

ABSTRACT

The rapid development of sharia banking has encouraged sharia banking practitioners to think of strategies to get more attention from investors with improvements in a number of sectors. Management of intellectual capital (IC) efficiency is one of that way. IC has been recognized as an important source in value creation and competitive advantage of modern organizations, including the financial services industry. This also becomes the background of this research. The purpose of this study is to examine the effect of intellectual capital on the financial performance of Islamic banking in Southeast Asia which is proxied by ROA.

This study use secondary data from the financial statements of 28 Islamic banks spread across several Southeast Asian countries for the 2014-2018 period. These countries include Indonesia, Malaysia, Brunei Darussalam and the Philippines. This study uses VAICTM measurements developed by Pulic. This research use panel data regression analysis with Eviews analysis tool.

The results of this study indicate that intellectual capital has a positive and significant effect on the financial performance of Islamic banking in Southeast Asia. More specifically this study shows that Human Capital Efficiency (HCE) and Capital Employed Efficiency (CEE) have a positive and significant effect on the financial performance of Islamic banking in Southeast Asia, meaning that if Islamic banking can manage human capital and employed capital or capital used properly, it will improve its financial performance. Meanwhile, Structural Capital Efficiency (SCE) has no influence on the financial performance of Islamic banking in Southeast Asia. Based on research, companies must use IC properly, especially in the efficiency of human capital and employed capital to improve banking performance.

Keywords: *financial performance, intellectual capital, Human Capital Efficiency, Capital Employed Efficiency, Structural Capital Efficiency*