

CHAPTER I

INTRODUCTION

A. Research Background

There are more universities in Indonesia than in China, which has a much larger population. In China, there are only about 2,800 universities, while in Indonesia there are around 4,600 public and private universities. However, the number of these tertiary institutions is not comparable to the quality and gross enrollment rate of higher education which is still far below China's. (Napitupulu, 2021, kompas.id)

China, with a population of about 1.5 billion, only has 2,800 universities. Indonesia, with a population of about 260 million people, has around 4,600 universities. However, Indonesia's higher education gross enrollment rate (GER) in 2020, which was recorded at 36.16 percent of the population aged 19-23, is still lower than China. (Napitupulu, 2021, kompas.id)

The acceleration program for the merger of small private universities in 2021 with this funding incentive scheme has received a good response but is not yet optimal. From the planned merger of 1,000 Private Higher Education in 2015-2020, only 458 Private Higher Education have been merged into 179 Private Higher Education (Napitupulu, 2021, kompas.id).

Currently, the pandemic has hit almost all aspects of human life. Material losses in the business sector are incalculable, as well as the world

of education is not spared from this exposure. Indonesian private universities also felt a truly extraordinary impact. Not only about the changing learning process, but the economic side that is directly related to campus operations is also affected by the pandemic.

Performance measurement is very important in an effective organization. In general, performance is defined as the extent to which an operation meets performance objectives, and the main steps to meet customer needs. The facts show that without performance measurement, it is difficult to improve. Operational performance reflects the company's internal operating performance in terms of cost and waste reduction, product quality improvement, new product development, delivery performance improvement, and productivity improvement (Ibrahim, 2016).

According to Listiyowati et al., (2016) Education associated with the economy is like a wedge in which there are human resources that can be produced by educational institutions. The higher the knowledge, the higher the quality of human resources to earn income in the future. Economic education is also able to explain the level of economic efficiency in a higher education institution. This means that how much higher education institutions can generate and manage their finances to achieve a good level of financial performance in financing every operational activity of the institution.

The entity's sustainability is seen in terms of performance and intangible assets in the form of human resources (HR) capable of managing company assets that can identify with intellectual capital. According to Niswah (2014), Intellectual Capital is a way to gain a competitive advantage and become a very important component for the prosperity, growth, and development of companies in the new knowledge-based economy. Intellectual capital is one of the approaches used in the valuation and measurement of intangible assets which has become the focus of attention in various

fields, both management, information technology, sociology, and accounting (Ulum, *et al.*, 2008). Intellectual Capital can be a strategic asset in establishing a sustainable competitive advantage for an agency. Competent intellectual capital can also be supported by information technology in the 4.0 era that puts forward the field of technology.

Haag and Keen (1996) stated that Information technology is a set of tools that help work with information as well as tasks related to information. Goetsch (2002) stated that people tools, resources, to solve problems or to extend their capabilities. Technology can be understood as an "effort" to get a "product" made by humans by utilizing tools, processes and resources.

Zhang *et al.*,(2008) defines information technology capabilities as the company's ability to mobilize and deploy resources based on information technology in combination with other resources and capabilities. The positive impact of IT on the company will be able to improve the company's performance in the end. So it can be said that the use of IT in the company is a strategic step that will bring the company to increase profitability so that it is one of the indicators of financial performance (Sidiq and Astutik, 2017). Intellectual capital and Information Technology Capability are two things related to organizational sustainability (Hartati, 2014).

As explained in Quran surah Al-Baqarah ayat 155 - 157:

وَلَنَبْلُوَنَّكُمْ بِشَيْءٍ مِّنَ الْخَوْفِ وَالْجُوعِ وَنَقْصٍ مِّنَ الْأَمْوَالِ وَالْأَنْفُسِ وَالثَّمَرَاتِ ۗ وَبَشِّرِ الصَّابِرِينَ

الَّذِينَ إِذَا أَصَابَتْهُمُ مُصِيبَةٌ قَالُوا إِنَّا لِلَّهِ وَإِنَّا إِلَيْهِ رَاجِعُونَ

أُولَٰئِكَ عَلَيْهِمْ صَلَوَاتٌ مِّن رَّبِّهِمْ وَرَحْمَةٌ وَأُولَٰئِكَ هُمُ الْمُهْتَدُونَ

Meaning: And We will surely test you with something of fear and hunger and a loss of wealth and lives and fruits, but give good tidings to the patient, Who, when

disaster strikes them, say, "Indeed we belong to Allah, and indeed to Him we will return.". Those are the ones upon whom are blessings from their Lord and mercy. And it is those who are the [rightly] guided (QS. Al-Baqarah: 155 -157).

Along with the times, the level of education in the community has increased. Therefore, education at the tertiary level is considered very important for the community. The strategy developed in the use of integrated quality management in education is an educational institution that positions itself as a service institution, namely an institution that can provide services in accordance with what is desired or expected by customers (Tampubolon, 2001).

Competition between universities in Banten was recorded in 2009, which was marked by as many as 30 percent or about 30 universities in Banten experiencing bankruptcy (Tempo.co, 2009). Bankruptcy occurs because of competition between universities in fighting for the same market. Although 30 universities went bankrupt, few of them experienced rapid development, and some of them managed to improve their status. In addition, even though they are losing money, every year, there are one to two new universities that appear (Tempo.co, 2009).

Banten is a province rich in natural resource potential, and many industries operate in the Banten region. However, this condition is not balanced with the appropriate quality of human resources. The low quality of Banten's human resources makes the unemployment rate in this province the second highest in Indonesia. One of the causes of the low quality of Banten's human resources is marked by the lack of high school and vocational high school graduates who continue their education to a higher level of education (BPS Provinsi Banten, 2018).

The definition of performance based on Permendagri No.21 of 2011 is the result of activities that will be or have been achieved in connection with the use of the budget

with measurable quantity and quality. Activities as part of achieving measurable targets in a program implemented (Mandala, Barusman and Dunana, 2020). So, researchers are interested in researching whether private universities being tested by the current pandemic can show their performance well.

Based on this background and various opinions from previous studies, the researcher will conduct a study titled " THE INFLUENCE OF INTELLECTUAL CAPITAL, AND INFORMATION TECHNOLOGY CAPABILITY ON OPERATIONAL PERFORMANCE WITH FINANCIAL PERFORMANCE AS INTERVENING VARIABLES (Study of Private Universities in Banten)".

B. Research Formulation

To be able to direct and facilitate systematic focused research, the authors formulate the problems that will be discussed in writing this research as follows:

1. Does Intellectual Capital Affect Financial Performance?
2. Does IT Capability Affect Financial Performance?
3. Does Intellectual Capital Affect Operational Performance?
4. Does IT Capability Affect Operational Performance?
5. Does Financial Performance Affect Operational Performance?
6. Does Intellectual Capital Affect Operational Performance with Financial Performance as Intervening Variable?
7. Does IT Capability Affect Operational Performance with Financial Performance as Intervening Variable?

C. Research Purpose

The purpose of this study is to obtain an in-depth picture and obtain empirical evidence regarding the influence of intellectual capital and information technology capabilities on operational performance and their effect on financial performance. The

aims of this research are as follows:

1. To test and get empirical evidence whether Intellectual Capital has an effect on financial performance.
2. To test and get empirical evidence whether IT Capability has an effect on financial performance.
3. To test and get empirical evidence whether Intellectual Capital has an effect on operational performance.
4. To test and get empirical evidence whether IT Capability has an effect on operational performance.
5. To test and get empirical evidence does financial performance affect operational performance.
6. To test and get empirical evidence whether Intellectual Capital has an effect on operational performance with financial performance as an intervening variable.
7. To test and get empirical evidence whether IT Capability has an effect on operational performance with financial performance as an intervening variable.

D. Research Benefit

The benefits expected from the results of this study are as follows:

1. Theoretical Benefits

Provide a positive contribution to the development of public sector accounting, especially the factors that affect the operational performance of private higher education in Banten.

2. Practical Benefits

- a. For related organizations

It is hoped that the results of this study can provide information for future organizational development, especially in the field of public sector

accounting.

b. For researchers

As one of the requirements for completing the strata-1 level and providing knowledge in the application of accounting science.

c. For the next researcher

As a reference for those who wish to conduct further research on private universities.