

Influence of Intellectual Capital on Organizational Performance

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Abstract: The research objective to evaluate the effect of intellectual capital on organizational performance in Batam City. Intellectual capital components consist of structural capital, social capital, customer capital, human capital, spiritual capital, and technology capital. This study involved 54 directors of the rural bank. The results of this empirical study indicate that there is a significant relationship between structural capital, customer capital, human capital, and technology capital on organizational performance in Batam City. Meanwhile, social capital and spiritual capital show no significant relationship to organizational performance in Batam City. The results of this study provide additional knowledge about the relationship between intellectual capital and organizational performance.

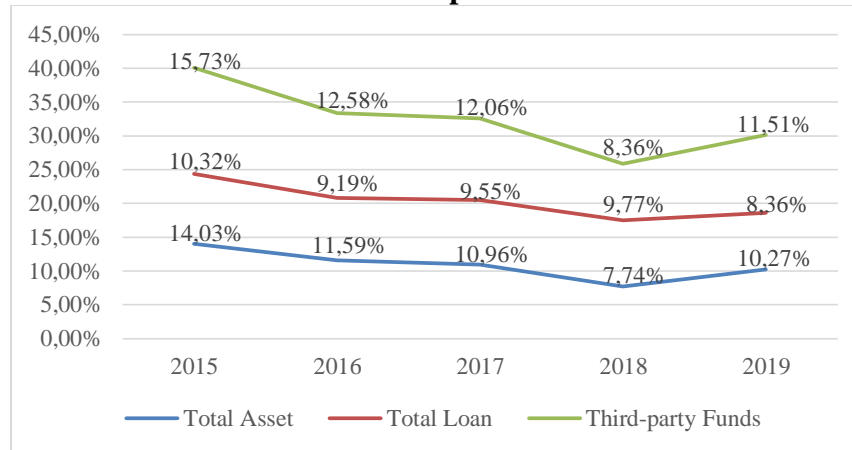
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1. Introduction

Bank Perkreditan Rakyat (BPR) or rural bank is a financial institution that carries out its duties by accepting deposits in the form of time deposits and savings or as a channel for funds such as credit to customers. According to the meaning of the Financial Services Authority or Otoritas Jasa Keuangan (OJK), Rural bank is a bank that carries out its duties based on sharia principles or conventionally.

The purpose of establishing a rural bank is to realize national development to increase the growth and stability of the national economy in the welfare of the people. With the existence of a BPR, it is hoped that it will be able to realize good banking services, equal opportunity in doing business and people's income through the provision of credit assistance, such as for small and medium macro business actors. In general, the intermediary function of rural banks is running quite well, although it has increased slightly compared to the previous year. The following is a graphic illustration consisting of total assets of rural bank, loan and Third-party Funds from December 2015 to December 2019 (yoy).

Table 1. Rural Bank Development Since 2015-2019



Source: Financial Service Authority (2019)

Based on financial service authority (OJK), in December 2018 fintech lending had an accumulated loan value of Rp22,666.07 billion while the accumulated value of loans in December 2019 was Rp81,497.51 billion, in conclusion from December 2018 to December 2019 (yoy) fintech lending increased by 259.56%. P2P lending in December 2018 has an accumulated loan value of Rp98,220 billion, while in December 2019 it had a value of Rp108,784 billion, it can be concluded that from December 2018 to December 2019 (yoy) an increase of 10.76%. Comparison of fintech lending and P2P lending, people are interested in making loans is relative through the fintech lending platform, fast and ease for people accessing the fintech lending platform, it makes the community more comfortable and easier. Although with fintech lending interest rates that are much higher than rural bank.

The growth of fintech lending, which is growing rapidly from time to time, makes it a challenge or a competition for rural banks. In order to be competitive in competing rural banks rely on good relationships and a personal approach in targeting customers. Even so it can be said to work in a relevant way. To remain competitive with fintech lending, rural banks keep maintaining financial system stability as a foundation for sustainable development, realizing public finances and being able to support efforts to increase equitable development and contribute to supporting national economic growth as well as increasing the quantity and quality of human resources and the use of information technology with make information technology into an innovation.

In recent years, the number of rural banks has decreased. Based on financial service authority, in 2018 the number of rural banks in Indonesia was 1,597 then in January 2019 the number of conventional rural banks recorded was 1,593 spread across 33 provinces in Indonesia. In the Riau Islands province, the number of rural banks to be precise in Batam City was recorded as 42 rural banks consisting of 27 head offices and 15 branch offices. The success of an organization is a goal for every organization, this success can occur because of the support of organizational performance. In an organization's performance requires an intellectual capital such as structural capital, social capital, customer capital, human capital, spiritual capital, and technological capital which helps to increase organizational performance (Khalique, et al., 2011).

Intellectual capital is a key or important role in efforts to improve organizational performance because with the awareness it is important to know that intellectual capital is a foundation for an organization or company to be superior and can grow to be more competitive. The main objective in increasing the economy is to create added value in a company or organization. Creating added value requires intellectual capital.

Along with the times, rural banks must encounter of increasingly financial technology (fintech). According to Heru Kristiyana as the chief executive of Financial Service Authority banking supervision, rural banks must immediately consolidate along with technology-based financial growth because they tend to have big risk competition in competing peer to peer landing (P2P) with fintech. Therefore, rural banks are required to make improvements and are expected to keep pace in using technology that is adequate and has innovation and is aware of technology and information. This study applies technological capital due to previous research that conducted research on intellectual capital rarely using technological capital as a research variable.

Based on the background described by the researchers above, it needs a deeper analysis of the topic of intellectual capital on organizational performance because of the importance of knowing that intellectual capital is the most important asset for organizational development through transition, ability to innovate, knowledge, organizational culture, and good ethics in creating strong relationships with customers (Andreeva & Garanina, 2016).

Structural Capital to Organizational Performance

Research by Khalique, Bontis and Nassir (2018) states that structural capital has a significant positive effect on organizational performance, this is because the existence of the best infrastructure and management system can provide employees with access to relevant information and gain opportunities. opportunities to improve skills or education so that they can support innovation and procedures in the organization.

H₁: structural capital has positive effect to organizational performance.

Social Capital to Organizational Performance

Khalique and Pablos (2015) found that social capital has a significant positive effect on organizational performance. Social capital is considered to have a positive impact on the organization. This is because social capital can help in developing professional networks such as trust and mutual respect that can achieve competitive advantage in a knowledge base, collaboration between employees and companies and creating good relationships with suppliers or suppliers or other business partners in order to develop solutions for effort.

H₂: social capital has positive effect to organizational performance.

Customer Capital to Organizational Performance

Khalique and Ramayah (2018) explain that customer capital has a significant positive effect where the relationship built by the company with customers in the long term can increase information on the market so that it can generate new ideas, innovations and actions within the company, this is the company. should recognize that it is important for companies to know, understand and meet market expectations and have a high level of awareness of market needs and wants on time.

H₃: customer capital has positive effect to organizational performance.

Human Capital to Organizational Performance

Khalique, Bontis and Nassir (2018) explain that the impact of a positive influence on human capital on organizational performance can help entrepreneurs or company managers to better understand the importance of capitalizing these intangible assets in order to create competitiveness in market advantage, this is due to the ability of individual is different, so that the organization or company can encourage employees to share ideas, knowledge and innovation in order to improve performance in the organization or company.

H₄: human capital has positive effect to organizational performance.

Spiritual Capital to Organizational Performance

Within an organization or company, spiritual capital is considered as an organization to represent sincerity, faith, and an attitude of concern for the organization or company towards employees and customers (Khalique, 2012). Spiritual capital can also be defined as a spiritual force or power that can control or encourage someone to act in any situation (Nahkata, 2018).

H₅: spiritual capital has positive effect to organizational performance.

Technological Capital to Organizational Performance

Hashim, Osman and Alhabshi (2015), Khalique, Bontis, and Nassir (2018), state that technological capital has a significant positive effect on organizational performance, this is because technological developments can make it easier to run a business and create competitive innovations. If technology is getting newer, the results of innovation and the goals of the company will also be maximized, effective and efficient so that the current technological developments can have a positive impact on the company and develop business growth.

H₆: technological capital has positive effect to organizational performance.

2. Research Method

Based on the aim of this study is to develop previous research theories to determine the effect of cause and effect between the dependent variable on the independent variables. The method in data collection was completed by sending an online questionnaire to the direct research targets, which amounted to 54 respondents who served as the director of rural bank.

The technique for collecting data used by researchers is a survey method or technique which is carried out by distributing questionnaires online to direct research targets and primary data used as a source of data to be used for this research. The data analysis method used by the researcher is a quantitative method through descriptive statistical methods by collecting data from the questionnaire results that have been answered and then processed and explained using descriptive statistics.

This study is analyzed using structural equation model-partial least square (SEM-PLS) due to the small size sample. SEM-PLS has two model evaluation, measurement model (outer model) to test validity and reliability and structural model (inner model) to test goodness of fit of research model (Latan & Ghozali, 2014).

Intellectual capital

In this study, intellectual can be measured by structural capital, social capital, customer capital, human capital, spiritual capital, and technological capital (Khalique, 2015).

1. Structural capital

Structural capital is considered a framework within an organization which is defined as a framework within an organization or company that can include all company system procedures such as policies that can be better defined, databases, networks or connections as well as the company's organizational structure and help in shaping a good way of working, and efficient so that they get the trust of customers (Khalique, 2012). Structural capital measurement used 13 questions which were adopted from previous research by (Khalique, et al., 2018).

2. Social capital

Khalique and Patricia (2015) say that social capital is a value held in an organization or company to form a team and good cooperation between employees and the company so that it can have a positive impact on the company, this can be done by instilling a sense of honesty values, care, cooperation, and discipline to create a sense of togetherness in an organizational culture and social ethics. Social capital measurement used 12 questions which were adopted from previous research by (Khalique, et al., 2018).

3. Customer capital

Customer capital refers to the brand image, customer satisfaction and loyalty so that it becomes one of the most important aspects in intellectual capital because of the importance of the company knowing the external relationships between the company and consumers and knowing the needs and desires of customers. In creating good relationships with customers, satisfaction and loyalty can be given by the company to customers (Amiri et al., 2010). Customer capital measurement used 10 questions which were adopted from previous research by (Khalique, et al., 2018).

4. Human capital

Human capital is a human resource which generally refers to knowledge, transition, education, skills, attitudes, motivation, leadership, and habits so that human capital is considered as important component. This is because human resources are needed to develop innovation and creativity as a challenge for employees in an organization or company to achieve a competitive advantage (Khalique & Bontis, 2012). Measurement of human capital used 13 questions which were adopted from previous research by (Khalique, et al., 2018).

5. Spiritual capital

Spiritual capital is capital that includes religious values, ethics and honesty in an organization that contributes to helping employees add to the purpose and meaning of life through their personal values and this spiritual capital can be created through in an organization or company with beliefs and beliefs that are held such as values. - religious values and ethical values (Khalique, et al, 2014). The measurement of human capital used 11 questions adopted from previous research by (Khalique, et al., 2018).

6. Technological capital

Technological capital is considered the main innovation in an organization, that is, with a level of technology that is advanced and well developed it can be a more effective contribution and has a competitive advantage in the market and with the development of this technology capital it can provide convenience such as integrating company systems more

quickly in respond to something needed by the company and create competitive innovations. Measurement of technological capital used 12 questions adopted from previous research by (Khalique, et al., 2018).

Organizational performance

Organizational performance is the dependent variable in this study which is defined as a success in an organization that depends on the performance of the organization, which means that the organization's or company's ability to run effectively in implementing strategic and achieving organizational goals. Employees become one of the important roles for organizational performance when forming a good teamwork to achieve goals. In this study, to measure organizational performance applied 19 questions which were adopted from previous research by (Khalique et al., 2018).

3. Results and Discussion

Measurement Model Evaluation

The validity test in this study is stated to have met the requirements with AVE and loading factor value of more than 0.5 so the variable is declared valid (Ghozali, 2011). It can be seen in the table below that all variables in this study are valid.

Table 2. Validity Test

Variable	Indikator	Loading Factor	AVE
Structural capital	MS1	0,590	0,502
	MS2	0,774	
	MS7	0,845	
	MS9	0,582	
	MS10	0,677	
Social capital	MSO5	0,661	0,532
	MSO6	0,711	
	MSO7	0,703	
	MSO12	0,806	
Customer capital	MP1	0,831	0,530
	MP2	0,672	
	MP3	0,856	
	MP8	0,669	
	MP9	0,535	
Human capital	MM1	0,812	0,507
	MM2	0,682	
	MM4	0,714	
	MM6	0,746	
	MM10	0,697	
	MM12	0,579	
	MM13	0,697	
Spiritual capital	MSP1	0,830	0,551
	MSP2	0,707	
	MSP4	0,643	

Variable	Indikator	Loading Factor	AVE
	MSP11	0,742	
Technological capital	MT1	0,690	0,589
	MT2	0,871	
	MT7	0,799	
	MT8	0,676	
Organizational performance	KO1	0,619	0,537
	KO2	0,762	
	KO4	0,750	
	KO5	0,680	
	KO6	0,726	
	KO10	0,930	
	KO11	0,783	
	KO12	0,685	
	KO13	0,549	
	KO16	0,815	
	KO18	0,650	

According to the Ghazali (2011), reliability test should have value more than 0,7 in Cronbach's Alpha and composite reliability. The table below shows that each variable has a value of more than 0.7, it can be concluded that all variables in this study are reliable.

Table 3. Reliability Test

Variable	Cronbach's Alpha	Composite Reliability
Structural capital	0,733	0,826
Social capital	0,711	0,813
Customer capital	0,765	0,842
Human capital	0,830	0,874
Spiritual capital	0,728	0,822
Technological capital	0,767	0,847
Organizational performance	0,908	0,925

Structural Model Measurement

To know the results of the effect of each independent variable on the dependent variable, it can be seen through the results of the path coefficient test. In testing a variable, it can be stated to have a significant effect if the T-Statistic value is greater than 1.96 and the P-Value value is less than 0.05 (Latan & Ghazali, 2014). The table below explains the results of the path coefficient test.

Table 4. Path Coefficient Test

Hypotheses	Sample Mean	T-statistic	P-Value	Conclusion
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Hypotheses	Sample Mean	T-statistic	P-Value	Conclusion
Structural capital → organizational performance	0,218	2,660	0,008	Positive significant
Social capital → organizational performance	0,032	0,365	0,715	No significant
Customer capital → organizational performance	0,287	2,530	0,012	Positive significant
Human capital → organizational performance	0,387	4,398	0,000	Positive significant
Spiritual capital → organizational performance	-0,132	1,727	0,085	No significant
Technological capital → organizational performance	0,236	3,384	0,001	Positive significant

Based on the output results above, the results of this study are as follows:

H₁: structural capital has a positive significant effect on organizational performance.

This hypothesis can be stated to have a significant effect because it has a T-Statistic and P-Value that is able to meet the requirements. The results of this test are in line with previous research conducted by Khalique, Jamal Abdul and Abu Hassan (2013) and Khalique and Patricia (2015). Based on the highest result, the MS4 indicator statistic with a value of 4.537 states that the rural banks' business brand has used patents and licenses. Also, the statistical results of the MS11 indicator with a value of 4,648 stated that there was encouragement from BPR to employees to express their opinions.

H₂: social capital has a positive significant effect on organizational performance.

This hypothesis can be stated that it does not have a significant effect because it has a T-Statistic and P-Value that cannot meet the requirements. The results of this test are in line with previous research conducted by Khalique, Jamal and Hasan (2018). Based on the statistical results of the MS07 indicator with a value of 2,944 that employees are not very active in exchanging opinions with employees of other business partners, so from the results of this test it can be concluded that hypothesis 2 is rejected.

H₃: customer capital has a positive significant effect on organizational performance.

This hypothesis can be stated to have a significant effect because it has a value that is able to meet the conditions. The results of this test are in line with previous research conducted by Khalique (2015), Jamal Abdul and Abu Hasan (2018). Based on the highest results, the MP5 indicator statistics with a value of 4.630, which indicates that rural banks care about customer opinions and requests.

H₄: human capital has a positive significant effect on organizational performance.

This hypothesis can be stated to have a significant effect because it has a value that is able to meet the conditions. The results of this test are in line with previous research conducted by Khalique (2018) and Khalique and Ramyah (2018). Based on the highest result of the MM7 indicator statistic with a value of 4,444 which states that rural banks always encourage

employees to share ideas, knowledge and practices in the work environment, as well as the statistical results of the MM3 indicator with a value of 4,407 which shows that rural banks' employees are experts in their field of work.

H₅: spiritual capital has a positive significant effect on organizational performance.

This hypothesis can be stated that it has no significant effect because it has a value that is not able to meet the requirements. The results of this test are in line with previous research conducted by Khalique (2015), Khalique and Ali Shah (2018). Based on the statistical results of the MSP5 indicator with a value of 2.907 which states that employees have not fully carried out honesty, total commitment, care, and respect for customers.

H₆: technological capital has a positive significant effect on organizational performance.

This hypothesis can be stated as having a significant positive effect because it has a value that is able to meet the conditions. The results of this test are in line with previous research conducted by Barkat, Azis, and Hassan (2015) and Hashim and Osman (2015). Based on the highest results of the MT5 indicator statistics with a value of 4,389 which states that rural banks realize that to innovate depends on various technologies.

Tabel 5. Goodness of Fit Test

Variabel	Communality	Adjusted R Square	GoF	Conclusion
Organizational Performance	0,535	0,885	0,689	<i>Large</i>

The table above shows the goodness of fit model with adjusted R square value of 0,885 (88,5%), which means that the independent variable is able to explain the dependent variable by 88,5%. While 11,5% which is explained by other variables not included in this research model. The adjusted R square value in this study shows a strong model. GoF test results have a value of 0.689. It can be concluded that the GoF test results in this study are good and suitable for research.

4. Conclusion

The results of this study indicate that social capital and spiritual capital do not have a value that meets the T-Statistic and P-Value so that it is stated that they do not have a positive significant effect on organizational performance in Batam City. This research is in line with previous research by (Khalique, 2015). and (Khalique & Shah, 2018). As for the positive significant influence variable on organizational performance in Batam City, it can help business owners in making policies and for organizational management to better understand the importance of making each component of intellectual capital an intangible asset to create competitive advantage in the market and improve organizational performance and improve the economy in Batam city. This research shows that organizations must be able to provide interest or concern for intellectual capital and make intellectual capital a competition in the market.

The limitation of this study is small size sample. The object of this study only involved 54 directors of rural banks Batam City with the number of research samples that were not too many, so the results of this study did not necessarily reflect the actual situation. In addition, the authors have limitations in accessing supporting data for this study.

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