

Profitability of Islamic Banks in Indonesia: Evidence From IC, BOPO, and Islamicity Index

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Abstract

This study analyzes the influence of Intellectual Capital, operational efficiency, and the Islamicity Performance Index (IPI) on the profitability of Islamic Commercial Banks in Indonesia during 2021–2024. Using a quantitative approach, this study examined 52 research samples derived from 13 Islamic banks based on annual report data. Intellectual Capital was measured using the iBVAIC model; operational efficiency was proxied by BOPO; Islamicity Performance Index was represented by PSR, ZPR, EDR, and IIR; and profitability was measured using ROA. Panel data regression with a Random Effects model and robust standard errors was employed for data analysis. The findings show that Human Capital and Structural Capital positively affect ROA, while Physical Capital is insignificant. Both operational efficiency and the Islamicity Performance Index have a significant negative effect on profitability. Overall, the findings indicate that the examined variables collectively provide a strong explanatory power for variations in ROA, underscoring the importance of strengthening human resource quality, improving cost efficiency, and optimizing sharia compliance to enhance the sustainable performance of Islamic banking. This study provides both theoretical reinforcement and practical guidance by highlighting the strategic roles of intellectual capital, operational efficiency, and the Islamic Performance Index in supporting the sustainable profitability of Islamic banks.

Keyword: *intellectual capital; operational efficiency; islamicity performance index; profitability*

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Introduction

In recent years, the Islamic banking industry in Indonesia has shown significant growth, particularly in assets, third-party funds (DPK), and customer accounts. This is reflected in the OJK's Islamic Banking Statistics, which recorded a consistent increase in the number of accounts at Islamic commercial banks and Islamic business units from 2021 to 2024 (OJK, 2024). This progress aligns with increased Islamic financial literacy among the public and the adoption of digital services that facilitate transactions and access to services. This trend shows that public preference for Islamic banks is driven not only by religious values but also by digital innovations that strengthen customer trust and loyalty. (Nengsi et al., 2025).

However, despite continued asset growth, the efficiency and profitability of Islamic banks have not shown comparable improvement, and based on the Report of the National Committee for Islamic Economics and Finance (KNEKS), Indonesia's total Islamic financial assets in 2024 reached IDR 9,927 trillion or around 45% of the Gross Domestic Product (Kneks.go.id, 2025). However, the Financial Services Authority shows that the average Return on Assets for Islamic banking in the 2023-2024 period was only around 1.8%–2.1%, which is still lower than that of conventional banks, which exceeded 2.5% (OJK, 2024). These empirical findings show that a gap in financial performance persists between Islamic and conventional banking in Indonesia, underscoring the need for improved managerial strategies and the optimization of internal resources to strengthen sustainable profitability (Ernis et al., 2021).



Figure 1. ROA Data for Islamic and Conventional Banking in 2023 and 2024

Source: OJK Sharia & Conventional Banking Statistics 2023 & 2024

The difference in trends between asset expansion and profitability illustrates the challenges in optimizing Islamic banks' internal resources, particularly in terms of Intellectual Capital, operational efficiency, and the Islamicity Performance Index. These factors are crucial to profitability levels, as Islamic financial systems focus not only on profit but also on ethical principles, business success, and social responsibility (Ulya et al., 2024). Therefore, an analysis of the determinants of Islamic bank profitability must be conducted comprehensively by combining economic approaches and Islamic principles.

The first factor affecting the profitability of Islamic banking is Intellectual Capital, which is the accumulation of knowledge, skills, innovation, and intangible assets that create added value and competitive advantage (Izzuddin & Irfany, 2025). In the context of Islamic banking, Human Capital, Structural Capital, and Physical Capital work synergistically to improve organizational efficiency and productivity, which ultimately strengthens profitability (Prasojo et al., 2022). Intellectual capital is seen as a fundamental factor that strengthens profitability (Pramono et al., 2023). According to Sari & Hayati (2025) Good Intellectual Capital management contributes to strengthening Islamic banks' profitability by optimizing physical assets and improving human resource competencies. Thus, Intellectual Capital can be an important determinant in increasing the profitability of Islamic banks that are oriented towards sustainability (Pratama et al., 2022).

The second factor is Operational Efficiency, the bank's ability to manage costs and use resources optimally. The level of efficiency is generally measured by the BOPO ratio (Operating Costs to Operating Income), where a lower ratio reflects effective cost management that has a positive impact on profitability (Siregar et al., 2023). The results of research by Cahyani & Tubastuvi (2024) Prove that a decrease in the BOPO ratio has a significant effect on increasing profitability. Therefore, operational efficiency is a vital indicator for maintaining Islamic banking's competitiveness and the sustainability of its financial performance.

The third factor is the Islamic Performance Index (IPI), which assesses the level of bank compliance with sharia principles through ratios such as the Profit Sharing Ratio, Zakat Performance Ratio, Equitable Distribution Ratio, and Islamic Income Ratio (Pratama et al., 2020). High compliance with the IPI not only strengthens Sharia legitimacy but also enhances customer trust and reputation. Research by Amala et al. (2023) shows that the Profit Sharing Ratio and Zakat Performance Ratio positively affect profitability by enhancing the bank's reputation and social performance. Thus, the IPI is not only an instrument for monitoring compliance but also a strategic variable in strengthening the sustainability of Islamic bank performance.

A literature review shows that the relationship between Intellectual Capital, operational efficiency, and Islamicity Performance Index (IPI) on the profitability of Islamic banks still leaves a substantial empirical gap. Previous research findings are inconsistent and

examine only some variables, thus failing to provide a comprehensive picture of the role of these three factors in shaping profitability performance. In addition, fundamental issues such as the underutilization of intellectual capital, high operational costs, and inconsistent implementation of IPI across banks remain important determinants that have not been fully empirically verified in the current industry context.

Although Putri & Gunawan (2019) In their study of these three variables simultaneously, the research was conducted in the pre-pandemic period and did not account for structural changes in the industry, including the acceleration of digitalization and post-pandemic business model adjustments. Therefore, the selection of the 2021–2024 period in this study aims to reevaluate the relevance and strength of these three variables in the current context, in which the industry is experiencing rapid asset growth but profitability has not increased proportionately. Thus, this study is expected to provide up-to-date, relevant empirical evidence on the determinants of Islamic bank profitability in Indonesia.

Resource-Based View (RBV)

This study adopts the Resource-Based View (RBV) as the conceptual foundation for explaining how Islamic banks build competitive advantage through unique internal resources. According to Barney (1991) Advantages arise when firms possess valuable, rare, inimitable, and non-substitutable resources. Recent developments extend RBV to highlight how resource interactions with stakeholders create added value (Barney et al., 2021). In the context of Islamic banking, this theory aligns with the management of human, intellectual, and operational resources grounded in Islamic principles, thereby clarifying how internal capabilities drive profitability. Based on the Resource-Based View (RBV) framework, this study formulates the following hypothesis:

Hypothesis

Human capital refers to the competencies, knowledge, and skills of the workforce that support organizational productivity and efficiency. In the context of Islamic banking, a skilled workforce that understands Islamic principles will be able to improve the quality of financing and services, which will have an impact on improving financial performance (Daulay et al., 2023; Hodijah et al., 2023). Based on the RBV, human resources are viewed as valuable, difficult-to-imitate strategic assets that can generate long-term competitive advantages. Several studies, such as Etika (2024); Rante et al. (2025); Rohman & Junio (2025) Prove that increasing employee capacity and productivity has a positive effect on the profitability of Islamic banks. Therefore, effective human capital management is an important requirement for improving financial performance.

H₁: Human capital positively affects the profitability of Islamic banks in Indonesia.

Structural Capital includes organizational structures, systems, procedures, and work cultures that support efficiency and innovation within the company. In Islamic banks, structural capital is evident in the implementation of Sharia-compliant governance, integrated information systems, and adaptive work processes. A solid structure can improve operational effectiveness and strengthen the bank's ability to generate profits (S. P. Pertiwi et al., 2021). Within the RBV framework, structural capital is considered a valuable, difficult-to-substitute resource because it is embedded within the organizational system. Research by Herdianto et al. (2024), Oktaviani et al. (2025), and Rizkyanti et al. (2020) shows that effective management of Structural Capital positively affects ROA. Thus, an efficient organizational system plays an important role in increasing Islamic banking's profitability.

H₂: Structural Capital has a positive effect on the Profitability of Islamic Banks in Indonesia.

Physical Capital comprises tangible resources, such as infrastructure, information technology, and operational facilities, that support banking activities. Optimal utilization of physical assets will increase service efficiency and reduce operational costs, thereby increasing ROA (Juliani & Ridha, 2024; Septiani et al., 2021). Based on RBV theory, tangible assets can strengthen competitive advantage when managed efficiently and integrated with human and structural capital. In line with this view, previous studies have shown that Physical Capital has a positive effect on Profitability. Research conducted by Dewi & Widyaningsih (2023); Salsabila & Rejeki (2021); Suneta & Sari (2024) Found that the efficient use of physical assets contributes to an increase in the ROA of Islamic banks, thus confirming that optimal physical asset management plays an important role in strengthening operational performance and increasing bank profitability.

H3: *Physical Capital has a positive effect on the Profitability of Islamic Banks in Indonesia.*

Operational efficiency reflects Islamic banks' ability to manage costs optimally to generate maximum income. The more efficient the bank's operations, the greater the potential for increased profitability (Hijriyani & Setiawan, 2021). In Islamic banking, efficiency also represents the application of the principles of prudence and resource management in accordance with Islamic values (Efendy & Fathoni, 2019). According to RBV, efficiency involves the effective use of valuable resources that can foster competitive advantage. The results of studies by Ananda et al. (2023); Ananta et al. (2025); Permatasari & Mardiaty (2024) Prove that an increase in the BOPO ratio decreases ROA, so that operational efficiency plays an important role in maintaining the stability of Islamic bank performance. Therefore, the Operational Efficiency variable conceptually complements the explanation of the increased profitability of Islamic banks (Pratama et al., 2022).

H4: *Operational Efficiency negatively impacts the Profitability of Islamic Banks in Indonesia.*

The Islamicity Performance Index (IPI) assesses the extent to which a bank's activities align with Islamic principles, including profit sharing, zakat, equitable distribution, and halal income ratios. Compliance with Sharia values fosters customer reputation and trust, which has implications for increased profitability (Amala et al., 2023; Hameed et al., 2004). From an RBV perspective, the consistent application of sharia principles is a rare, difficult-to-imitate intangible asset that can confer sustainable competitive advantage. Research by Azwirman et al. (2019); Indrianasari et al. (2021); Rita & Sugiarti (2025) Shows that an increase in the IPI score is positively correlated with ROA, indicating that the application of sharia principles not only strengthens moral legitimacy but also has an impact on the financial performance of Islamic banks.

H5: *Islamicity Performance Index has a positive effect on the profitability of Islamic banks in Indonesia.*

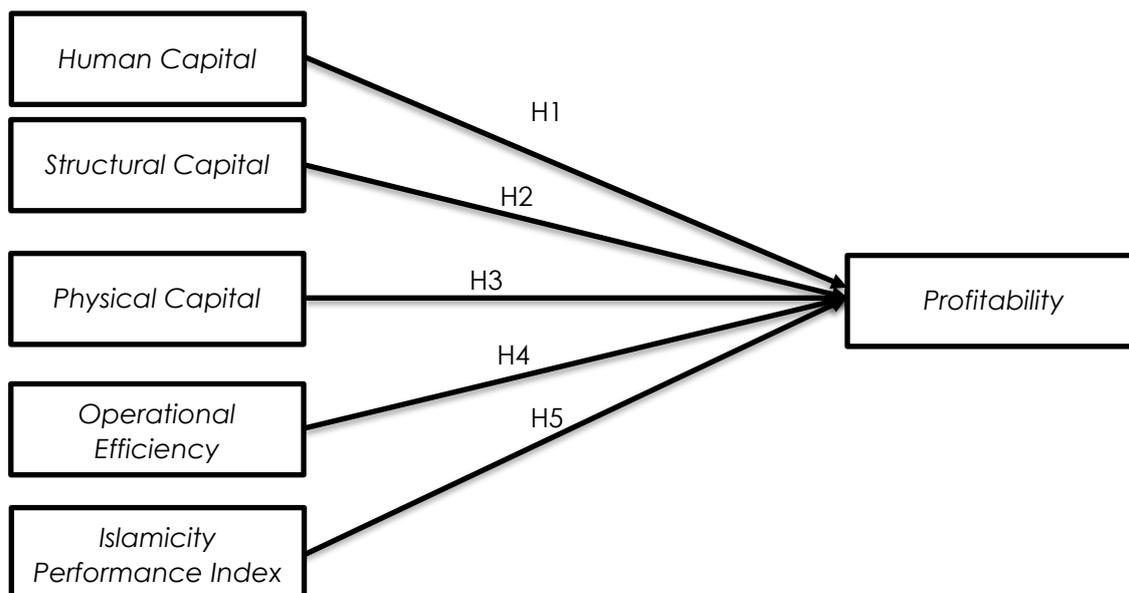


Figure 2. Conceptual Framework

Research Methods

This study uses a quantitative approach to empirically test the relationships among Intellectual Capital, operational efficiency, and the Islamicity Performance Index on the profitability of Islamic Commercial Banks (BUS) in Indonesia during the period 2021–2024. The research population includes all BUS that were actively operating during that period. The sample was selected using purposive sampling, which is selection based on criteria relevant to the research objectives, such as the availability of complete, publicly accessible annual financial reports. Based on these criteria, 13 Islamic banks were selected as samples.

The data used are secondary, sourced from each bank's annual financial reports and official publications from the Financial Services Authority (OJK). Since all samples have complete data for 4 years, the data are balanced panel data with 52 observations (13 banks × 4 years). Data analysis was performed using STATA software. This method was chosen because it can combine cross-sectional and time-series data, thereby providing more accurate and reliable estimates of the dynamics of Islamic banking performance in Indonesia.

The study employs a quantitative approach using panel data regression in Stata 17. This method integrates time series and cross-sectional data to generate more precise estimates and capture changes in the performance of Islamic Commercial Banks over time. The analytical procedure consists of descriptive statistics, classical assumption tests for heteroscedasticity and autocorrelation, and model selection through the Hausman test to identify the most appropriate panel data model. The regression model in this study is formulated as follows:

$$ROA_{it} = \alpha + \beta_1 HC_{it} + \beta_2 SC_{it} + \beta_3 PC_{it} + \beta_4 BOPO_{it} + \beta_5 IPI_{it} + \epsilon_{it}$$

The model estimation results were assessed using a t-test to evaluate the partial effects of each variable and an F-test to assess their simultaneous influence on ROA. The coefficient of determination (R^2) was used to gauge the model's explanatory power. All analyses employed robust standard errors to address heteroscedasticity and ensure consistent estimates.

Table 1. Variable Definitions and Measures

Variable	Definitions	Measurement
Intellectual Capital	Intellectual Capital performance is measured using the Islamic Banking Value Added Intellectual Coefficient (iBVAIC) from Ulum (2013), an adaptation of Pulic's VAIC that adjusts for the characteristics of Islamic banks, particularly in the calculation of value added, which includes sharia-based income and expenses.	$VA = OP + EC + D + A$ $iBVAHU = \frac{VA}{HC}$ $iBSTVA = \frac{VA}{SC}$ $iBVACA = \frac{VA}{CE}$ (Ulum, 2013)
Operational Efficiency (BOPO)	Operational efficiency is measured by the BOPO ratio, which indicates a bank's ability to reduce operating costs to generate income.	$BOPO = \frac{\text{Operating Expenses}}{\text{Operating Income}}$ (Bank Indonesia, 2004; OJK, 2017)
Islamicity Performance Index (IPI)	The Islamicity Performance Index (IPI) measures the level of bank compliance with sharia principles through several ratios that reflect ethical and social practices (Hameed et al., 2004). High compliance indicates good governance and strengthens customer trust.	$IPI = PSR + ZPR + EDR + IIR$ (Hameed et al., 2004)
Return on Assets (ROA)	Profitability is measured using Return on Assets (ROA), which reflects the bank's ability to generate profits from total assets. Calculations are based on pre-tax profits to assess operational performance more objectively.	$ROA = \frac{\text{Earnings Before Tax}}{\text{Total Assets}} \times 100 \%$ (Kasmir, 2019; Rahayu & Siregar, 2023)

Source: Compiled by the author (2025)

Result and Discussion

The results of descriptive statistical analysis show that the average Return on Assets (ROA) of Islamic commercial banks is 0.01 with a standard deviation of 0.03. This value reflects low and stable profitability, indicating that asset management is not yet optimal in generating profits (Rahayu & Siregar, 2023).

Intellectual Capital components show significant variation between banks. The iBVAHU (Human Capital) variable has an average of 2.80 with an SD of 1.93, reflecting differences in human resource efficiency among Islamic banks. The iBSTVA (Structural Capital) value of 1.71, with a standard deviation of 0.84, illustrates the strong contribution of structural capital to value creation. In contrast, iBVACA (Physical Capital), with an average of 0.29 and a standard deviation of 0.19, indicates relatively stable physical capital efficiency. These findings are in line with Octavio & Soesetio (2019) This emphasizes that Intellectual Capital components play an important role in increasing bank profitability, particularly through asset optimization and organizational structure.

Furthermore, the Operational Efficiency (BOPO) variable has an average of 0.72 and a standard deviation of 0.71, suggesting that most Islamic banks continue to face high operational costs. This confirms the importance of cost efficiency in maintaining profitability (Zahro et al., 2024). Meanwhile, the Islamic Performance Index (IPI) variable has an average of 2.08 with a standard deviation of 0.73, indicating that the level of compliance with Islamic principles is not yet uniform among banks (Azwirman et al., 2019).

These results indicate that the performance of Islamic banks in Indonesia is strongly influenced by the effectiveness of internal resource management aligned with RBV principles, with the optimization of intellectual capital and operational efficiency key to increasing profitability. At the same time, the application of the Islamic Performance Index

underscores the role of spiritual values and Sharia governance in supporting the sustainability of bank performance.

Table 2. Descriptive Statistics Test Results

Variable	N	Min	Max	Mean	Std. Deviation
ROA	52	-0.07	0.17	0.01	0.03
iBVAHU	52	-4.32	9.27	2.80	1.93
iBSTVA	52	0.50	6.71	1.71	0.84
iBVACA	52	-0.46	0.59	0.29	0.19
BOPO	52	0.27	4.32	0.72	0.71
IPI	52	1.05	5.08	2.08	0.73

Source: Compiled by the author (2025)

The Hausman test is used to select between the Fixed-Effects Model (FEM) and the Random-Effects Model (REM) in panel data analysis. The test results in Table 3 show a Chi-Square value of 3.47 with a probability of 0.6281 (>0.05), so REM is selected because there is no significant difference with FEM. Although the research data covers the entire BUS population (absolute panel data), the selection of REM is still appropriate because the differences between banks are considered random and uncorrelated with the independent variables. This is in line with Gujarati & Porter (2018), who state that REM is more efficient when individual variations do not affect the explanatory variables and the model is intended for broader generalization.

Table 3. Hausman Test Results

Hausman Test	Chi-Square	Prob > Chi2	Selected Model
Hausman Test	3.47	0.6281	Random Effect

Source: Compiled by the author (2025)

Heteroscedasticity and Serial Correlation Tests

Based on the test results presented in Table 4, the Chi-Square value of 43.051.67 with $\text{Prob} > \text{Chi}2 = 0.0000$ indicates heteroscedasticity, because the probability value is less than 0.05. This indicates that the residual variance across banks is not homogeneous, possibly due to differences in asset size and operational efficiency. This finding is in line with Wardani & Nurhayati (2021), who explain that differences in the scale of Islamic banking activities often trigger heteroscedasticity. In addition, the autocorrelation test results show an F value of 42.730 with $\text{Prob} > F = 0.0000$, indicating autocorrelation in the model. This condition shows that errors in one period are correlated with those in the previous period, potentially biasing and inefficiently estimating the coefficients.

Table 4. Heteroscedasticity and Serial Correlation Tests Results

Model 1	
Full Sample	52
Heteroscedasticity	
Chi2	43051.67
Prob > Chi2	0.0000
Serial Correlation	
F	42.730
Prob > F	0.0000

Source: Compiled by the author (2025)

Hypothesis Test

The panel data regression analysis in this study uses a Random Effects model estimated via Generalized Least Squares (GLS) with robust standard errors in Stata. This model was chosen because the data indicated heteroscedasticity and autocorrelation, so that GLS is more efficient than OLS when the classical assumptions are not met (Gujarati & Porter, 2018). In the context of panel data with a large number of observations, the residual

distribution generally approximates normality by the Central Limit Theorem. Hence, normality testing is not a major prerequisite, especially when the variance has been robustly corrected (Wooldridge, 2010). In addition, multicollinearity testing is not a significant concern in panel regression because cross-entity and time variation reduce the risk of high correlations between variables.

Table 5. Hypothesis Test Results

Variable	Coefficient	z-Statistic	Prob.	Description	Hypothesis
iBVAHU	0.0019991	2.03	0.042	Significant Positive	Accepted
iBSTVA	0.0237896	2.74	0.006	Significant Positive	Accepted
iBVACA	0.021461	0.86	0.392	Not Significant	Rejected
BOPO	-0.0141615	-29.81	0.000	Significant Negative	Accepted
IPI	-0.0052779	-2.14	0.032	Significant Negative	Rejected
R-squared	0.7377				
F	2731.71				
Prob > F	0.0000				

Source: Compiled by the author (2025)

The model selection was based on the results of the Hausman test and on considerations of estimation efficiency, so the hypothesis testing in Table 5 is valid. The coefficients indicate the direction of the relationship, while the probability values determine the significance at the 5% level. The results show that iBVAHU and iBSTVA have a significant positive effect on ROA, indicating that human resource efficiency and structural capital can increase profitability. The iBVACA variable is not significant, reflecting that asset utilization has not yet produced optimal added value. Meanwhile, BOPO and the Islamicity Performance Index have a significant negative effect, indicating that high operational costs and specific aspects of Sharia performance can reduce profits. The R-squared value of 0.7377 and the Prob > F of 0.0000 indicate that the model is significant and explains 73.77% of the variation in Islamic bank profitability.

Discussion

The results of the H1 test show that Human Capital (iBVAHU) has a significant positive effect on the profitability of Islamic Commercial Banks in Indonesia, with a coefficient of 0.0019991 and a probability of 0.042. The average iBVAHU value of 2.80 reflects good employee efficiency, as Pulic (1998) States that a value above 2 indicates the ability of employees to produce high output relative to salary costs. This finding reinforces Barney (1991) The RBV theory asserts that knowledgeable and innovative human resources are the key to competitive advantage. These results are consistent with the research of Inayati et al. (2025), Kusuma et al. (2025), Harahap & Iskandar (2024), serta R. R. Pertiwi et al. (2024) This confirms that strengthening human capital by improving competence, work culture, and reward systems can increase employee productivity, ultimately enhancing the profitability of Islamic banks. Thus, human capital serves as a strategic asset that determines a bank's operational effectiveness and financial performance sustainability.

The results of testing H2 show that Structural Capital (iBSTVA) has a significant positive effect on profitability, with a coefficient of 0.0237896 and a probability of 0.006. The average iBSTVA of 1.71 is above the ideal threshold of >1, indicating that Islamic banks' internal systems and organizational structures effectively support value creation. This finding aligns with RBV theory, which holds that Structural Capital is an organizational asset that is difficult to imitate and plays an important role in maintaining competitive advantage. These results are reinforced by research by Kondoy & Sowignyo (2023); Sutjipto & Hadi (2024); S. Z. Ulya & Puspitasari (2022), which shows that strengthening Structural Capital through good governance, integrated information systems, and efficient managerial processes can improve operational stability and decision-making effectiveness, ultimately contributing directly to increased profitability for Islamic banks.

The results of testing H3 show that Physical Capital (iBVACA) does not have a significant effect on profitability, with a coefficient of 0.021461 and a probability of 0.392. The average iBVACA is 0.29, which remains below the ideal threshold of >1, indicating that physical asset utilization efficiency is not yet optimal. Within the RBV framework, tangible assets such as buildings, technology, and infrastructure are unable to create a competitive advantage if they are not integrated with human capital and a productive organizational structure. These results are consistent with the research of Octavio & Soesetio (2019); Oktaviani et al. (2025); Rante et al. (2025), which concluded that the efficiency of physical capital does not have a significant effect on profitability. This is because economic value is created mainly through the integration of tangible assets and intellectual capital. Thus, the effectiveness of physical asset management cannot stand alone but requires support from human resource competencies, managerial capacity, and adaptive organizational structures to strengthen the performance and profitability of Islamic banks sustainably. (Trimulato, 2018).

The results of testing H4 show that Operational Efficiency (BOPO) has a significant negative effect on bank profitability, indicating that higher operating costs decrease ROA, with a coefficient of -0.0141615 and a probability of 0.000. The average BOPO of 0.72 (72%) is still below the maximum limit of 80% (SE OJK No. 14/SEOJK.03/2023), indicating that Islamic bank operations are relatively efficient. However, an increase in the BOPO ratio reflects a rise in costs relative to income, thereby suppressing profitability. (Putri & Pristiana, 2025). This finding supports the RBV, which holds that efficient management of internal resources can increase a company's economic value. Empirically, these results are in line with the findings of Cahyani & Tubastuvi (2024); Irawan et al. (2025); Syfa & Dailibas (2023), which shows that an increase in Operational Efficiency significantly reduces Islamic banks' Return on Assets in Indonesia. This confirms that efficient operational cost management is a key determinant in maintaining performance stability and increasing the long-term profitability of Islamic banks.

The results of testing H5 indicate that the Islamicity Performance Index (IPI) has a significant negative effect on profitability, with a coefficient of -0.0052779 and a p-value of 0.032. The average IPI value in the sample was 2.08, indicating a high level of sharia compliance, because the IPI score ranges from 0 to 3, so a score above 2 indicates good and consistent compliance performance (Hameed et al., 2004). However, a high level of Sharia compliance does not necessarily increase profitability in the short term. In line with Rima's (2025) Findings: Strong IPI implementation is often associated with stronger social performance and reputation, but financial returns are realized only in the long term due to the high costs of complying with sharia principles. This explains the significant negative relationship observed in this study: an increase in IPI components, such as zakat and the profit-sharing ratio, can suppress short-term profit margins. These results are consistent with the studies by Destiani et al. (2021); Mustion et al. (2023); Rita & Sugiarti (2025); Zakiyyah et al. (2023), which documented the negative effect of the Profit Sharing Ratio and Equitable Distribution Ratio components on ROA, as well as Felani et al. (2020), which showed the negative impact of the Zakat Performance Ratio. From an RBV perspective, sharia compliance is an intangible asset that strengthens reputation but does not yet provide direct financial contributions in the short term because it is more social than economic.

Conclusions and Recommendations

This study finds that Intellectual Capital, particularly Human Capital and Structural Capital, has a significant role in enhancing the profitability of Islamic commercial banks. At the same time, Physical Capital shows no significant effect. In addition, operational efficiency and the Islamicity Performance Index are negatively associated with profitability, indicating ongoing efficiency challenges and the suboptimal implementation of sharia-based performance dimensions.

These findings support the Resource-Based View, which emphasizes intangible and value-based resources as key determinants of sustainable competitive advantage. From a managerial perspective, Islamic banks should prioritize human capital development, strengthen organizational capabilities, and improve operational efficiency to enhance financial performance while reinforcing sharia compliance.

This study is limited to internal bank-specific indicators and annual report data. Future research is encouraged to incorporate macroeconomic and digitalization-related variables and to conduct cross-country analyses within the ASEAN region to deepen the understanding of resource efficiency and competitiveness in Islamic banking.

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