not including in the financial statements, because difficult to measure the value of intellectual capital, until there developed a measurement indirectly to measure the efficiency of added value to the intellectual capital of the company known as the method of Value Added Intellectual Coefficient (VAIC) developed by the Public (1998, 1999, 2000). , VAIC is a tool to measure the performance of the company's intellectual capital. This model is relatively easy and it is possible to do because it is constructed from the accounts in the financial statements (balance sheet and income statement).

Bontis et al. (2000) stated that in general the researchers identified three constructs major of intellectual capital, are: human capital (HC), structural capital (SC) and customer capital (CC), while according Ulum (2013), value added (VA) islamic intellectual capital is constructed from the accounts of all revenue and costs is based on sharia, activities shariah net income and non-operating income and expenses third parties shariah in the result of temporary syirkah

4.4. Islamic Financial Performance

According to Hameed et al. (2004), that west civilization that gave birth to the conventional banking by developing financial performance measurement tools such as return on assets (ROA) and return on investment (ROI), which is based on the paradigm of utilitarian positivists with its main target is just to see the performance finance alone, and it is not entirely suitable to be applied to islamic banks. Because the Islamic banks have different characteristics with conventional banks, so for assessing the performance of Islamic banks should be different. Financial performance measurement methods for Islamic banks by Hameed et al. (2004), are: mudarabah-musharakah ratio (MMR); zakat performance ratio (ZPR) and mudharabah ratio (MR).

In this study islamic financial performance is measured by developing research Hameed et al, because in Indonesia is dominated finance schemes murabaha financing, so in this study used murabaha ratio (MR) to measure the financial performance of Islamic banks.

4.5. Sustainability Business

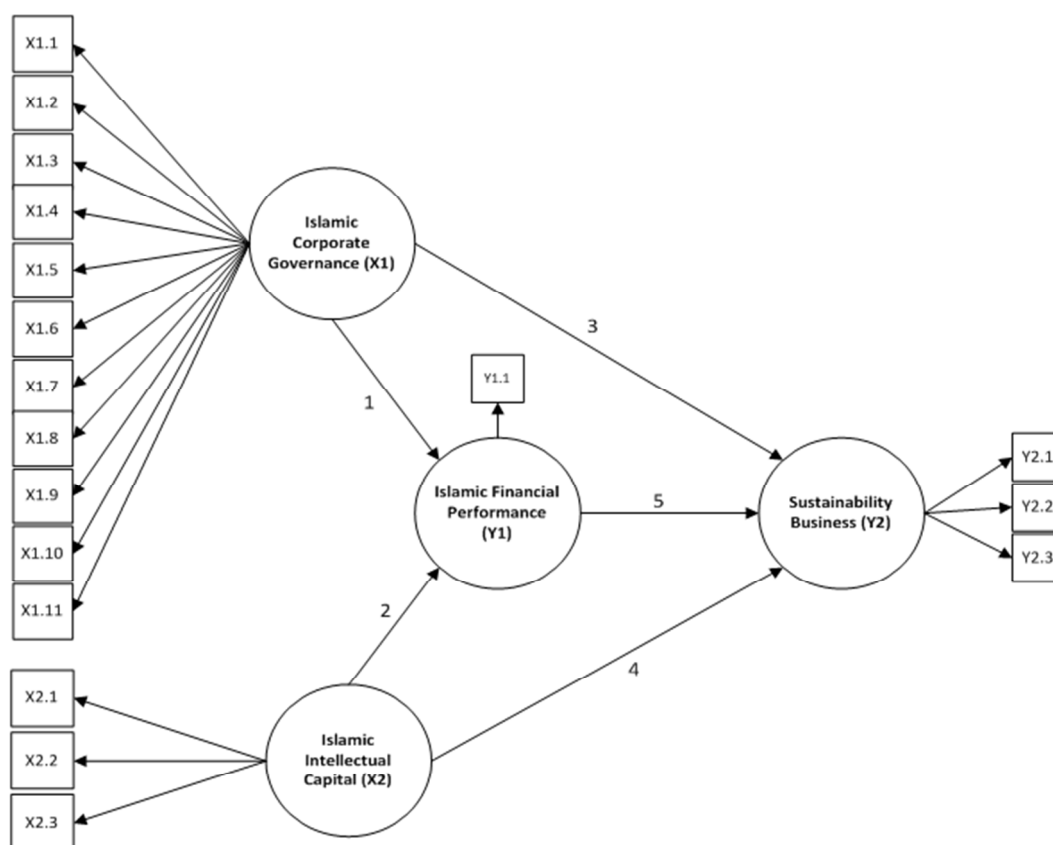
Stakeholder theory, stating that the company is not entity that operates for its own account but must provide benefits to stakeholders such as shareholders, creditors, consumers, supplier, government, the public, analysts and other parties (Freeman, 1984) .So Legitimacy theory, focuses on the interaction between companies and communities. This theory states that the organization is a part of society and should pay attention to the social norms of society for conformity to social norms can make the company more legitimate (Dowling and Pfeffer, 1975).

John Elkington (1997), through his book "Cannibal with Forks, the Triple Bottom Line of Twentieth Century Business" .Elkington develop konsep Triple Bottom Line (3P) are Profit, People and Planet. According Elkington, that companies that want sustainable, it must pay attention to "3P" other than the pursuit of profit and 3P concept is considered as a key pillar in building business sustainability and the implementation of the concept of 3P often embodied in corporate social responsibility (CSR).

The nature of balance or fairness in business is when the company is able to put everything in the right place. in the business world, Islam requires that do justice directed against the rights of others, the right social environment, the right universe. Thus the balance of nature and the social balance must be maintained in conjunction with the operation of a business. (Djakfar, 2014).

5. Conclusion

Based on the explanation above, it can be made conceptual research framework:



Based on the literature review both theoretical and empirical study outcomes, this study propose hypotheses that will generate empirical research model are:

- H1: Improvement in Islamic Corporate Governance will be able to increase the Islamic Financial Performance.
- H2: Improvement in Islamic Intellectual Capital will be able to increase the Islamic Financial Performance
- H3: Improvement in Islamic Corporate Governance will be able to increase the Sustainability Business
- H4: Improvement in Islamic Intellectual Capital capital will be able to increase the Sustainability Business
- H5: Improvement Islamic Financial Performance will be able to increase the Sustainability Business
- H6: Islamic Financial Performance mediate the Islamic Corporate Governance able to increase the Sustainability Business.
- H7: Islamic Financial Performance mediate Islamic Intellectual Capital able to increase the Sustainability Business.

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