The Effect of Sop Compliance As Mediating For Competencies And Policy On Financing Decisions

Usama
Fakultas Ekonomi, Bisnis & Humaniora, Universitas Trilogi
Email: usama@trilogi.ac.id

Aam Bastaman
Fakultas Ekonomi, Bisnis & Humaniora, Universitas Trilogi
Email: a_bastaman@trilogi.ac.id

Abstract

This study examines the effects of Reviewer Competence and Internal Bank Policy on Sharia Financing Assessment Decisions, with Sharia-Based SOP Compliance as a mediating variable at PT Bank Syariah Indonesia. This issue is critical, as the quality of sharia financing decisions depends not only on reviewers' individual capacity and organizational policy clarity, but also on the consistent implementation of procedures grounded in sharia principles. A quantitative survey approach was employed, from 151 questionnaires collected, 17 responses excluded due to not meeting the criteria, so only 134 respondents valid. The valid data were analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) via SmartPLS 4. Results show that Reviewer Competence and Internal Bank Policy have no significant direct effect on Sharia Financing Assessment Decisions. Instead, both variables significantly and positively affect Sharia-Based SOP Compliance, which in turn significantly and positively affects Sharia Financing Assessment Decisions. Mediation testing confirms that SOP Compliance is statistically significant on the relationships between both exogenous variables and financing decisions. These findings indicate that improving the quality of sharia financing decisions depends primarily on the consistent implementation of sharia-based SOPs, rather than on individual competence or organizational policy alone.

Keywords: *Reviewer Competence, Internal Bank Policy, Sharia Compliance, Financing Decisions, Islamic Banking*

Abstrak

Penelitian ini mengkaji pengaruh Kompetensi Peninjau dan Kebijakan Internal Bank terhadap Keputusan Penilaian Pembiayaan Syariah, dengan Kepatuhan terhadap SOP Berbasis Syariah sebagai variabel mediasi di PT Bank Syariah Indonesia. Isu ini sangat penting karena kualitas keputusan pembiayaan syariah tidak hanya bergantung pada kapasitas individu peninjau dan kejelasan kebijakan organisasi, tetapi juga pada penerapan prosedur yang berlandaskan prinsip syariah secara konsisten. Penelitian ini menggunakan pendekatan survei kuantitatif; dari 151 kuesioner yang terkumpul, 17 tanggapan tidak disertakan karena tidak memenuhi kriteria, sehingga hanya 134 responden yang dinyatakan valid. Data yang valid dianalisis menggunakan metode Partial Least Squares-Structural Equation Modeling (PLS-SEM) melalui perangkat lunak SmartPLS 4. Hasil penelitian menunjukkan bahwa Kompetensi Peninjau dan Kebijakan Internal Bank tidak memiliki pengaruh langsung yang signifikan terhadap Keputusan Penilaian Pembiayaan Syariah. Sebaliknya, kedua variabel tersebut berpengaruh signifikan dan positif terhadap Kepatuhan terhadap SOP Berbasis Syariah, yang pada gilirannya berpengaruh signifikan dan positif terhadap Keputusan Penilaian Pembiayaan Syariah. Uji mediasi mengonfirmasi bahwa Kepatuhan terhadap SOP memiliki signifikansi statistik dalam hubungan antara kedua variabel eksogen tersebut dan keputusan pembiayaan. Temuan ini mengindikasikan bahwa peningkatan kualitas keputusan pembiayaan syariah terutama bergantung pada penerapan SOP berbasis syariah secara konsisten, bukan sekadar pada kompetensi individu atau kebijakan organisasi semata.

Kata Kunci: *Kompetensi Penilai, Kebijakan Internal Bank, Kepatuhan Syariah, Keputusan Pembiayaan, Perbankan Syariah*

INTRODUCTION

The rapid expansion of Islamic banking in Indonesia has brought with it a corresponding rise in the complexity of financing risk management. This challenge is particularly salient for PT Bank Syariah Indonesia (BSI), formed through the merger of PT Bank Syariah Mandiri, PT BNI Syariah, and PT BRI Syariah. In recent years, BSI has recorded robust growth in assets, financing, and third-party funds. This can been seen from total financing disbursed grew by 15.88% year-on-year in 2024, while its Non-Performing Financing (NPF) ratio simultaneously improved from 2.08% to 1.90% over the same period. This making the quality of its financing analysis and appraisal processes is ncreasingly consequential. Scale alone, however, does not guarantee sound risk management. This indicates that the larger the financing portfolio, the greater the stakes should appraisal and risk-control processes fail to be implemented consistently. Recent literature indeed points to a meaningful relationship between governance mechanisms and financing risk in Indonesian Islamic banks (Mutamimah & Saputri, 2023; Zunanto & Abdullah, 2023). This challenge is compounded in the context of a merged bank, where organizational integration involves far more than combining assets and legal structures. This also demands the harmonization of processes, policies, knowledge, and working practices.

Research on employee performance following Islamic bank mergers in Indonesia suggests that social and organizational factors continue to shape post-merger employee performance (Suryadi et al., 2023). Within BSI's context, the success of consolidation should be gauged not only by business growth but also by the organization's capacity to unify financing appraisal standards and ensure that decisions remain consistent across reviewers and business units. The human resource literature identifies competence as a critical element within financial service organizations. Yusuf et al. (2023), studying Islamic banking, found that employee competence is associated with the quality of organizational responsiveness to customers, while research on human resource development in Islamic commercial banks likewise underscores the importance of sustained training and competency development programs (Mardhiyaturrositaningsih, 2023). These findings reinforce the view that reviewers require not merely technical knowledge but also analytical capability and professional judgment to produce sound financing appraisals.

Individual competence alone, however, does not automatically translate into quality decisions. Within a banking organization, reviewers exercise judgment within a corridor defined by rules, risk parameters, delegated authority, and oversight mechanisms set by the bank. Mutamimah and Saputri (2023) demonstrate that corporate governance moderates the relationship between financing type and financing risk in Indonesian Islamic banks. More broadly, research on Islamic bank governance similarly identifies governance mechanisms as integral to risk management and bank stability (Aslam & Haron, 2021; Srairi et al., 2022). Internal bank policy can thus be understood as the organizational mechanism through which reviewer competence is translated into operational decisions. A further dimension of importance is compliance with standard operating procedures (SOPs) and Sharia principles. In Islamic banking, compliance cannot be reduced to mere procedural adherence; it must also encompass the conformity of contracts, financing processes, and decisions with Sharia principles. Hamsin et al. (2022), examining murabahah financing at Islamic rural banks (BPRS), argue that Sharia compliance concerns the alignment of policies, provisions, processes, and operational procedures with Sharia tenets. Empirical work on BSI similarly shows that Sharia compliance in financing products is closely tied to the application of DSN-MUI fatwas and oversight by the Sharia Supervisory Board (DPS). SOP compliance grounded in Sharia principles can therefore be understood as the mechanism ensuring that organizational policy and reviewer capability are genuinely enacted within operational financing processes.

Although the literature has extensively addressed human resource competence, governance, financing risk, and Sharia compliance, these factors have largely been examined in isolation. Studies of employee competence tend to focus on performance or service quality, while governance research is predominantly oriented toward risk and bank performance. Sharia compliance studies, for their part, typically assess the conformity of products or processes with Sharia principles, with comparatively little attention paid to compliance as a mediating mechanism linking reviewer competence and internal policy to the quality of financing appraisal decisions. From this view, less prior study has empirically examined SOP compliance in Sharia principles as a mediating mechanism to connecting reviewer competence and internal bank policy towards financing appraisal decision quality within a post-merger Islamic bank context. This represents a specific and testable gap that the present study addresses.

Theoretically, these relationships can be explained through the integration of Human Capital Theory (Becker, 1964), the Resource-Based View (Barney, 1991), Institutional Theory (DiMaggio & Powell, 1983), and Compliance Theory (Tyler, 1990). Human Capital Theory holds that reviewers' knowledge and skills constitute a form of capital that can be developed through education, experience, and training. The Resource-Based View, in turn, treats such competence as an internal resource capable of generating value when effectively organized. Institutional Theory explains how reviewers' behavior is shaped by organizational rules, policies, and formal mechanisms, while Compliance Theory accounts for how these rules are translated into compliant behavior in practice.

Within this framework, Reviewer Competence and Internal Bank Policy are positioned as antecedents of SOP Compliance in Sharia Principles, which is in turn expected to enhance the quality of Sharia Financing Appraisal Decisions. This framework further allows for testing whether compliance functions as the mechanism bridging individual resources and organizational policy toward higher-quality financing decisions. Building on this empirical problem, the evolving body of literature, and the identified research gap, this study aims to analyze the influence of Reviewer Competence and Internal Bank Policy on Sharia Financing Appraisal Decisions, and to examine SOP Compliance in Sharia Principles as a mediating variable at PT Bank Syariah Indonesia.

RESEARCH METHODS

Reviewer Competence Approach

Reviewer competence is a key individual-level determinant of the quality of financing assessment. Human Capital Theory holds that an individual's knowledge and skills constitute capital that enhances job performance, a view extended by Spencer and Spencer's (1993) conceptualization of competence as an underlying characteristic causally linked to effective or superior performance. For financing reviewers, competence encompasses not only technical proficiency in analyzing customers' financial condition and risk, but also knowledge of sharia-compliant products and contracts (akad) and the ability to preserve objectivity in recommendations.

The Resource-Based View (RBV) similarly positions human resource competence as an internal resource capable of generating value when effectively deployed. Empirically, Yusuf et al. (2023) found that employee competence in Islamic banking affects the quality of outcomes experienced by customers, while Mardhiyaturrositaningsih (2023) underscored the role of competence-development programs in building HR capability within Islamic commercial banks. Recent studies on the 5C principle in sharia financing further show that character, capacity, capital, collateral, and condition serve as the basis for feasibility assessment and risk mitigation; Rapiyudin and Alifa (2024), for instance, demonstrate the relevance of 5C analysis to optimizing murabahah repayment. Reviewers with stronger sharia knowledge, risk-analysis skills, and professional conduct are therefore expected to produce financing assessment decisions that are more objective, accurate, and consistent.

H1: Reviewer Competence has a positive effect on Financing Decisions.

Internal Bank Policy in Financing Process

Financing decisions are shaped not only by individual reviewer capability but also by the organizational structures that govern how such decisions are made. Administrative Behavior Theory holds that bounded individual rationality compels organizations to rely on rules, procedures, and authority structures to guide decision-making. In banking, internal policy establishes financing criteria, authority limits, risk parameters, and oversight mechanisms, so that decisions do not rest solely on reviewers' subjective judgment.

This argument is reinforced by Institutional Theory, which explains that formal organizational rules are established to align organizational behavior with regulatory and institutional demands where internal control quality being a central part of this mechanism. Trung (2021) found that internal control functions to mitigate conflicts of interest and manage credit risk in Vietnamese commercial banks, while Baugh et al. (2021) linked internal control quality to risk-taking behavior and bank performance, showing that weaker internal control is associated with higher risk and poorer performance. These findings are relevant to financing assessment because clear internal policy establishes decision premises that constrain the scope of individual judgment and promote consistency across reviewers. Accordingly, the clearer, more structured, and more effective a bank's internal policy, the greater the likelihood that financing assessment decisions will be objective and consistent.

H2: Internal Bank Policy has a positive effect on Financing Decisions.

Reviewer Competence on SOP Compliance in Sharia Principles

Competence determines not only a reviewer's analytical capacity but also the ability to understand and execute organizationally mandated procedures. Under Human Capital Theory, knowledge and skill constitute capital that shapes work behavior; in Islamic banks, this competence carries an added dimension, as reviewers must understand sharia principles alongside financing procedures. Prior research on sharia auditor competence, encompassing education, training, experience, independence, and professionalism, has shown its importance in supporting sharia compliance at Islamic rural banks (BPRS). Related studies on Islamic banking HR development likewise indicate that training and development are essential instruments for strengthening employee competence to meet the operational demands of the Islamic banking industry. In the financing process, reviewer competence allows SOPs to be applied not merely as administrative rules but in a manner faithful to their underlying substance. Reviewers who understand contracts (akad), sharia principles, risk-analysis techniques, and the purpose of each SOP stage are better positioned to apply procedures consistently and avoid errors or omissions.

H3: Reviewer Competence has a positive effect on SOP Compliance in Sharia Principles.

Internal Bank Policy on SOP Compliance in Sharia Principles

SOP compliance depends not only on individual willingness but also on the quality of the organizational system that governs and monitors such behavior. Institutional Theory explains that formal rules, oversight structures, and organizational mechanisms shape member behavior through regulative and normative pressures. Internal policy therefore serves as the instrument that translates regulatory and governance requirements into operational procedures reviewers are expected to follow.

Trung (2021) showed that internal control systems function as mechanisms for risk control and agency-conflict resolution in banking, while Ghani and Shaharuddin (2023) positioned internal control systems as a key precondition for the effectiveness of internal sharia audit functions in managing non-compliance risk. Studies on Sharia Supervisory Board (SSB) characteristics further indicate that board members' education and expertise positively affect sharia compliance, underscoring the importance of governance and oversight quality in sustaining sharia compliance.

H4: Internal Bank Policy has a positive effect on SOP Compliance in Sharia Principles.

SOP Compliance in Sharia Principles and Financing Decisions

SOP compliance is the mechanism that ensures financing assessment is carried out not only in accordance with formal rules but consistently in line with sharia principles. Compliance Theory holds that compliance rooted in the perceived legitimacy of rules produces more consistent behavior than compliance driven solely by monitoring or sanctions. In Islamic banks, this compliance carries an additional dimension, as the financing process must align with sharia principles and Shariah Governance mechanisms.

Rapiyudin and Alifa (2024) showed that 5C analysis supports the optimization of murabahah repayment, underscoring the importance of consistent analytical processes in financing management, while Ambayu and Rahmadani (2022) similarly demonstrated the application of 5C principles in pre-approval feasibility assessment at Bank Syariah Indonesia to mitigate problematic financing. From a sharia governance perspective, Muhammad et al. (2021) found that specific SSB characteristics—particularly education and expertise—affect the sharia compliance of Islamic banks, reinforcing that sharia compliance is a substantive element of Islamic bank governance rather than a mere administrative requirement.

H5: SOP Compliance in Sharia Principles has a positive effect on Financing Decisions.

SOP Compliance in Sharia Principles as a Mediator Variable

Reviewer competence theoretically provides the individual capacity to conduct financing assessment, yet this capacity does not necessarily yield high-quality decisions unless translated into consistent work behavior. The Resource-Based View suggests that valuable resources generate advantage only when organizations effectively orchestrate and deploy them. In this study's context, reviewer competence must be enacted through compliance with SOPs and sharia principles before it can shape financing decisions.

This premise is supported by research linking competence to sharia compliance, which highlights education, training, experience, independence, and professionalism as core elements of sharia auditor competence underpinning sharia compliance. Competence can thus be viewed as an input, while SOP compliance operates as the process mechanism converting that capacity into consistent decision-relevant behavior (Desta et al., 2022). Anis et al. (2023) similarly showed that the relationship between organizational practices and performance can operate through an operational mechanism, efficiency, reinforcing the argument that an organizational resource's effect on outcomes need not be direct but may instead be channeled through process mechanisms.

Meanwhile, internal policy is fundamentally an organizational instrument for directing behavior, yet its existence alone does not guarantee decision quality. Institutional Theory and Administrative Behavior Theory suggest that policy provides a framework, authority boundaries, and decision premises, while outcomes ultimately depend on how these rules are translated into operational behavior. Trung (2021) showed that internal control operates as an organizational mechanism for credit risk control, and Baugh et al. (2021) linked internal control quality to risk-taking and bank performance.

In the Islamic banking context, Ghani and Shaharuddin (2023) further positioned internal control systems as foundational to effective sharia compliance oversight. These findings suggest that internal policy generates impact through implementation mechanisms: clear policy on financing criteria, authority limits, risk control, and work procedures is more likely to yield high-quality decisions when reviewers genuinely comply with it. SOP Compliance grounded in Sharia Principles is therefore positioned as the mechanism that translates formal policy into financing decision-making practice.

H6: SOP Compliance in Sharia Principles mediates the effect of Reviewer Competence on Financing Decisions.

H7: SOP Compliance in Sharia Principles mediates the effect of Internal Bank Policy on Financing Decisions.

According to the theory mentioned above, the framework of this study is as follows:

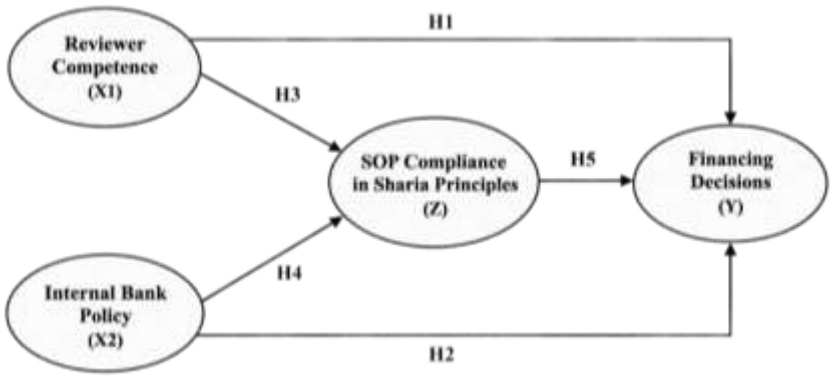

Figure 1. Hypothetical Framework

This study uses a quantitative approach with an explanatory research design to examine the direct and indirect relationship between the Reviewer's Competence, the Bank's Internal Policy, SOP Compliance Based on Sharia Principles, and the Financing Assessment Decision. The research was carried out at PT Bank Syariah Indonesia (BSI). The research population is employees who are directly involved in the process of analysis, verification, and financing decision-making.

The sample was determined using purposive sampling with the criteria of active employees, directly involved in the financing process, and having a minimum working period of five years. Lemeshow formula is appropriate for studies where the population proportion and population size are not known precisely. The resulting minimum sample size was 96 respondents. This calculation is consistent with the general principles of sample-size determination described by Lemeshow et al. (1990). A total of 151 questionnaires were collected. All responses were screened for completeness, missing data, and compliance with the inclusion criteria. Seventeen respondents were excluded because they had less than five years of relevant work experience, leaving 134 valid responses for the final analysis.

The research instrument used a Likert scale of 1–5. The Reviewer's competence is measured through knowledge, risk analysis skills, and professional attitude; The Bank's Internal Policy through internal regulations and organizational control; SOP compliance based on Sharia principles through procedural aspects, commitments, and sharia principles; while the Financing Assessment Decision through transparency, objectivity, and consistency of decisions. These instruments are shown in Table 1.

Table 1. Operational Definition and Indicators for Research Instruments

Variable	Operational Definition	Indicators	Scale
Reviewer Competence (X1)	The capacity, expertise, and professional attitude in accurately evaluating the financial feasibility and risk profile of prospective sharia financing customers.	1. Knowledge 2. Skill 3. Self-concept	Likert Scale
Internal Bank Policy (X2)	The regulations, formal rules, and risk management guidelines established by BSI's management to direct and control.	1. Regulation 2. Internal Control	Likert Scale
SOP and Sharia Principle Compliance (Z)	The level of discipline and consistency with which reviewers execute formal procedures while aligning decisions with sharia principles.	1. Procedural of working 2. Sharia Principles 3. Commitment	Likert Scale
Financing Assessment Decision (Y)	The final outcome, approval or decline of application, determined in a prudent, objective, and accurate manner.	1. Transparency 2. Objectivity 3. Consistency	Likert Scale

Source: Processed by the author

Data were collected primarily through a structured questionnaire using a five-point Likert scale. The indicators were developed from the theoretical and empirical literature underlying each construct and were documented. The final instrument consisted of 7 items for Reviewer Competence, 4 items for Internal Bank Policy, 7 items for SOP Compliance based on Sharia Principles, and 5 items for Financing Assessment Decisions, resulting in 23 measurement items.

Data were analyzed using Structural Equation Modeling–Partial Least Squares (PLS-SEM) via SmartPLS 4, a method well-suited to simultaneously testing relationships among latent constructs while evaluating both the measurement and structural models, and particularly appropriate for models combining direct and mediating effects. Hair et al. (2019) provide a comprehensive overview of the considerations and metrics required for PLS-SEM analysis and result reporting, including the criteria for assessing both the measurement and structural components of a model. The measurement model (outer model) was evaluated through outer loadings, Average Variance Extracted (AVE), Composite Reliability, and Cronbach's Alpha, along with discriminant validity assessed via the Fornell–Larcker criterion.

The structural model was evaluated through collinearity (VIF), the coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), and path coefficients. Hypothesis testing was conducted through bootstrapping to obtain path coefficients, t-statistics, p-values, and confidence intervals. Finally, a one-tailed test was employed because all hypotheses were explicitly directional and predicted positive relationships based on the theoretical framework. Accordingly, hypotheses were considered supported when the estimated effect was in the hypothesized direction and t-statistic > 1.645 or p-value < 0.05 at the 5% significance level. Indirect effects were assessed using the specific indirect effects obtained from bootstrapping rather than the Sobel test.

FINDING AND DISCUSSION

Descriptive analysis began with a screening procedure applied to 151 collected questionnaires to ensure data completeness and respondents' conformity with the study's eligibility criteria. As presented in Table 4.1, respondents were predominantly male, comprising 98 individuals (64.9%), compared with 53 female respondents (35.1%). In terms of age distribution, the majority fell within the 31–40-year range (53.6%), followed by those aged above 40 years (33.1%); collectively, 86.7% of respondents were over 30 years old, reflecting a sample dominated by individuals within their professionally productive and relatively mature years.

With respect to educational attainment, most respondents held a bachelor's degree (82.8%), followed by a master's degree (11.3%) and a diploma qualification (6.0%). Regarding tenure, the largest proportion had worked for 11–15 years (56.3%), followed by those with 5–10 years (18.5%) and 16–20 years (12.6%) of service, indicating that the majority of respondents possessed substantial professional experience within the banking environment.

Subsequent screening assessed response completeness, the presence of missing values, and conformity with the inclusion criteria. Seventeen respondents were excluded for having less than five years of tenure, yielding a final sample of 134 respondents deemed eligible for inclusion in the PLS-SEM analysis. The resulting respondent profile was further examined through cross-tabulation to provide a more nuanced depiction of the sample's demographic characteristics. The respondent profile was predominantly characterized by male employees aged 31–40 years, holding a bachelor's degree, with 11–15 years of tenure. This composition indicates that the data primarily reflect the perceptions of employees with considerable professional maturity in the financing assessment process.

Table 2. Respondent Profile

Characteristics	Categories	Frequency (n)	Percentage (%)
Gender	Male	98	64.9
	Female	53	35.1
	Total	**151**	**100.0**
Age Group	≤ 30 Year	20	13.2
	31–40 Year	81	53.6
	> 40 Year	50	33.1
	Total	**151**	**100.0**
Education	Diploma	9	6.0
	S1	125	82.8
	S2	17	11.3
	Total	**151**	**100.0**
Work Experience	< 5 Year	17	11.3
	5–10 Year	28	18.5
	11–15 Year	85	56.3
	16–20 Year	19	12.6
	> 20 Year	2	1.3
	Total	**151**	**100.0**

Source: Primary data, processed by the author(s)

The mean values of the four indicators are summarized in Table 3, with descriptive analysis proceeding as follows.

Table 3. Summary of Variable Response Distribution

Variable	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)	Mean
Reviewer Competency (X1)	1.2	2.3	7.9	54.7	33.9	4.18
Internal Policy (X2)	1.1	1.1	11.0	54.5	32.3	4.16
SOP Compliance in Sharia Principles (Z)	0.7	0.5	6.6	55.3	36.8	4.27
Financing Decisions (Y)	0.7	0.6	9.3	55.8	33.6	4.21

Overall, all four constructs recorded mean scores above 4.00, indicating that respondents generally rated the constructs under investigation as favorable to highly favorable. Reviewer Competence recorded a mean of 4.18, suggesting that reviewers were perceived as possessing strong competence, with the high proportion of "agree" and "strongly agree" responses indicating that reviewers are relatively capable of performing the analytical function professionally. This finding is consistent with Zulkifli et al. (2023), who demonstrated that competence constitutes a critical factor in enhancing employee performance within Indonesian sharia banks. Internal Bank Policy likewise received a high rating (mean = 4.16), with 86.8% of respondents indicating agreement or strong agreement. This suggests that regulatory frameworks and internal control mechanisms were perceived as sufficiently clear and operationally effective. This result aligns with Baugh et al. (2021) who found that stronger internal control quality is associated with improved risk management and bank performance.

SOP Compliance grounded in Sharia Principles yielded the highest mean among the four constructs (4.27), with 92.1% of respondents expressing agreement or strong agreement. This result indicates that procedural compliance and adherence to sharia principles are perceived as deeply embedded in the financing process. This is consistent with research on the implementation of sharia compliance in Indonesian Islamic banks, which shows that such compliance is applied across operational, product, and personnel dimensions as an integral part of bank governance (Lahuri et al., 2024). Financing assessment decisions recorded a mean of 4.21, with 89.4% of respondents indicating agreement or strong agreement, reflecting a perception that financing decisions are made with reasonable objectivity, transparency, and consistency.

This finding is further supported by the sharia compliance literature, which identifies compliance as a substantive component of governance quality and performance in Islamic banks (Desta et al., 2022). Among the four constructs, SOP Compliance Grounded in Sharia Principles exhibited the highest mean (4.27), followed by Financing Assessment Decisions (4.21), Reviewer Competence (4.18), and Internal Bank Policy (4.16). This pattern is substantively noteworthy, as it suggests that SOP and sharia-principle compliance is perceived more strongly than either reviewer competence or internal policy considered individually. Conceptually, this pattern lends support to the argument that competence and organizational policy must be translated through a compliance mechanism in order to yield a consistent financing assessment process.

Convergent validity was assessed to ensure that each indicator adequately represents its corresponding construct. In PLS-SEM, this is evaluated through outer loadings and the Average Variance Extracted (AVE). An outer loading of approximately 0.70 or higher generally indicates satisfactory indicator reliability, whereas loadings between 0.40 and 0.70 may be retained provided they are theoretically justified and do not compromise the construct's overall quality (Hair, Howard, & Nitzl, 2020).

As presented in Table 4, all indicators exhibited outer loadings ranging from 0.605 to 0.891, and all constructs achieved AVE values above 0.50: Reviewer Competence (0.532), Internal Bank Policy (0.735), Financing Assessment Decision (0.761), and SOP Compliance Grounded in Sharia Principles (0.708). These results indicate that convergent validity was satisfactorily established across all constructs. For Reviewer Competence, items X1.1–X1.4 and X1.7 recorded loadings between 0.727 and 0.808, whereas X1.5 (0.668) and X1.6 (0.605) fell below the ideal 0.70 threshold.

Nonetheless, both items were retained, as the construct's AVE remained adequate and each item theoretically represents a substantively important dimension of reviewer competence. This retention is consistent with Hair et al. (2020) argument that measurement model evaluation should not rest on individual indicators alone, but should also account for the construct's overall reliability and validity. Substantively, these findings suggest that knowledge, analytical capability, and professional conduct the indicators used to measure reviewer competence consistently represent the same underlying construct, thereby warranting progression to structural model evaluation.

Table 4. Convergent Validity, Outer Loadings, and AVE

Variable	Item	Outer Loading	Note	AVE
Reviewer Competence (X1)	X1.1	0.808	Valid	0.532
	X1.2	0.737	Valid	
	X1.3	0.738	Valid	
	X1.4	0.727	Valid	
	X1.5	0.668	Valid	
	X1.6	0.605	Valid	
	X1.7	0.75	Valid	
Internal Policy (X2)	X2.1	0.857	Valid	0.735
	X2.2	0.891	Valid	
	X2.3	0.878	Valid	
	X2.4	0.797	Valid	
Financing Decision (Y)	Y1	0.882	Valid	0.761
	Y2	0.873	Valid	
	Y3	0.877	Valid	
	Y4	0.852	Valid	
	Y5	0.882	Valid	
SOP Compliance in Sharia Principles (Z)	Z1	0.838	Valid	0.708
	Z2	0.796	Valid	
	Z3	0.816	Valid	
	Z4	0.865	Valid	
	Z5	0.835	Valid	
	Z6	0.859	Valid	
	Z7	0.886	Valid	

Once the measurement model satisfied the requisite criteria, evaluation proceeded to the structural model to examine the direction and magnitude of relationships among constructs. In PLS-SEM, path coefficients indicate the direction of a relationship, while its statistical significance must be confirmed through bootstrapping (Hair et al., 2022). The PLS Algorithm results revealed that all relationships were positively directed. Reviewer Competence exhibited a path coefficient of 0.209 toward SOP Compliance and 0.129 toward Financing Assessment Decision. Internal Bank Policy demonstrated a considerably stronger relationship with SOP Compliance (0.678), while its direct relationship with Financing Assessment Decision was comparatively modest (0.161). SOP Compliance, in turn, exhibited the strongest coefficient toward Financing Assessment Decision, at 0.605.

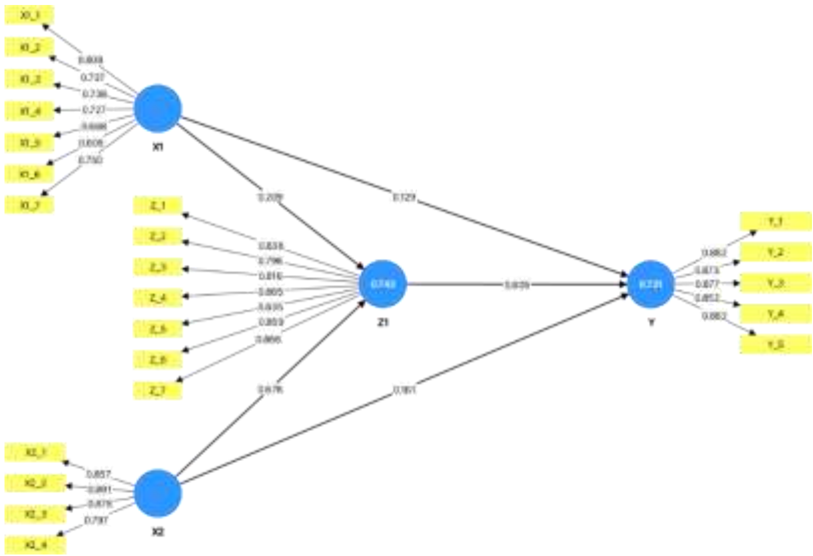

Figure 2. Structural Model (PLS Algorithm)

This pattern yields a substantively important finding: organizational factors, operationalized through Internal Bank Policy, appear more influential in shaping SOP compliance, whereas SOP Compliance constitutes the strongest pathway toward financing decisions. Financing decision quality thus appears to be determined not merely by reviewer capacity or the existence of policy, but by the extent to which both are translated into consistent compliance practice. These coefficients, however, remain relationship estimates and cannot yet substantiate hypothesis significance pending bootstrapping results.

The R^2 value indicates the proportion of variance in an endogenous construct explained by its exogenous constructs. As shown in Table 5, SOP Compliance in Sharia Principles yielded an R^2 of 0.743, indicating that Reviewer Competence and Internal Bank Policy jointly explain 74.3% of the variance in SOP compliance. Financing Assessment Decision yielded an R^2 of 0.731, indicating that Reviewer Competence, Internal Bank Policy, and SOP Compliance jointly explain 73.1% of its variance. Both values indicate high explanatory power and are close to the substantial threshold of 0.75. The corresponding adjusted R^2 values were 0.740 for SOP Compliance in Sharia Principles and 0.725 for Financing Assessment Decision, respectively. These relatively small differences between R^2 and adjusted R^2 suggest that adjusting for the number of predictors does not materially change the model's explanatory capacity.

Table 5. Coefficient of Determination (R-square)

Variable	R-square	R-square adjusted
Financing Assessment Decision (Y)	0.731	0.725
SOP Compliance in Sharia Principles (Z)	0.743	0.740

The corresponding adjusted R^2 values (0.740 and 0.725) remained close to their respective R^2 values, suggesting that adjustment for the number of predictors did not materially alter the model's explanatory capacity. Hair et al. (2022) identify R^2 evaluation as a central component of assessing a structural model's explanatory strength. Substantively, these results indicate that the research model possesses strong explanatory power for both SOP compliance and financing assessment decisions. Nevertheless, approximately 25.7% of the variance in SOP Compliance and 26.9% of the variance in Financing Assessment Decision remain attributable to factors outside the research model. This suggests that the variables examined are important determinants, though not the sole factors shaping the quality of financing decisions.

Hypothesis testing was conducted through a bootstrapping procedure in SmartPLS using 5,000 subsamples. Bootstrapping was employed because PLS-SEM does not assume multivariate normality, such that parameter significance is derived from an empirical resampling distribution (Hair et al., 2022). Both direct effects and specific indirect effects (via the mediating variable) were tested. Given the directional nature of the hypotheses, a one-tailed test was applied, with hypotheses supported when t-statistics exceeded 1.645 or p-values fell below 0.05 (Hair et al., 2022). Interpretation further considered the sign of each path coefficient to confirm consistency with the hypothesized direction. Results are summarized in Table 6.

Reviewer Competence exhibited a positive but statistically non-significant effect on Sharia Financing Assessment Decisions ($\beta = 0.129$; $t = 1.383$; $p = 0.083$); H1 was therefore not supported. Although the direction of the relationship was consistent with the hypothesis, the magnitude of the effect did not reach statistical significance, suggesting that individual reviewer competence does not, by itself, directly determine decision quality. The non-significant direct effect of reviewer competence on financing decisions suggests that individual capability alone may not be sufficient to determine decision quality. This finding differs from studies emphasizing employee competence as a direct determinant of performance and decision outcomes. One possible explanation is that financing decisions in Islamic banking are highly standardized and constrained by internal policies and SOPs, limiting the extent to which individual reviewer competence can independently influence the final decision. Within Islamic banking practice, competence appears to function primarily as human capital that must be channeled through organizational mechanisms before it can translate into decision quality (Becker, 1964; Ployhart & Moliterno, 2011).

Table 6. Summary of Hypothesis Testing Results

Hypothesis	Path	β	t-statistic	p-value	Decision
H1	Reviewer Competence → Financing Decision	0.129	1.383	0.083	Not supported
H2	Internal Bank Policy → Financing Decision	0.161	1.115	0.132	Not supported
H3	Reviewer Competence → SOP Compliance	0.209	2.217	0.013	Supported
H4	Internal Bank Policy → SOP Compliance	0.678	7.116	0.000	Supported
H5	SOP Compliance → Financing Decision	0.605	5.448	0.000	Supported

Internal Bank Policy likewise showed a positive but non-significant effect on Sharia Financing Approval Decisions ($\beta = 0.161$; $t = 1.115$; $p = 0.132$); H2 was not supported. This suggests that the mere existence of sound internal policy does not automatically yield higher-quality financing decisions unless such policy is consistently implemented in operational practice. This result is consistent with Paine (1994), who argues that organizational policy effectiveness depends less on the quality of the policy document itself than on how thoroughly it is internalized and enacted in day-to-day work behavior. Internal policy thus functions as an organizational guideline whose influence on business decisions is contingent on an effective implementation mechanism.

Reviewer Competence showed a positive and statistically significant effect on SOP Compliance Grounded in Sharia Principles ($\beta = 0.209$; $t = 2.217$; $p = 0.013$); H3 was supported. This indicates that reviewers with stronger understanding of sharia contracts (akad), financing analysis skills, objectivity, and professional competence tend to apply

SOPs more consistently in accordance with sharia principles. This finding supports Human Capital Theory, which holds that enhanced individual competence improves the quality of work behavior and organizational performance (Becker, 1964). In the Islamic banking context, competence strengthens not only technical capability but also compliance with procedures and sharia principles as the foundation of financing decision-making (Tho'in, 2016).

Internal Bank Policy exerted a positive and statistically significant effect on SOP Compliance Grounded in Sharia Principles ($\beta = 0.678$; $t = 7.116$; $p < .001$); H4 was supported. The comparatively large path coefficient identifies internal policy as the principal determinant of reviewers' SOP and sharia-principle compliance. This indicates that formal organizational rules and control mechanisms play an important role in shaping reviewers’ compliance behavior. This finding is consistent with Trung (2021), who found that stronger internal control mechanisms improve procedural control and reduce credit risk in commercial banks. The result also supports the institutional perspective (DiMaggio & Powell, 1983), which suggests that formal organizational structures influence employee behavior through formal rules, monitoring and evaluation, and institutional mechanisms shape individual behavior within organizations. It further aligns with the COSO Internal Control Framework (COSO, 2013) and the IFSB Guiding Principles on Sharia Governance (IFSB, 2009), both of which identify clear internal policy as foundational to ensuring compliance with sharia governance.

SOP Compliance Grounded in Sharia Principles exerted a positive and statistically significant effect on Sharia Financing Approval Decisions ($\beta = 0.605$; $t = 5.448$; $p < .001$); H5 was supported. This indicates that higher levels of SOP and sharia-principle compliance are associated with higher-quality financing decisions. This finding is consistent with prior research emphasizing the role of Sharia compliance and procedural consistency in strengthening the quality of Islamic banking operations. More importantly, the present study extends this argument by positioning SOP compliance as the mechanism through which reviewer competence and internal policy are translated into financing decision quality (Sari et al., 2023). This reinforces Compliance Theory (Tyler, 1990; Kaptein, 2008), which posits that adherence to organizational rules produces decision-making processes that are more objective, consistent, transparent, and accountable. In this study's context, SOP compliance operates as the primary mechanism ensuring that financing decisions align with both prudential and sharia principles.

Mediation was assessed using specific indirect effects derived from the bootstrapping procedure; a Sobel test was unnecessary, as the significance of indirect effects is already established through resampling (Hair et al., 2022). Mediation type was classified based on the joint significance of direct and indirect effects following Zhao et al. (2010). As shown in Table 7, SOP Compliance significantly mediated the effect of Reviewer Competence on Sharia Financing Approval Decisions ($\beta = 0.126$; $t = 2.077$; $p = 0.019$). Because the direct effect (X1→Y) was non-significant while the indirect effect was significant, this pattern constitutes indirect-only (full) mediation per Zhao et al. (2010): reviewer competence does not enhance decision quality directly but first strengthens SOP compliance, which subsequently improves decision quality.

Table 7. Mediation Testing Results

Hypothesis	Mediating Path	β	t-statistic	p-value	Mediation Type	Result
H6	X1 → Z → Y	0.126	2.077	0.019	Indirect-only (Full Mediation)	Supported
H7	X2 → Z → Y	0.410	3.996	0.000	Indirect-only (Full Mediation)	Supported

A parallel pattern emerged for Internal Bank Policy's effect on Sharia Financing Approval Decisions via SOP Compliance ($\beta = 0.410$; $t = 3.996$; $p < .001$). This indicates indirect-only mediation the effect of internal policy on financing decisions operates entirely through enhanced SOP compliance. SOP compliance grounded in sharia principles is thus established as the central mechanism linking both individual and organizational factors to financing decision quality. Overall, the bootstrapping results indicate that Reviewer Competence and Internal Bank Policy exert no direct effect on Sharia Financing Approval Decisions, yet both exert significant indirect effects through SOP Compliance. This suggests that SOP compliance functions not merely as a mediating variable but as a central mediating mechanism that transforms individual competence and organizational policy into financing decisions that are objective, accountable, and sharia-compliant. Financing decision quality is thus determined less by reviewer competence or internal policy per se than by the effectiveness with which sharia-based SOPs are implemented.

CONCLUSIONS

The objective of this study is to examine the effects of Reviewer Competence and Internal Bank Policy on Sharia Financing Assessment Decisions, with SOP Compliance grounded in Sharia Principles as a mediating variable at PT Bank Syariah Indonesia. Results show that Reviewer Competence (H1) and Internal Bank Policy (H2) had no significant direct effect on Financing Assessment Decisions. Both variables, however, significantly and positively influenced SOP Compliance (H3 and H4), which in turn significantly and positively influenced Financing Assessment Decisions (H5). Mediation testing confirmed that SOP Compliance fully mediates (indirect-only mediation) the relationships between both exogenous variables and financing decisions (H6 and H7).

These findings indicate that the quality of sharia financing decisions is not determined directly by reviewer capacity or the mere existence of organizational policy, but by the extent to which both are translated into consistent compliance with SOPs and sharia principles. SOP compliance in this study plays an important role as a key mediating in linking competencies and policy towards decision-making process. This result in decision becomes objective, accountable, and sharia-compliant.

Theoretically, this study reinforces the integration of Human Capital Theory, Institutional Theory, and Compliance Theory in explaining organizational decision quality within Islamic banking. Practically, the findings suggest that BSI's management should evaluate the reviewer after training programs on sharia contracts and risk analysis. So, the training is not only relying on development or strengthen reviewer knowledge but also their application to the work. Besides, The management could prioritize the frequently audits process to conduct regular monitoring of financing decision implementation.

REFERENCES

Ambayu, P. R., & Rahmadani, I. (2022). Analisis penerapan prinsip 5C dalam penyaluran pembiayaan KUR Mikro iB pada Bank Syariah Indonesia KCP Nagan Raya 2. El-Amwal, 5(2), 65–77. https://doi.org/10.29103/el-amwal.v5i2.8444

Anis, I., Gani, L., Fauzi, H., Hermawan, A. A., & Adhariani, D. (2023). The sustainability awareness of banking institutions in Indonesia, its implication on profitability by the mediating role of operational efficiency. Asian Journal of Accounting Research, 8(4), 356–372. https://doi.org/10.1108/AJAR-06-2022-0179

Aslam, E., & Haron, R. (2021). Does corporate governance affect the performance of Islamic banks? New insight from African countries. *Corporate Governance: The International Journal of Business in Society*, 21(6), 1073–1090. https://doi.org/10.1108/CG-11-2019-0350

Baugh, M., Ege, M. S., & Yust, C. G. (2021). Internal control quality and bank risk-taking and performance. Auditing: A Journal of Practice & Theory, 40(2), 49–84. https://doi.org/10.2308/AJPT-19-037

Barney, J. B. (1991). Firm Resources and Sustained Competitive Advantage. Journal of Management, 17, 99-120. https://doi.org/10.1177/014920639101700108

Becker, G. S. (1964). Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education, by Gary S. Becker.. (Vol. 1). London.

COSO (2013). Internal Control—Integrated Framework Framework and Appendices, May 2013.

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. American sociological review, 48(2), 147-160.

Desta, S. Y., Subagiyo, R., & Usdeldi, U. (2022). Pengaruh *sharia compliance* terhadap kinerja keuangan dengan mediasi kinerja maqashid syariah pada perbankan syariah. *An-Nisbah: Jurnal Ekonomi Syariah, 9*(1), 76–108. https://doi.org/10.21274/an.v9i1.5485

Ghani, N. L. A., & Shaharuddin, S. S. (2023). Internal control system and effective internal Shariah audit function: A conceptual framework. International Journal of Islamic Economics and Finance Research. https://doi.org/10.53840/ijiefer106

Hair, J. F., Howard, M. C., & Nitzl, C. (2020). Assessing measurement model quality in PLS-SEM using confirmatory composite analysis. *Journal of Business Research, 109*, 101–110. https://doi.org/10.1016/j.jbusres.2019.11.069

Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2022). *A primer on partial least squares structural equation modeling (PLS-SEM)* (3rd ed.). SAGE.

Hair, J. F., Hult, G. T. M., Ringle, C. M., Sarstedt, M., Danks, N. P., & Ray, S. (2021). *Partial least squares structural equation modeling (PLS-SEM) using R: A workbook*. Springer. https://doi.org/10.1007/978-3-030-80519-7

Hamsin, M. K., Halim, A., Anggriawan, R., & Fanani, A. (2022). Sharia compliance on Murabaha financing in Sharia Rural Banks: A review of recent practices. Varia Justicia, 18(3), 231–247. https://doi.org/10.31603/variajusticia.v18i3.8376

IFSB (2009). Guiding principles on Shari'ah governance systems for institutions offering Islamic financial services. Islamic Financial Services Board. Kuala Lumpur.

Kaptein, M. (2008). Developing a measure of unethical behavior in the workplace: A stakeholder perspective. Journal of Management, 34(5), 978–1008. https://doi.org/10.1177/0149206308318614

Lahuri, S. B., Prastyaningsih, I., Mahfudz, A. A., Ahmad, R. A., & Muhammad, I. (2024). The implementation of sharia compliance in Islamic banking: A study on building customer confidence. *FINANSIA: Jurnal Akuntansi dan Perbankan Syariah*, *7*(2). https://doi.org/10.32332/finansia.v7i2.7949

Lemeshow, S., Hosmer Jr., D.W., Klar, J. and Lwanga, S.K. (1990) Adequacy of Sample Size in Health Studies. John Wiley & Sons Ltd., Chichester, 1-5.

Mardhiyaturrositaningsih. (2023). Human resources development program in Islamic commercial banks. AL-ARBAH: Journal of Islamic Finance and Banking, 5(2), 239–254. https://doi.org/10.21580/al-arbah.2023.5.2.18106

Muhammad, R., Annuar, H. A., Taufik, M., & Nugraheni, P. (2021). The influence of the SSB's characteristics toward Sharia compliance of Islamic banks. Cogent Business & Management, 8(1), 1929033. https://doi.org/10.1080/23311975.2021.1929033

Mutamimah, M., & Saputri, P. L. (2023). Corporate governance and financing risk in Islamic banks in Indonesia. Journal of Islamic Accounting and Business Research, 14(3), 436–450. https://doi.org/10.1108/JIABR-09-2021-0268

Nidyanti, A., & Siswantoro, D. (2022). Shariah compliance level of Islamic banks in Asia and its implications on financial performance and market share. *European Journal of Islamic Finance*, *9*(1), 15–21. https://doi.org/10.13135/2421-2172/6025

Paine, L. S. (1994). Managing for organizational integrity. Harvard business review, 72(2), 106-117.

Ployhart, R. E., & Moliterno, T. P. (2011). Emergence of the human capital resource: A multilevel model. Academy of Management Review, 36(1), 127–150. https://doi.org/10.5465/amr.2009.0318

Rapiyudin, R., & Alifa, N. R. (2024). Murabahah financing repayment optimization through 5C credit analysis. Finansha: Journal of Sharia Financial Management, 5(1), 116–129. https://doi.org/10.15575/fjsfm.v5i1.33265

Sari, D. N., Fakhruddin, I., Pramono, H., & Pratama, B. C. (2023). The role of sharia compliance, Islamic corporate governance and company size in preventing internal fraud. Jurnal Ekonomi, 12(01), 335-344.

Spencer, L. M., & Spencer, S. M. (1993). *Competence at work: Models for superior performance*. Wiley.

Srairi, S., Bourkhis, K., & Houcine, A. (2022). Does bank governance affect risk and efficiency? Evidence from Islamic banks in GCC countries. International Journal of Islamic and Middle Eastern Finance and Management, 15(3), 644-663.

Suryadi, D. F., Muis, M., Taba, M. I., & Hakim, W. (2023). The role of religion and social capital on employees' performance: An empirical study post Indonesia's Islamic bank merger. Cogent Business & Management, 10(2), 2207676. https://doi.org/10.1080/23311975.2023.2207676

Tho'in, M. (2016). Kompetensi sumber daya manusia bank syariah berdasarkan prinsip-prinsip syariah Islam (Studi kasus pada BNI Syariah Surakarta). *Jurnal Ilmiah Ekonomi Islam, 2*(3), 158–165.

Trung, N. K. Q. (2021). The relationship between internal control and credit risk—The case of commercial banks in Vietnam. Cogent Business & Management, 8(1), 1908760. https://doi.org/10.1080/23311975.2021.1908760

Tyler, T. R. (1990). The social psychology of authority: Why do people obey an order to harm others?. Law & Society Review, 24(4), 1089-1102.

Yusuf, R. M., Hamid, N., Dewi, A. R. S., & Hasnidar. (2023). Can employee competency engage Islamic banking customers? Jurnal Manajemen Bisnis, 10(1), 11–22. https://doi.org/10.33096/jmb.v10i1.429

Zulkifli, Z., Purwati, A. A., Renaldo, N., Hamzah, Z., & Hamzah, M. L. (2023). Employee performance of Sharia Bank in Indonesia: The mediation of organizational innovation and knowledge sharing. *Cogent Business & Management*. https://doi.org/10.1080/23311975.2023.2273609

Zunanto, M., & Abdullah, A. (2023). Corporate governance and financing risk of Sharia bank in Indonesia. Journal of Management and Islamic Finance, 3(1), 34–49. https://doi.org/10.22515/jmif.v3i1.5901