The Relationship Between Educational Background and Sharia Compliance on the Performance of Islamic Bank Employees in Bone Regency

Dian Hidayati Rahman[1], *Muh. Hasbi* Ash. Shiddiq[2] and *Ida* Farida[3]

Faculty of Islamic Economic and Business, Institut Agama Islam Negeri Bone, Indonesia

Abstract. Islamic banking continues to experience growth; however, it cannot be denied that the financial performance of Islamic banks has fluctuated from year to year. These fluctuations are caused by both external and internal factors. This article attempts to explain the internal factors of the company by discussing the relationship between educational background and Sharia compliance with the performance of Islamic bank employees in Bone Regency. The context of this research, the employees are from PT. Bank Muamalat Indonesia Tbk, Bone Sub-Branch Office, and PT. Bank Syariah Indonesia Tbk, Bone Branch Office. Data was obtained through the distribution of questionnaires and analyzed using the PLS-SEM method. The study found empirical evidence that educational background has an influence on employee performance, while Sharia compliance has an influence but is not significant.

Keywords: Bank Employees; Educational Background; Sharia Compliance

1 Introduction

Islamic banking is increasingly gaining attention in the financial world as an alternative that is becoming more popular with the public. Bank Muamalat KCP Bone and Bank Syariah Indonesia KC Bone are among the financial institutions that play a significant role in the economic life of the community. However, amid the constantly changing market dynamics, the performance of these institutions is influenced not only by external factors but also by internal variables, including the educational background and level of Sharia compliance of their employees. The financial performance of Islamic banks, such as net profit, assets, and liabilities, provides a clear picture of the bank's operational effectiveness and efficiency, which, in turn, is influenced by the performance of its employees (Thoyib et al., 2022). If we examine the net profit section, the fluctuations in the financial performance of Islamic banks are as follows:

Corresponding author: hasbi.m.as@iain-bone.ac.id

Table 1. Net Profit of Bank Muamalat & Bank Syariah Indonesia (2019-2023)

Nama Bank	2019	2020	2021	2022	2023
Bank Muamalat	16.326	10.019.739	8.927.051	26.581.068	13.294.252
Bank Syariah Indonesia	74.016	248.054	3.028.205	4.260.182	5.703.743

Source: www.bankmuamalat.co.id and https://ir.bankbsi.co.id/, 2024

The fluctuating net profit conditions at both banks indicate that the performance of the banks is influenced by various interconnected internal and external factors. Internal factors include the educational background and expertise of the employees, which significantly determine their ability to manage the bank's operations efficiently and effectively. Employees with the appropriate level of education and adequate training are generally more capable of understanding the complexities of financial products, risk management, and applicable regulations, thereby improving service quality and decision-making. Additionally, organizational culture, management systems, and technological infrastructure are also important internal elements that contribute to the bank's performance.

Meanwhile, external factors such as macroeconomic conditions (inflation, interest rates, exchange rates), economic growth (GDP), and market capitalization also play a crucial role in determining the bank's performance. Employee performance, which is part of the internal factors, is greatly influenced by workload, competence, and job satisfaction. An effective workload and high job competence positively contribute to employee performance, which in turn enhances the overall performance of the bank. Therefore, bank management must pay attention to these factors to improve the bank's performance through enhancing employee performance.

Human resources with an understanding and background in Islamic banking are still inadequate (OJK Institute, 2023). The number of employees in conventional banking far exceeds those in Islamic banks, which hinders the rapid implementation of Islamic law in banking practices and slows down the development of Islamic banks (Redaktur, 2019). On the other hand, Sharia compliance also plays a crucial role in determining employee performance. If employees do not adhere to Sharia principles in carrying out their duties, it can lead to conflicts with banking regulations and prevailing moral values. Therefore, compliance with Sharia should be a primary focus for Islamic financial institutions (Fatmawati et al., 2022).

Scholars have devoted considerable attention to research on employee performance through various approaches. First, research on the aspect of work motivation has been conducted by (Nursiati, 2019; Rahmawati & Cahyadi, 2024; Ratnaningtyas et al., 2024). Second, research on the aspect of compensation has been conducted by (Fadhila Ainun Nafi & Rini Lestari, 2024; Kharies Dwi Manossoh Purnomo & Diana Wangania, 2023; Tirta & Purnantara, 2023). Third, research on the aspect of work discipline has been conducted by (Ariesni & Asnur, 2023; Maliki, 2023; Ningsih & Muhammad Sugiharto, 2024).

Several previous studies have explored factors that support employee performance by considering aspects of reward and punishment. Additionally, there are still some inconsistencies regarding the factors influencing employee performance. Therefore, this study attempts to re-examine the aspects affecting employee performance, focusing on educational background, and linking them to Sharia compliance, with the context of the research being Islamic banks.

2 Literature Review

2.1 Educational Background

Education plays a crucial role in improving human resources toward a better direction. It is expected that education will produce learners who develop attitudes, skills, and intellectual intelligence, transforming them into capable, intelligent, and morally upright individuals. Education is a long-term process that is systematic and organized, where managerial personnel acquire conceptual and theoretical knowledge to achieve general objectives. (Mangkunegara & Prabu, 2005). As cited by (Faridah & Hikmah, 2021), educational background is a conscious effort to provide experience and skills so that individuals can perform their jobs successfully. Educational background can be viewed from two aspects: the alignment between the desired field of study and the area of responsibility, and the level of education.

2.2 Sharia Compliance

Compliance with Islamic law is crucial for Islamic banks as it is a key determinant of financial performance. According to (Rakhmat, 2013), religiosity, as a religious attitude, is a state within a person that drives them to behave in a manner consistent with their level of religious adherence, experience, religious knowledge, and religious practices. Compliance involves the application of Islamic Sharia principles and traditions in financial transactions, banking, and related activities. Islamic banks are financial institutions that operate based on Islamic principles (Arifin, 2012).

2.3 Employees Performances

Performance is a representation of the work carried out by an employee and is usually the basis for evaluating both the employee and the organization (Muzerika et al., 2019). Performance is the outcome that an individual or a group of people in an organization can achieve according to their authority and responsibilities to meet the organization's goals, adhering to moral and ethical standards and without violating the law (Gama & Astiti, 2020). Based on the literature review, the researcher proposes the following conceptual framework:
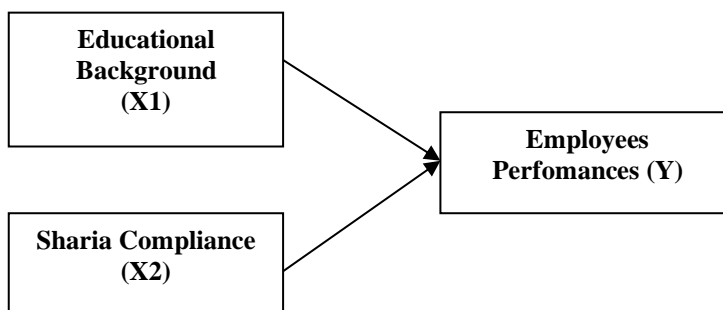

Fig. 1. Conceptual Framework

3 Research Method

This study uses a Likert scale as the measurement tool, with intervals ranging from 1 (strongly disagree) to 5 (strongly agree). The research is focused on the two largest Islamic banks in Bone Regency. Data processing is performed using SmartPLS 3 with the Partial Least Squares-Structural Equation Modeling (PLS-SEM) method. The choice of the PLS-SEM method is based on the consideration that the sample size for the study is relatively small (Hair et al., 2019). The minimum sample size is determined to be 39 based on the assumption that the path coefficients in the study are expected to be below 0.31-0.4 (Hair Jr. et al., 2021). The sample collection used a saturation sampling technique, with a total of 43 respondents, consisting of 11 employees from PT. Bank Muamalat Indonesia Tbk KCP. Bone and 32 employees from PT. Bank Syariah Indonesia Tbk KC. Bone.

4 Result and Discussion

3.1 Respondent Demographics

The research data comes from the responses of participants in the questionnaire provided by the researcher. As stated in the research method, the respondents in this study are employees of PT. Bank Muamalat Indonesia KCP. Bone and employees of PT. Bank Syariah Indonesia Tbk KC. Bone. The following table provides a description of the data, including gender, age, last education, field of study/major, and work unit.

Table 2. Respondent Demographics

Item	Option	Amount	%
Gender	Male	29	74,4 %
	Female	14	25,6 %
Total		43	100 %
Age	21-23	3	7 %
	24-26	10	23,3 %
	27-29	8	18,6 %
	30 and above	22	51,2 %
Total		43	100 %
Highest Education Levels	Senior High School	3	7 %
	Diploma	3	7 %
	Degree (S1-S3)	37	86 %
Total		43	100 %
Field of Study	Manajemen	8	18,6 %
	Manajemen Keuangan	3	7 %
	Akuntansi	4	9,3 %
	Ekonomi	5	11,6 %
	Ekonomi Syariah	1	2,3 %
	Syariah	2	4,7 %
	Administrasi	2	4,7 %
	Administrasi Perpajakan	1	2,3 %
	Perkantoran	2	4,7 %

	Ilmu Ekonomi	1	2,3 %
	Ekonomi Islam	1	2,3 %
	Ekonomi Pembangunan	1	2,3 %
	Pendidikan Ekonomi	1	2,3 %
	Teknologi Informatika	1	2,3 %
	Bahasa & Sastra Inggris	1	2,3 %
	Fisika	1	2,3 %
	Agronomi	1	2,3 %
	Teknologi Pertanian	2	4,7 %
	Pertanian	1	2,3 %
	Kehutanan	1	2,3 %
	IPA	3	7 %
Total		43	100 %
Work Units	Bank Syariah Indonesia	32	74,4 %
	Bank Muamalat Indonesia	11	25,6 %
Total		43	100 %

From the table above, the number of male respondents reaches 74.4%, while female respondents account for only 25.6%. Most respondents are aged 30 years and above, totaling 51.2%, followed by the age range of 24-26 years at 23.3%, the age range of 27-29 years at 18.6%, and the smallest group is the age range of 21-23 years at 7%. Most respondents have completed a bachelor's degree, making up 86%, while those with a diploma and high school or equivalent education each account for 7%.

3.2 Outer Model Test

The research variables use a reflective model, both for exogenous and endogenous variables. The measurement of the outer model is based on the following criteria: loading factor ≥ 0.70, Cronbach's alpha ≥ 0.70, composite reliability ≥ 0.70, and average variance extracted (AVE) ≥ 0.50 (Hair Jr. et al., 2021; Richter et al., 2016). Two indicators were removed due to their loading factor values being below 0.70, namely indicator X1.2 (loading factor value 0.665) and X2.3 (loading factor value 0.130). After eliminating the invalid indicators, a re-estimation was performed with the results as shown in the following table:

Table 3. Measurement Model's Result

Variables	Symbol	Outer Loading	Cronbach Alpha	Composite Reliability	AVE
Educational Background (X1)	X1.1	0.701	0.841	0.860	0.602
	X1.3	0.794			
	X1.4	0.776			
	X1.5	0.772			
	X1.6	0.831			
Sharia Compliance (X2)	X2.1	0.906	0.947	0.968	0.823
	X2.2	0.902			
	X2.4	0.951			
	X2.5	0.888			
	X2.6	0.888			
Employees Performances (Y)	Y.1	0.878	0.932	0.941	0.749
	Y.2	0.837			
	Y.3	0.969			
	Y.4	0.763			

| Y.5 | 0.831 | | | |
| Y.6 | 0.900 | | | |

The table above shows the outer loading values for each variable, where variable X1 ranges from 0.701 to 0.831, variable X2 ranges from 0.888 to 0.951, and variable Y ranges from 0.763 to 0.969. This indicates that each indicator effectively reflects its variable. The values of Cronbach's Alpha and CR for all variables are > 0.70, meaning all indicators can measure their latent constructs. The AVE values for each variable are > 0.50, indicating that all indicators are valid.

Discriminant validity testing refers to the Fornell-Larcker criterion, cross loadings, and the Heterotrait-Monotrait ratio (HTMT). However, (Henseler et al., 2015) suggests that discriminant validity is better assessed using the HTMT ratio. A good HTMT ratio is < 0.90. The Fornell-Larcker measurement and HTMT ratio are presented in the following table:

Table 4. Discriminant Validity Result

Variables	Sharia Compliance	Employees Performances	Educational Background
Fornell-Larcker Criterion			
Sharia Compliance	0.907		
Employees Performances	0.741	0.866	
Educational Background	0.743	0.828	0.776
HTMT Rasio			
Sharia Compliance			
Employees Performances	0.757		
Educational Background	0.785	0.874	

The table above shows that the square root of the AVE for each variable is greater than the values of the other variables below it. The HTMT ratio is < 0.90, indicating that the reflective indicators are good measures for their respective variables. Therefore, all variables are valid and reliable.

3.3 Inner Model Test

Structural/Inner model testing begins with examining the R-Square values to assess the ability of endogenous variable constructs to explain exogenous variables. An R-Square value is considered substantial/strong if it is 0.67, moderate if it is 0.33, and weak if it is 0.19. (Chin, 1998). Simultaneously, the exogenous variables X1 and X2 explain 72.1% of the endogenous variable Y, which is considered substantial as it is greater than 0.67.

The measurement of the relative impact between variables at the structural level follows (Cohen, 1988) criteria, where ≥ 0.02 is considered small, ≥ 0.15 is moderate, and ≥ 0.35 is large. In this research model, the F-Square value is large for the relationship X1→Y (H1), which is 0.613, while the relationship X2→Y (H2) is considered small, with a value of 0.128.

The bootstrapping results show the Path Coefficient and p-value to examine the relationships between variables based on the proposed hypotheses. The testing results indicate that only the first hypothesis (H1) is accepted, which is the relationship X1→Y. H1 demonstrates a positive and significant effect of Educational Background on Employee Performance with $\beta = 0.618$ and $p = 0.000$. Meanwhile, H2 also shows a positive effect but is not significant, with $\beta = 0.282$ and $p = 0.174$.

Table 5. Summary of Hypothesis Test

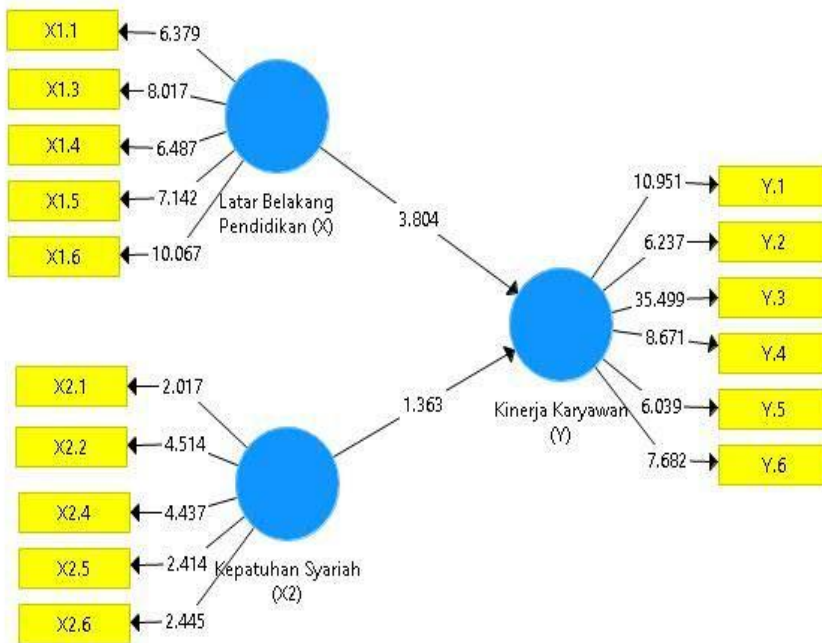| Hypothesis	Path Coefficient	P-Value	F^2	R^2	Result
H1. X1→Y	0.618	0.000	0.613	0.721	Supported
H2. X2→Y	0.282	0.174	0.128		Rejected

Fig. 2. Structural Model Results

3.4 Discussion

The results of the first hypothesis test (H1) show that educational background has a positive and significant effect on employee performance, with a path coefficient value of 0.618 and a significance value of (0.000<0.05). This means that the better the alignment of an employee's educational level, the better their performance in carrying out tasks at Bank Muamalat KCP Bone and Bank Syariah Indonesia KC Bone. In other words, employees' educational background is closely related to their performance. This finding is consistent with research conducted by (Faridah & Hikmah, 2021). The research findings indicate that educational background has a positive and significant effect on the performance of employees at PT. Bank Muamalat Indonesia.

Educational background is one of the key variables that can influence employee performance in the Islamic banking sector. Education that is aligned with one's field of study can provide the knowledge and skills necessary for employees to perform their tasks effectively. In the context of this study, employees with higher education backgrounds in economics, particularly Islamic economics, tend to have a deeper understanding of Islamic financial products, Sharia principles, and operational procedures of Islamic banks.

Sharia compliance is a commitment to applying Islamic principles in every aspect of work, in this case, within the Islamic financial industry. This compliance includes knowledge of Sharia rules and the implementation of these principles in daily activities. The results of

the second hypothesis test (H2) indicate that Sharia compliance has a positive but not significant effect on employee performance, with a path coefficient of 0.282 and a significance value of $(0.174 > 0.05)$. This suggests that the application of Sharia principles in banking products and operations, as a form of Sharia compliance, contributes to performance improvement but is not the main determinant of employee performance. Therefore, while Sharia compliance is an important factor affecting performance at Bank Muamalat KCP Bone and Bank Syariah Indonesia KC Bone, there are other more decisive factors for improving their performance.

Although in the context of this study the effect of Sharia compliance has not been strongly observed, there is potential for Sharia compliance to have a positive impact on employee performance in the Islamic financial industry, as indicated by research conducted by (Itsnaini et al., 2023; Nurjannah et al., 2020).

Based on the discussion above, it can be concluded that both the relevance of educational background and Sharia compliance have a positive impact on employee performance at Bank Muamalat KCP Bone and Bank Syariah Indonesia KC Bone. However, in the context of this study, Sharia compliance as an exogenous variable has not yet proven to be a fundamental factor in significantly enhancing employee performance. Therefore, efforts to continuously improve the educational background and Sharia compliance among employees remain important to prioritize to ensure ongoing performance improvement.

5 Conclusion

The educational background has been shown to significantly impact employee performance. This indicates that a strong and relevant education positively contributes to better performance by employees at Bank Muamalat KCP Bone and Bank Syariah Indonesia KC Bone. On the other hand, Sharia compliance also positively affects employee performance, but its impact is not significant. Although important, Sharia compliance has not yet made a substantial impact on significantly improving employee performance.

The limitations of the study lie in the research model, which still allows for further development to better explain aspects of Sharia compliance or other variables affecting employee performance. Additionally, the limitation in sample size may lead to inaccuracies in estimation, so it is highly recommended that future research uses a larger sample.

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