

Effect of strength of the external environment and Islamic business ethics on the performance of Islamic finance companies with intellectual capital mediation

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ABSTRACT

The purpose of this study is to analyze sharia microfinance strategies to encourage the economy at the community level such as the Integrated Business Centers (BMT) based on Sharia principles. Primary data were obtained from questionnaires on 283 BMT managers in Java. Using PLS analysis, strengthening corporate performance is measured by Islamic business ethics with intellectual capital as mediation. This model construct is unique and provides value in this study. The results showed that the strength of the external environment did not directly affect the performance of the BMT; Islamic business ethics and intellectual capital have positive and significant effects on BMT performance; and Intellectual capital is proven to mediate the indirect effect of the strength of the external environment and Islamic business ethics on BMT performance. Islamic Business Ethics in its application greatly supports the vision and mission of BMT. With the good implementation of Islamic Business Ethics, the level of customer confidence from BMT increases and will automatically increase BMT performance. Strength of the External Environment able to influence BMT performance after mediation from the Intellectual Capital. Intellectual Capital owned by BMT employees is an inseparable part and greatly supports BMT performance. This is evident in this study in which qualified intellectual capital from the employees had a good impact on improving BMT performance.

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1. Introduction

According to statistics Data, Indonesia is the country with the largest number of Islamic financial institutions in the world with more than 5,000 institutions consisting of 34 Sharia Banks, 58 Takaful operators or Sharia insurance, 7 Sharia Venture Capital, 163 Sharia Rural Credit Banks, 4,500-5,500 Sharia Cooperatives or Baitul Maal wat Tamwil (BMT), and a Sharia pawnshop institution (Republika.co.id, 2019). BMT first appeared in 1980, then until 1996 there were still only 8 BMTs in Indonesia. After that, 2 years later, precisely in 1998, BMT developed rapidly to reach 53 units throughout Indonesia. In 2010, in just 30 years, the number of BMTs in Indonesia had grown to 3,307 units. Four years later, in 2014, the number of BMTs had reached 5,000 units with 4,700 billion assets and customers reaching more than three million people (Hasbi, 2015). BMT problems tend to face liquidity when customers withdraw their money. This liquidity problem has the potential to be a problem in almost all BMTs, since the majority of the main funding sources for financing (66.75%) come from customers or members of BMT. BMT health assessment determined by the government through BMT Health Assessment Criteria According to KUKM Regulation No. 07 / Per / Dep.6 / IV / 2016, only emphasizes the financial and operational aspects of BMT. The non-economic aspects have not received attention from the government and other stakeholders. While at the level of the concept of company performance, not only performance is measured in financial / economic and operational performance, but also in the form of non-financial performance.

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Based on the phenomenon faced by BMT, it is necessary to be able to find out the factors that influence the company's performance, especially the determinants of company performance that are non-financial in nature. This is not due to the lack of research results that examine non-financial factors compared to financial factors, but non-financial factors are important to be taken into account (Bontis, 2007). Non-financial factors examined in this study include the strength of the external environment, Islamic business ethics, and intellectual capital. This study focuses on how the influence of the non-financial factors mentioned earlier on the performance of BMTs in Java. The influence of the strength of the external environment on company performance, has been explained, among others, by the theory of dependence on resources. This theory states that a corporation is an open system that depends on external contingencies. This theory states that external factors influence organizational behavior and actions of company leaders to reduce environmental uncertainty and depend on resources (Pfeffer, 1972). Empirically, Theyel's (2000) research shows that environmental practices implemented by suppliers have an impact on company performance. In this study, researchers chose the strength of the external environment as an independent variable because the results of a theoretical study showed that the strength of the external environment had an influence on company performance, but from the results of empirical studies, there were those who said this variable was influential and some stated this variable had no effect. Therefore, researchers want to know firsthand how the influence of external environmental forces on company performance, both directly (without mediating variables) or indirectly (using mediating variables). BMT is one of the companies whose management system always prioritizes and is guided by Islamic rules including ethics and business procedures in Islam. In its daily processes, Islamic business ethics becomes an important foundation in driving the growth and progress of a BMT. Kumar and Raduan (2012) state that sharia-oriented company management must have norm values that must be implemented by companies, such as honesty in doing business, clear and clean transactions, fair in making purchases and sales, and leaving behind values that are considered unethical such as selling goods / services that are forbidden, conducting speculative business activities, displaying products / services that do not match or exceed the reality (window dressing). In the midst of so many strategies and conventional methods for business success, the factor of Islamic business ethics as part of sharia economy is something that is expected to increase the value and performance of the company.

Many research results indicate a positive relationship between business ethics and the success of a company (Nawatmi, 2010). The story of the Lehman Brothers bankruptcy illustrates the impact of a company that does not use business ethics in every business activity. In the end, dishonest business practices, only thinking of the maximum profit and harm to other parties will bring the company, which is classified as a giant, it will also be destroyed. The fact shows that there are still those who consider that performance measures are profit and loss in the form of money. They see the business is how to score large profits because high profits are a sign of success, lower profits means poor performance. But in the recent period, the issue of business ethics has aroused the awareness of many parties, especially business people. They realize that good business is an impact of good corporate performance, where good performance is the result of the application of good ethics by corporate organizations (Nawatmi, 2010). Islam places a high priority on ethical business activities. This is explained in the Qur'anic verse which means: "And to the people of Madyan, we (send) Shuaib, their own brothers. He said, O my people! Worship Allah. There is no god for you but Him. Surely you have come true proof from your Lord. Complete the measurements and scales, and don't harm anyone at all. Do not do mischief on earth after (being created) properly. That is better for you if you are a believer" (Q.S Al-A'raf: 85). These words show the virtue of doing business honestly, it can be seen that the command to perfect the measurements and the scales is equated with the command to worship Allah SWT. This shows that ethics is highly emphasized by Islam in the conduct of business. Businessman is certainly cheating on the basis of seeking maximum profits. Whereas Allah SWT has promised mercy and gift to the people who obey His commands and stay away from His prohibitions. As in the verses of the Koran which means: "And obey Allah and the Prophet (Muhammad), so that you are given mercy" (Q.S Ali-Imran: 132). Grace is meant from the verse can be a provision given by Allah SWT. Based on this verse, businesspeople should conduct their business according to Islamic rules and ethics so that business performance can improve. This is in line with Latifah's research (2017) entitled Analysis of the Implementation of Islamic Business Ethics on the Profitability of Yogurt Homes Based on Employee Perspectives (Case Study on Yogurt House in Batu City) shows that the application of Islamic business ethics conducted is considered effective in increasing company profitability.

On the contrary, there are many cases of violations committed by business people which in the end actually make the business bankrupt. Business world is very fierce competition, so business ethics are not negotiable. A dissatisfied consumer can have an impact on the spread of complaints to other communities. The good and bad of a business world can spread quickly in the era of fast-paced and sophisticated information. Treating employees, consumers, suppliers, financiers and the general public ethically, fairly and honestly is the only way for a business to survive (Arijanto 2011). Research gaps that appear in research on the influence of external environmental forces on company performance or the influence of Islamic business ethics on company performance are found in the use of indicators as a measurement tool used. To determine the strength of the external environment and Islamic business ethics in BMT in this study, researchers will use several different indicators from previous studies. For the 1st independent variable (strength of the external environment), indicators that researchers will use include market demand, political and legal power, social influence and ethics (Banham, 2005; Gordon et al., 2003). As for the second independent variable (Islamic business ethics), indicators used include God's condition, virtue, and responsibility (Komari & Djafar, 2013). Based on the background stated earlier, this study examines theoretically and empirically the presence or absence of the influence of non-financial variables, namely the strength of the external environment, Islamic business ethics, and intellectual capital on company performance and how the role of intellectual capital in mediating the influence of independent variables (the strength of the external environment and Islamic business ethics) on the performance of the BMT.

2. Literature and hypotheses

2.1 Strength of the External Environment (SEE)

The strength of the external environment is defined as a factor of opportunity and threat from outside the organization which has implications for internal changes in the company (Banham, 2005). Meanwhile Gordon et al., (2003) define the strength of the external environment as challenges and opportunities that are outside the organizational environment. Additions from Jane et al. (2014) which states that the strength of the external environment is all the forces and events outside the organization that affect the activities of the organization. Gordon et al. (2003) formulate five external environmental forces including: (i) Market demand. Demand for products and services depends on economic aspects and consumer behavior. Aspects of consumer behavior such as lifestyle trends, which can create new market demand and indicate new opportunities. (ii) Political and legal power. Changes in political policy or regulation will raise new challenges and forces, and affect how the marketing of these products and services is carried out. (iii) Social and ethical influences. The active involvement of consumers and pressure groups forces the need for social responsibility and protection related to the company's reputation, and this influences marketing and operating decisions. (iv) Technology. The development of a number of new technologies, especially those related to communication and information technology affects how production and marketing are carried out. (v) Competition, which is the most dynamic external environmental factor that influences the marketing activities of a product or service.

2.2 Islamic Business Ethics (IBE)

Beekun (1996) defines ethics as a set of moral principles that distinguish what is right from what is wrong. Ethics is a normative field since it determines what must be done or not done. Ethics includes moral issues and choices and relates to right and wrong behavior. It is now recognized that it is not only individuals and groups that determine ethical behavior, but also a number of other factors related to the cultural, organizational, and external environment (Luthans, 2006). Ethics can also be considered as basic principles through which employees and companies interact. These principles must be considered in making business decisions and dealing with customers and customers (Nor et al., 2010). The closest term to ethics in Islam is Akhlaq. In the Qur'an the term which is directly related to ethics is *alkhuluq*. *Al-khuluq* comes from the basic words *khaluqa-khuluqan*, which means, *tabi'at*, character, knighthood, hopelessness. Islam provides guidance on the belief in monotheism, the basis of monotheism is combined with the example given by the Prophet, which is expected to produce people who have good morals or ethics. The morality exemplified by Rasullullah is based on instructions from the Qur'an. The work ethic or Islamic business is built based on four main concepts, namely business, competition, transparency and responsible behavior (Ali & Owaihan, 2008). Overall, the concept implies that building a business with minimum or no restrictions at all and with a vibrant environment will basically result in high performance and prosperity will be widespread.

2.3 Intellectual Capital (IC)

Intellectual capital is defined by Bontis (2002) as "the sum of an organization's resources encompassing knowledge, information, intellectual property, experience, and any intellectual resources that contribute to value creation for organization. Intellectual capital means the overall organizational resources which include knowledge, information, intellectual property, experience, and any intellectual resources that contribute to the creation of value for the organization. Intellectual capital is divided into three, namely: (i) Human capital, which involves learning and education, experience and expertise, innovation and creation; (ii) Structural capital which includes systems and programs, research and development, intellectual property rights; (iii) Capital relations with consumers, including: strategic alliances, licenses, agreements, relationships with partners, suppliers and consumers, as well as knowledge of partners, suppliers and consumers. Intellectual capital can affect business performance which includes productivity, profits, and market valuations" (Sharabati et al., 2010).

2.4 Company Performance (CP)

Fauzie et al. (2010) suggested that the concept of company performance in the accounting literature usually refers to financial aspects such as earnings, return on assets (ROA), and economic value added (EVA). Then the scope was expanded among others by Kaplan and Noorton (1996) with the concept of balanced scorecard (BSC). The core idea in the BSC is to obtain a balance in performance measurement which has so far been dominated by financial measurements, so that it is balanced with non-financial measurements namely marketing and operations (David, 2006). As stated by Richard et al. (2009), company performance must be distinguished between organizational performance and organizational effectiveness. The concept of organizational performance is related to the results of corporate work, which consists of three areas, namely: (i) financial performance, (ii) product performance, and (iii) returns for shareholders. Specifically regarding RBT, RBT performance is formally determined through Permeneg KUKM No.35.3/Per/M.KUKM/X/2007. The scope of KJKS and UJKS Cooperative health assessments includes: (a) capital, (b) quality of productive assets, (c) management, (d) efficiency, (e) liquidity, (f) independence and growth, (g) identity of cooperatives, and (h) sharia principles. The construct of the relationship between variables, based on theory, previous research, and the research gap previously presented, is formulated into the conceptual framework of the study as presented in Fig. 1.

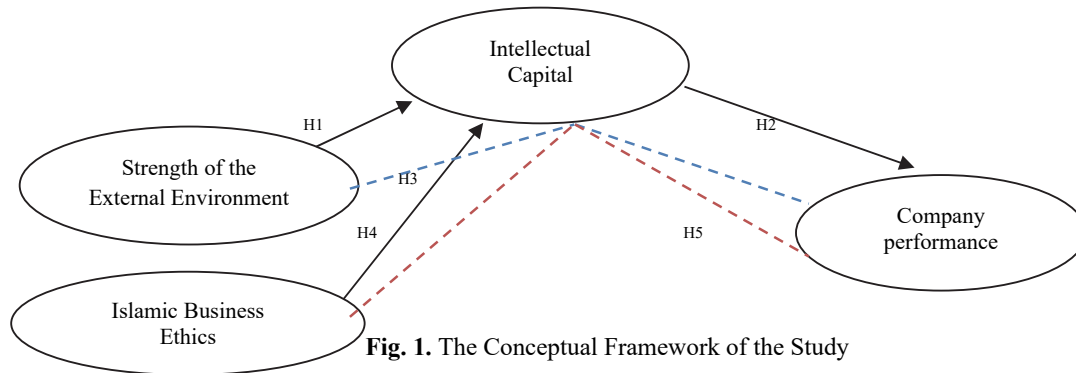


Fig. 1. The Conceptual Framework of the Study

H1 (SEE → IC) (The strength of the External Environment has a positive and significant effect on Intellectual Capital)

The basis of H1:

Research from Black & Farias (1997); Polonsky et al. (1999); Brook & Weatherston (1997); Robbins (1990), Achrol (1991); Conner (1998); Vorhies (1998); Polonsky et al. (1999); De Geus (1997); and Chang et al. (2011).

H2 (IC → CP) (Intellectual Capital has a positive and significant effect on Company Performance)

The basis of H2:

Research from Quinn (1992); Roos & Roos (1997); Massingham & Tam (2015); Mhedbehi (2013).

H3 (SEE → IC → CP) (Intellectual Capital mediates the influence of External Environmental Strengths on Company Performance)

The basis of H3:

Research from Black & Farias, 1997); Polonsky et al. (1999); Brook & Weatherston (1997), Giovanni (2012); Chang et al. (2011); Massingham & Tam (2015); Robbins (1990), Achrol (1991); Conner (1998); Vorhies (1998); Polonsky et al. (1999); Quinn (1992); Roos & Roos (1997).

H4 (IBE → IC) (Islamic Business Ethics has a positive and significant effect on Intellectual Capital)

The basis of H4:

Research from Tlaiss (2015); Su (2014); Yunus et al (2011); Furnham (1990); Congleton (1991); Ahmad (2011); Husin (2012); Jalil; (2010); Kumar and Rose (2010); Sidani & Al Ariss (2015); Barutcugil (2004); Kumar & Rose (2010).

H5 (IBE → IC → CP) (Intellectual Capital mediates the influence of Islamic Business Ethics on Company Performance)

The basis of H5:

Research from Su (2014), Yunus et al (2011); Furnham (1990); Congleton (1991); Ahmad (2011); Husin (2012); Jalil; (2010); Kumar & Rose (2010); Sidani & Al Ariss (2015); Barutcugil (2004); Quinn (1992), Roos and Roos (1997).

3. Research method

This research uses a quantitative approach, with the focus of the analysis on Baitul Maal wat Tamwil (BMT). The study population was all BMTs in Java, represented by 312 BMT CEOs as respondents from the questionnaire the researchers sent. All members of the population are sampled because the error rate will be relatively small in generalizing. In its implementation, only 283 respondents returned the questionnaire. The analytical method used in this study is the Structural Equation Modeling (SEM) method with the Partial Least Square (PLS) approach. The measurement scale uses a detailed ranking scale, in this case using the Likert Scale method. The code for the answers to the questionnaire is determined by the following categories: strongly disagree = 1, disagree = 2, neutral = 3, agree = 4, and strongly agree = 5. Descriptive analysis is used to determine the profile of BMT profiles, description of respondents' profiles and description of research variables based on the results of the questionnaire that was conducted to measure the validity and reliability of the instrument. The stages in the analysis include: (1) the testing phase of the external model, including: convergent validity, discriminant validity and composite reliability, (2) the testing phase of the goodness of fit model to see whether the model is declared perfect and, (3) the testing phase internal models, among others: testing the significance of direct effects, testing indirect effects and measuring the effect of the strength of the external environment variables and the Islamic business ethics variables on company performance variables and testing the effects of mediation using Variance Account For (VAF) (Hair, 2014).

4. Results and discussion

4.1 Results

Discriminant Validity

Discriminant validity is done to ensure that each concept of each latent variable is different from the other variables. The model has good discriminant validity if the AVE squared value of the strength of the external environment and the Islamic

business ethics construct / value on the diagonal exceeds the correlation between the construct and other constructs / values below the diagonal (Hair et al., 2011).

Table 1

Results of Discriminant Validity Tests

	IBE	SEE	CP	IC
IBE	0.896			
SEE	0.761	0.841		
CP	0.827	0.741	0.928	
IC	0.731	0.677	0.713	0.951

The discriminant validity test results in the table above show that all constructs have AVE square root values above the correlation value with other latent constructs so that it can be concluded that the model has fulfilled discriminant validity.

Composite Reliability

Construct reliability can be assessed from the Alpha Cronbach's value and the Composite Reliability value of each construct. The recommended composite reliability and Cronbach's alpha values more than 0.7, but in development research, because the loading factor limit is low (0.5), the low composite reliability and Cronbach's alpha values are still acceptable as long as convergent and validity requirements discriminant has been fulfilled (Hair et al., 2011).

Table 2

Composite Reliability Test Results

Research variable	Cronbach's Alpha	Composite Reliability
Islamic Business Ethics	0.938	0.953
Strength of the External Environment	0.895	0.923
Company performance	0.919	0.949
Intellectual Capital	0.948	0.966

Table 3

Test Results for the Goodness of Fit Model

	Saturated Model	Estimated Model
SRMR	0.062	0.063

The reliability test results in Table 2 show that all constructs have composite reliability values > 0.7 and Cronbach's alpha > 0.7 , which indicates that all constructs have met the required reliability. After fulfilling the validity and reliability of the construct at the outer model testing stage, the test continues on the Goodness of fit model testing. Fit PLS model can be seen from the SRMR value of the model. The PLS model is stated to have met the criteria of goodness of fit model if the SRMR value < 0.10 and the model declared perfect fit if the SRMR value < 0.08 (Hair et al., 2011). The results of the PLS model goodness of fit test in Table 3 show that the SRMR value of the saturated model is 0.062 and the estimated model is 0.063. Because the SRMR value of the model is good on the saturated model and the estimated model is below 0.08, the model is declared perfect fit and is suitable for testing the research hypothesis. Based on the test results, if the value of P value < 0.05 and $t \text{ count} > 1.96$ then H_0 is rejected and concluded that the strength of the external environment and the Islamic business ethics variables have a significant effect on company performance variables, whereas if the value of p value > 0.05 then H_0 is not rejected and it is concluded that the strength of the external environment and the Islamic business ethics variables have no effect on company performance variables (Hair et al., 2011). After conducting the significance test, it can then be seen the direction of the relationship of the influence of the strength of the external environment variables and the Islamic business ethics variables on company performance. The direction of the relationship can be seen from the original sample values of each influence relationship. If the direction of the relationship of influence is positive then the influence of the strength of the external environment variables and the Islamic business ethics variables on company performance is positive / unidirectional while if the original sample is negative then the direction of the relationship of influence of the strength of the external environment variables and the Islamic business ethics variables on company performance variables is the opposite (Hair et al., 2011).

Table 4

Direct Influence Test Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics (O/STDEV)	P Values	Result
SEE \rightarrow IC	0.288	0.316	0.121	2.384	0.009	Significant
IC \rightarrow CP	0.106	0.099	0.051	2.089	0.019	Significant
IBE \rightarrow IC	0.512	0.488	0.111	4.606	0.000	Significant

Table 5

R square Values

Variable	R Square	R Square Adjusted
CP	0.854	0.852
IC	0.569	0.566

Based on the calculation of the value of R square in table 5, the following results are obtained:

- (1) R square value of intellectual capital (IC) variable is 0.569, because in this PLS model intellectual capital variable is influenced by external environmental strength and Islamic business ethics variables, then R square value of 0.569 shows that the contribution of external environment strength variable and Islamic business ethics on the performance of BMT is 56.9%, while the remaining 43.1% variance of intellectual capital of BMT employees is influenced by other factors outside the strength of the external environment and Islamic business ethics.
- (2) The value of R square variable corporate performance (CP) is equal to 0.854, because in this PLS model company performance variables are influenced by variables of intellectual capital, organizational commitment, external environmental strength and Islamic business ethics, then the R square value of 0.854 indicates that the contribution of external environment and Islamic business ethics to the BMT performance was 85.4%, while the remaining 14.5% BMT performance variance was influenced by other factors outside intellectual capital, organizational commitment, external environmental strength and Islamic business ethics.

Testing for Indirect Effects (Mediation Effect Test)

Hair et al. (2014) states that in the PLS model involving mediating variables, mediator variables can be stated as mediating variables if they meet the following conditions:

- (1) The direct influence of the strength of the external environment variables and the Islamic business ethics variables on company performance before significant mediator variables are entered with path coefficient c
- (2) After entering the mediator variable, the indirect effect of the strength of the external environment variables and the Islamic business ethics variables on the company performance variables through the mediator variable is significant with the path coefficient $a \times b$
- (3) VAF value is over 20%, if the VAF value $<20\%$, then it is stated that the alleged variable as a mediating variable is proven not to be a mediating variable, furthermore if the VAF value is at an interval of $20\% < VAF < 80\%$ then the mediating variable is proven to mediate with the partial mediation nature and if the VAF value $> 80\%$, it is stated that the mediating variable is proven to be mediating with the full mediation nature. The VAF calculation formula is:

$$VAF = \frac{a \times b}{(a \times b) + c}$$

Table 6

Results for calculating VAF values

Pathway	a	b	c	VAF	Nature of Mediation
SEE → IC → CP	0.678	0.388	0.743	26.15	partial mediation
IBE → IC → CP	0.731	0.23	0.828	16.88	Not mediator

Hypothesis Test

Hypothesis 1 : The results of the first hypothesis test with PLS analysis can be seen in Table 4 that obtained the original sample value of 0.288, the average sample value of 0.316, the standard deviation of 0.121, the t-value of 2.3384, and the p-value of 0.009. By using an alpha level (α) = 0.05, it can be concluded that the first hypothesis stating the Strength of the External Environment has a positive and significant effect on Intellectual Capital proven and accepted.

Hypothesis 2 : The results of the second hypothesis testing with PLS analysis can be seen in Table 4 that the original sample values were 0.106, the average sample value was 0.099, the standard deviation was 0.051, the statistical t value was 2.089, and the p-value was 0.019. By using an alpha level (α) = 0.05, it can be concluded that the second hypothesis stating that Intellectual Capital has a positive and significant effect on Company Performance is proven and accepted.

Hypothesis 3 : Based on the calculation of VAF values that can be seen in Table 6, on the path that connects the external environmental power variables to the company's performance through intellectual capital, obtained VAF values of 26.15%. VAF values that are at intervals between 20% to 80% indicate that the third hypothesis which states Intellectual Capital mediates the influence of External Environmental Strength on Company Performance is proven. With this it can be concluded that intellectual capital can mediate the indirect effect of external environment power variables on company performance with the mediating nature of partial mediation.

Hypothesis 4 : The fourth hypothesis testing results by PLS analysis can be seen in Table 4 that the original sample value is 0.512, the average sample value is 0.488, the standard deviation is 0.111, the statistical t value is 4.606, and the p-value is 0.000. By using an alpha level (α) = 0.05, it can be concluded that the fourth hypothesis stating Islamic Business Ethics has a positive and significant effect on proven and accepted Intellectual Capital.

Hypothesis 5 : Based on the calculation of VAF values that can be seen in Table 6, on the path that connects Islamic business ethics variables to company performance through intellectual capital, VAF values obtained with a VAF value of 16.88%. The value of this VAF is lower than 20%, indicating that the fifth hypothesis stating Intellectual Capital mediates the influence of Islamic Business Ethics on Company Performance is unproven and unacceptable. It can be concluded that intellectual capital is not a mediator for the indirect effect of Islamic business ethics variables on company performance.

4.2 Discussion

(1) Effect of Strength of External Environment on Intellectual Capital

Based on the results of the PLS analysis, the analysis shows that the value of p value of the influence of external environmental forces on intellectual capital (SEE → IC) is 0.011 with a statistical T of 2.284, because the value of p value <0.05 and T statistics > 1.96 then Ho rejected and concluded that the external forces of the environment have a positive and significant effect on intellectual capital. This shows that the better the strength of the external environment, the higher the intellectual capital of BMT employees, and vice versa. The results of this study are supported by the results of descriptive analysis which shows that the strength of a good BMT external environment tends to form good intellectual capital in BMT employees. Based on the results of descriptive analysis, human capital is intellectual capital that still needs to be increased by BMT employees, to increase intellectual capital in the form of human capital, BMT can conduct work training for its employees, involving all employees in various matters such as decision making and regenerating leadership periodically. Increasing intellectual capital can also be done by inculcating a high level of responsibility in employees and using adequate technology so that it can support BMT performance. Significant results of the influence of the External Environment on intellectual capital can also be interpreted as the close relationship between the strength of the external environment with relationship capital and structural capital. In this study the external strength indicators as seen from the overall 5 indicators give significant results. The results of this study are in line with the results of Robbins (1990), Achrol (1991), Black and Farias (1997), Conner (1998), Vorhies (1998), Polonsky et al. (1999), Brook and Weatherston (1997), (Geus, 1997); and Chang et al. (2011) which proves that there is a relationship between External Environmental Power and Intellectual Capital. The results of this study are in accordance with the theory put forward by Chang et al. (2011) which states that the development of the dynamics of the external environment is very dynamic. The dynamics of the external environment stimulate the emergence of extraordinary skills / dexterity in the company's human resources. In line with the results of this study, BMT Management Chair Mardlotillah Sumedang, ASEP Sudrajat revealed that managing BMT was not easy. The main problem faced from the past until now is the availability of Human Resources (SDI) in accordance with BMT criteria (Republika.co.id, 2015). SDI is qualified, qualified, has a good work ethic, and experience is one type of intellectual capital (human capital) that is very valuable for BMT. The scarcity of SDI occurs because the attractiveness of external environmental factors is very strong in influencing the 'who' works at BMT. With a very large number of BMTs and the easy process of forming BMTs, competition between BMTs is inevitable. This competition between BMTs will inevitably affect the performance of BMT employees. BMTs with large capital can choose and determine who their employees are because BMT can provide compensation in accordance with desired employee competencies. As for BMT whose capital is mediocre, the employees recruited are not as good as the quality of BMT employees with large capital. Dilemma indeed, but this is reality in the field.

(2) Effects of Intellectual Capital on BMT Performance

Based on the results of the analysis in the above table, the analysis shows that the p value of the influence of intellectual capital on company performance (IC → CP) is 0.021 with a statistical T of 2.037, because the p value <0.05 and T statistics > 1, 96 then Ho is rejected and concluded that intellectual capital has a positive and significant effect on BMT performance. This shows that the higher the intellectual capital of BMT employees, the higher the performance of BMT. Intellectual capital is a very important asset owned by every employee. In Al Qur'an QS Ali Imron verse 110 has been discussed regarding the importance of intellectual capital owned by every worker.

You are the best people who are born for humans, command the forgiving, and prevent from evil, and believe in Allah. If the People of the Book of faith, surely it is good for them, among them there are those who believe, and most of them are people who are wicked.

The results of this study are in line with the theory put forward by Midbehi (2013) which states that human intellectual capital is a source of value creation. As intangible assets, intellectual capital has a relationship with the creation of corporate value, which means it can improve company performance. According to Massingham and Tam (2015) employee capability as a proxy for intellectual capital and employee satisfaction has a positive effect on work activities as a proxy for social creativity. The results of this study are in line with the results of Quinn (1992), Roos and Roos (1997), Massingham and Tam (2015), and Mhebbi (2013) prove that there is a relationship between Intellectual Capital and Company Performance. The ability of a company in the field of science and technology is one of the most important competitiveness factors. The meeting of human resources and science has created added value and competitive advantage in BMTs in Java. This shows that good intellectual capital management, will be able to improve the company's financial performance (Walydaini, 2017). But what happened on the island of Java, is still far when compared with other areas outside of Java. Facts on the ground as reported by Sakti (2013) in his article entitled Mapping the Conditions and Potential of BMTs, shows that the condition of BMTs outside of Java is stagnant if not practically setback. Intellectual capital owned by BMT employees outside of Java is still lacking and requires a lot of training in the future to be able to improve the performance of BMTs outside Java. Conditions that occur in BMTs outside Java are in line with the results of research by Kuryanto and Syafruddin, (2008) which show that intellectual capital has no effect on company performance. High intellectual capital does not cause an increase in the company and its performance. Based on the results of descriptive analysis, the results of the analysis show that in an effort to improve the performance of the BMT, the BMT still needs to increase the intellectual capital of its employees, namely by providing work training so that employees become overly trained and competent, directing employees to work optimally and prepare well for leadership regeneration in the future.

(3) *The Role of Intellectual Capital in mediating the indirect effect of External Environmental Strength variables on BMT Performance*

Based on the results of the calculation of the value of VAF on the path that connects the variable strength of the external environment to company performance through intellectual capital, the value of VAF is obtained at 26.15%. This VAF value is in the interval between 20% to 80% which shows that intellectual capital is proven to be able to mediate the indirect effect of external environmental strength variables on company performance with the mediating nature of partial mediation. In the Koran it has been explained that intellectual capital is very important to be owned by employees. Although the external environment is not very supportive, but with the high employee intellectual capital, BMT performance will still be good. In Al Quran Surat Al Mujadilah verse 11 mentioned the importance of a worker having extensive knowledge so that it can provide good performance for his organization.

O believers when it is said to you: "Be roomy in majlis", then surely Allah will give you relief. And if it says: "Stand ye up", then stand up, Allah will be exalting those who believe among you and those who are given some degree of knowledge. And Allah knows best what you do.

When we look at the results of this study, both directly and indirectly intellectual capital is influenced by the strength of the external environment and ultimately has an impact on company performance. In accordance with the theory and empirical evidence explained earlier, intellectual capital is a company asset that is arguably invaluable. With the existence of intellectual capital as a mediator, which initially in this study the strength of the external environment did not significantly influence, could be able to influence the performance of the company by being mediated by intellectual capital factors. This shows how intellectual capital in this study greatly contributed to BMT performance. With this result BMT is expected to be able to survive in the face of competition and dynamics in the field.

(4) *Effect of Islamic Business Ethics on Intellectual Capital*

Based on the analysis in Table 4, it shows that the p value of the influence of Islamic business ethics on intellectual capital (IBE → IC) is 0,000 with a statistical T of 4.584, because the p value <0.05 and T statistics> 1.96 then Ho was rejected and concluded that Islamic business ethics had a positive and significant effect on intellectual capital. This shows that the better the Islamic business ethics carried out by BMT, the higher the intellectual capital of BMT employees, and vice versa. Intellectual capital in its history is always in line with values in the religion of Islam. There are hardly any values in Islamic religion that overlap with the theory of organizational capital, social capital, or human capital. Ethics in a business where there are Islamic rules is the same thing we educate the people involved in it to become highly competent humans, who are honest, trustworthy, resilient, disciplined, responsible, capable, and have a high passion for their work. The results of this study are in line with the results of research by Tlaiss (2015), Congleton (1991), Ahmad (2011), Husin (2012), Jalil (2010) Kumar and Rose (2010), Ali (2005), Rizk (2008), Barutcugil (2004) found a relationship between Islamic business ethics with the aspect of human resource development including intellectual capital. The results of this study are in line with the theory put forward by Beekun and Badawai (2005) which shows that Islamic business ethics is one of the main reasons for the determination of business people to believe and run it because IBE comes from transcendental sources. Moreover, in business, IBE outlines the concept of worship and human mission on earth as the caliph.

(5) *The Role of Intellectual Capital in mediating the effect of Islamic business ethics on BMT performance*

Based on the results of the calculation of the VAF value on the path that connects Islamic business ethics variables to the company's performance through intellectual capital, the VAF value is 16.88%. This VAF value is lower than 20% which shows that intellectual capital is proven not to mediate the indirect effect of Islamic business ethics variables on company performance. The results of this study are in line with the results of Massingham and Tam's research (2015), Mhedbhi (2013), Congleton (1991), Ahmad (2011), Husin (2012); Jalil (2010) Kumar and Rose (2010), Ali (2005), Rizk (2008), Barutcugil (2004) who find a relationship between Islamic business ethics with the development side of HR including intellectual capital. Studies by Quinn (1992), Roos and Roos (1997) prove that there is a relationship between Intellectual Capital and Company Performance. Actually, the results of this research on H5 are not the results that researchers expect, which from theoretical and empirical studies, states that there is a relationship between Islamic Business Ethics on Intellectual Capital and Intellectual Capital on Company Performance. However, in this study, it turns out that Islamic business ethics is not able to influence company performance when it must be mediated by intellectual capital. These findings are interesting because it shows that in the application of Islamic business ethics in BMT there are some things that are not in accordance with the principles of intellectual capital, one of which is the profit orientation of intellectual capital. In BMT, the intended orientation is not only business, but also social value to help each other among both creditors and debtors. Maybe this is what causes H5, which states that Intellectual Capital mediates the influence of Islamic business ethics on BMT performance is not proven.

5. Conclusion

After seeing the reality in the field and the results of interpretation of the data collected, the researchers concluded that in its implementation, the external environmental strength variables used in this study could not improve the performance of BMTs in Java directly. While the variables of Islamic business ethics and intellectual capital variables used in this study turned out to have an influence in improving the performance of BMTs in Java towards a better direction. In addition, the researchers

also concluded that the existence of intellectual capital variables used in this study, in its implementation proved to be a mediator of the external environmental strength variables, so that the impact on improving the performance of BMTs in Java. This does not apply to Islamic business ethics variables, which when the variables of intellectual capital try to be the mediator, are proven unable to improve the performance of BMTs in Java. Based on the results of the study, some suggestions that researchers can convey as follows:

1. Based on the results of this study, Islamic business ethics has a positive effect on BMT performance directly. Thus, this can be used as input for all BMTs, not only in Java, but also for BMTs throughout Indonesia to implement Islamic business ethics as well as possible. It is expected that going forward, in accordance with the results of this study, Islamic business ethics can help the development or improvement of BMT performance. Furthermore, it is recommended for business people to be able to apply Islamic business ethics values in their business activities in order to improve their business performance, reduce violations that occur and foster blessings because they are free from things that are contrary to Islamic law.
2. With intellectual capital which also influences the performance of BMT, it is expected that all BMTs, not only in Java, also pay attention to how BMTs should maintain, maintain, and strengthen relations between and to all of its human resources.
3. This study still has limitations because it only uses four non-financial variables from a company. For the next researcher, it is suggested to be able to perfect this research by extending other non-financial variables in order to obtain comprehensive research results and extensive contribution.

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