Effect of Capital Aquency Ratio, Non-Performing Financing, Operational Efficiency Ratio, Financing to Deposit Ratio on Financial Performance of Sharia Banks
Case at Sharia Commercial Banks Registered at OJK Republik Indonesia Tbk Period 2019–2021

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Abstract. The purpose of this study was to determine the relationship between Return On Assets (ROA) and the variables Capital Aquency Ratio (CAR), Non-Performance Ratio (NPF), Operational Efficiency Ratio (OER), and Financing to Deposit Ratio (FDR). This study employs quantitative explanatory research as its method of investigation. This study uses annual secondary data for January 2019 through December 2021. EVIEWS 12 panel data regression was used for the analysis. The test result of t shows that Capital Aquency Ratio (CAR) variable significantly affects Return On Assets (ROA). Non-Performing Ratio (NPF) has a positive and insignificant effect on Return On Assets (ROA). Operational Efficiency Ratio (OER) has a negative and significant impact on Return On Assets (ROA), and Financing to Deposit Ratio (FDR) has a negative and insignificant effect on Return On Assets (ROA). On the country, the F test results show that the independent variable Capital Aquency Ratio (CAR), Non-Performing Ratio (NPF), Operational Efficiency Ratio (OER), and Financing to Deposit Ratio (FDR) simultaneously have a significant effect on Return On Assets (ROA).

Keywords: Capital Aquency Ratio (CAR) · Non-Performing Ratio (NPF) · Operational Efficiency Ratio (OER) · Financing to Deposit Ratio (FDR) · Return On Assets (ROA)

1 Introduction

The presence of Islamic banks in Indonesia manifests the public's demand for financial institutions with a halal banking system that meets Sharia principles. One of the most important things in maintaining the existence of a bank is the existence of maximum results in bank operations, as seen from the increase in a bank's financial performance compared to the previous period. Financial performance is used as a consideration in making managerial policies from all aspects of the banking world. The information presented in the financial performance can be used by related parties, including investors, creditors, and particles outside the banking sector, to predict the actual financial performance in each period [1].

A bank's overall performance is partially affected by its financial performance. Overall, bank performance describes the bank's performance in its operations, including finance, marketing, funding and distribution, technology, and human resources [1, 2]. Financial statements include a balance sheet, profit and loss, cash flow, and changes in equity.

ROA (Return On Assets) was chosen as a bank's financial performance indicator because it measures how well assets are being used [3]. The ROA ratio focuses on a company's ability to generate profits across its businesses.

Return On Assets (ROA) and bank rate of return represent a bank's profitability. A higher ROA indicates higher profitability and a more stable bank or less risky bank, meanwhile, according to [4]. ROA, the ratio of net income to total assets, has been a commonly used logarithm of revenue for banks for many years and is one of the most common measures in the banking literature.

Several financial ratios affect ROA, namely Capital Adequacy Ratio (CAR), Non-Performing Financing (NPF), Operational Efficiency Ratio (OER), Financing to Deposit Ratio (FDR) as an independent variable, while Return On Assets (ROA) as a variable bound. The variables used in this study are variables that can represent the health of the bank according to financial aspects, namely: Capital, Assets, Earnings, and liquidity.

Capital Adequacy Ratio (CAR) determines whether a bank has sufficient capital to support risk-limiting or risk-generating assets. A bank's ability to risk bad debts or productive assets increases with CAR. Other banks also raise money from bank equity and capital from outside the bank [5].

Non-Performing Financing Ratio (NPF) is measured by comparing the amount of non-performing financing with total financing. NPF refers to a financial asset from which a bank no longer receives interest payments or installments as scheduled. Non-performing means the loan stops functioning or generates income for the bank [6].

A bank's operational efficiency ratio (OER) measures its performance and competence [7, 8]. This rise in operational expenditures will negatively influence profit before taxes and, therefore, the company's profit or profitability.

The Financing to Deposit Ratio (FDR) measures a bank's capability to handle its short-term or maturing debts (FDR). This ratio indicates the bank's ability to refund depositor withdrawals by depending on the financing supplied as a source of liquidity. To rephrase it another way, how much does the bank's commitment to service depositors' urgent extraction needs to balance the bank's obligation to offer financing to customers [9].

This research will test whether or not there is an influence between **all those variables for 3 years (2019–2021).**

2   Literature Review and Framework

2.1   Variable Definition

Return On Assets (ROA)

Return on Assets (ROA) is a financial measure that is fair to the return on assets used in employment. Return on finance (also known as return on assets or ROA) amplifies how effectively a company uses its assets to generate assets [10]. A greater return on

assets (ROA) measures a more significant return (return) rate and, thus, a bank's financial performance [1]. Return on Assets (ROA) is calculated by comparing profit after tax to total assets or as follows:

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%$$

Capital Account Ratio(CAR)
Capital Adequacy Adequacy (CAR) is a bank's capital adequacy ratio to support its risk-bearing assets (loans, investments, securities, and claims against other banks) [5]. The higher the capital adequacy ratio (CAR), the greater the bank's ability to take on the risk of lending and risky manufactured assets. According to the regulations set by Bank Indonesia, the capital adequacy ratio (CAR) that banks must achieve is at least 8%. The capital adequacy ratio (CAR) is calculated as follows:

$$\text{CAR} = \frac{\text{ASSETS}}{\text{(ATMR)}} \times 100\%$$

Non-performing Financing (NPF)
According to Said et al. (2017), Because a bank's business continuity is intimately tied to its operating performance, management must be able to monitor and assess the quality of its operational results at all times. Earning assets appraised for quality include Rupiah and foreign currency investments in the form of loans and securities [12]. Non-Performing Financing (NPF) is measured by the ratio of non-performing loans to total loans [13]. The NPF ratio can be formulated as follows:

$$\text{NPF} = \frac{\text{Troubled Financing}}{\text{Total Financing}} \times 100\%$$

Operational Efficiency Ratio (OER)
The operational Efficiency Ratio (OER) is an efficiency metric that compares operating costs to operating revenues. Driving costs are the costs incurred by a bank to fund its main activities [11]. Using profit is any form of income derived from the general principle activities of a bank. Banks that effectively reduce operating costs can reduce losses due to bank inefficiencies in managing business revenues [14]. The OER ratio can be formulated as follows:

$$\text{OER} = \frac{\text{Operating Expenses}}{\text{Operational Income}} \times 100\%$$

Financing To Deposit Ratio (FDR)
The Financing to Deposit Ratio (FDR) is one way to evaluate bank liquidity. The Financing to Deposit Ratio (FDR) is used as an independent variable that influences Return on Assets (ROA) based on its relationship with the level of bank risk from:

$$\text{FDR} = \frac{\text{total financing}}{\text{third-party funds}} \times 100\%$$

2.2   Theoretical Background and Hypothesis Development

Relationship of Capital Adequacy Ratio (CAR) to Return On Assets (ROA)
The variable used in this study is CAR. A capital adequacy ratio (CAR) relates a bank's risk to its profitability (ROA). The CAR ratio measures the adequacy of a bank's capital to support risk-bearing or risk-producing assets. A t-test (partial) was performed to determine the outcome of the hypothesis test. Statistical t-test results show that CAR (X1) has an enormous impact on ROA (Y). Based on the t-tests performed, the analysis accepts the hypothesis that the capital adequacy ratio (X1) has a partially enormous impact on the ROA (Y) of Islamic banks.

H1: It is suspected that CAR has a significant effect on ROA.

Relationship of Non-Performing Financing (NPF) to Return On Assets (ROA)
Non-performing loans (NPF) are an independent variable influencing a bank's profitability (ROA) based on its relationship with the level of risk a bank takes. The NPF ratio measures the bank management's ability to manage the non-performing loans offered. A t-test (partial) was performed to determine the results of the H2 test. The statistically calculated t-test results show that NPF(X2) significantly negatively impacts her ROA(Y). Based on the t-tests performed, the analysis accepts the hypothesis that there is a significant impact of non-performing loans (X2) on the part of ROA.

H2: It is suspected that NPF has a significant effect on ROA.

Relationship between Operational Efficiency Ratio (OER) to Return On Assets (ROA)
The OER ratio assesses a bank's operational performance and efficiency. Since the bank's primary function is acting as an intermediary by collecting and distributing public funds, interest costs, and earnings dominate the bank's income and operating expenses. Every increase in operating expenses reduces pre-tax profit and lowers a bank's return on investment (ROA). The results of the H3 test were examined using the partial t-test. Based on the results of the t-test statistical calculations, we know that OER(X3) has a significant negative impact on her ROA(Y). Based on the t-test performed.

H3: It is suspected that OER has a significant effect on ROA.

Relationship of Financing to Deposit Ratio (FDR) to Return On Assets (ROA)
Funding to Deposit Ratio (FDR) is used as an independent variable influencing a bank's profitability (ROA) as it relates to bank risk affecting its profitability (ROA). A bank's ability to repay depositors and pay for debt relief is assessed using the FDR ratio. The results of the H4 test were examined using the partial t-test. Based on the results of the t-test statistical calculations, we know that the funding rate (X4) has a significant impact on ROA (Y). Based on the t-tests, the analysis results accept the hypothesis that the partial funding-to-deposit ratio (X4) significantly impacts ROA (Y).

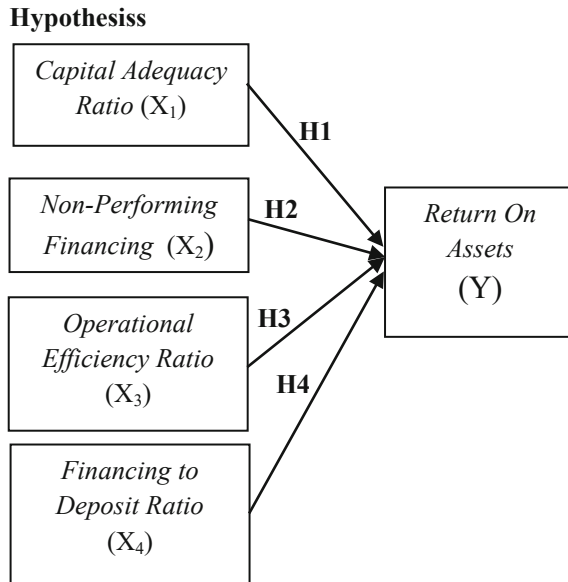H4: it is suspected that FDR has a significant effect on ROA

Hypothesiss

Fig. 1. Thinking Framework

Hypothesiss
See Fig. 1.

3 Research Methodology

The research method employed in this study is explanatory research. The descriptive analysis uses hypothesis testing to explain the link between two or more symptoms or factors, including the association's direction and intensity [1].

In this study, the researcher applies a quantitative research approach. A quantitative technique is a positivist-based research approach used to study a specific population or sample. Data is obtained using research devices and then randomly examined. Quantitative or statistical research to verify an existing hypothesis [15]. In this study, researchers will take a sample of data on the website of the Financial Services Authority for the period January 2019–December 2021 (Table 1).

Table 1. Determination of Research Sample

No	Nama Bank Syariah
1	PT. Bank Muamalat Indonesila, Tbk
2	PT. Bank Syarilah Bukopin
3	PT. Bank Melga Syarilah
4	PT. Bank Panin Dubail Syarilah, Tbk
5	PT. Bank Vilctorila Syarilah
6	PT. BCA Syarilah
7	PT. Bank Aladin Syarilah
8	PT. BTPN Syarilah
9	PT. BPD NTB Syarilah
10	PT. Bank Syarilah Indonesila, Tbk

Source: Processed Data (2022)

4   Research Results

4.1   Descriptive Analysis

See Table 2.

Table 2. Delscrilptilvel Statistilcs Test Results Variables

	ROA	CAR	NPF	OER	FDR
Melan	2.052667	55.28700	2.132000	103.1860	75.51367
Meldilan	1.5750.00	25.67000	1.200000	85.03500	81.70000
Max	11.150.00	390.5000	6.720000	428.4000	196.7300
Min	-6.720000	12.42000	0.000000	56.06000	0.000000
Std. Dev.	3.077434	92.33181	2.143210	68.13380	35.56609

Source: Data processed by researchers (2022)

4.2   Panel Data Regression Model Estimation Test

Panel data is a combinatilon of tilmel selrilels data and cross selctilon data [16].

4.2.1   Common Effect Model

The Common Effect Model tests research hypotheses without differentiating time and data groups [17]. The results can be seen in Table 3.

Table 3. Common Effect Model Test Results

	Coeff	Std. Error	t-Statistic	Prob.
C	3.272354	1.577665	2.074176	0.0485
CAR	0.023650	0.007195	3.286953	0.0030
NPF	0.343277	0.216718	1.583983	0.1258
OER	-0.011712	0.007102	-1.649160	0.1116
FDR	-0.026117	0.017494	-1.492938	0.1480

Source: Data processed by researchers (2022)

Table 4. Fixed Effect Model Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.930708	1.757206	2.236908	0.0399
CAR	-0.025970	0.022318	-1.163662	0.2616
NPF	0.925645	0.423128	2.187624	0.0439
OER	0.004560	0.007691	0.592913	0.5615
FDR	-0.036761	0.019412	-1.893727	0.0765

Sumber: Data processed (2022).

4.2.2   Fixed Effect Model

The Fixed Effect Model assumes that the cross-section behavior differs in a specific time series. The results of the Fixed Effect Model can be seen in Table 4.

4.2.3   Random Effect Model

Random Effect Model assumes a sufficient time entered into the residual component Random Effect Model which is not related to the variable dependent [18]. The results of the Random Effect Model can be seen in Table 5.

Table 5. Random Effect Model Test Results

	Coeff	Std. Error	t-Statistic	Prob.
C	3.272354	1.224190	2.673078	0.0130
CAR	0.023650	0.005583	4.236035	0.0003
NPF	0.343277	0.168168	2.041346	0.0519
OER	-0.011712	0.005511	-2.125343	0.0436
FDR	-0.026117	0.013574	-1.924013	0.0658

Source: Data processed by researchers (2022).

4.3   Panel Data Regression Model Selection

We can obtain the exact estimation model between the Common Effect Model, Fixed Effect Model, and Random Effects Model by performing several tests. The following are the results of the regression test model specifications:

Chow test
This test selects the suitable panel data regression model between the Common Effect Model and the Fixed Effect Model. The results of the chow test analysis are presented in Table 6.

The Chow test analysis results show that the Chi-square Cross-section's probability value is $0.0008 < 0.05$, so we can say that H0 accepted and Ha rejected. The model chosen between the Common Effect Model and the Fixed Effect Model is the Common Effect Model.

Hausmann test
This test selects the suitable panel data regression model between the Fixed Effect Model and the Random Effect Model. The results of the Hausmann test analysis are presented in Table 7.

The results of the Hausmann test analysis show that the probability value of a random cross-section is $0.0003 < 0.05$, so it can be said that H0 rejected and Ha accepted. So the model chosen between the Fixed Effect Model and the Random Effect Model is the Random Effect Model.

Lagrange Multiplier Test
The Chow and Hausmann tests showed that the correct model was the Common Effect Model and the Random Effect Model. Therefore the next test was needed, namely the Lagrange multiplier test. The Lagrange multiplier test was conducted to determine the correct model between the Common Effect Model and the Random Effect Model. The Lagrange multiplier test analysis results are presented in Table 8.

Table 6. Chow Test Results

Effect-test	Statistic	d.f.	Prob.
Cross-section F	2.835714	(9.16)	0.0332
Cross-selctilon Chil-square	28.608626	9	0.0008

Source: Data processed by researchers (2022).

Table 7. Hausmann test results

Effect-test	Statistic	d.f.	Prob.
Cross-selctilon Random	20.786681	4	0.0003

Source: Data processed by researchers (2022).

Table 8. Lagrange Multiplier Test Results

Test	Statistic	d.f	Prob.
Brelusch-Pagan LM	64.15390	45	0.0317
Pelsaran scaled LM	2.018999		0.0435
Bilas-corrected scaled LM	-0.481001		0.6305
Pelsaran CD	-0.186435		0.8521

The results of the Lagrange multiplier test analysis show that the probability value of Breusch-Pagan $0.0317 < 0.05$, then it can be said H0 rejected and Ha accepted so that the model chosen between the Common Effect Model and the Random Effect Model is the Random Effect Model.

4.4 Classic Assumption Test

Normality test
The normality test aims to test whether the independent and dependent variables have a normal or abnormal distribution. One of the normality tests using the Eviews application is the Histogram-Normality Test. Histogram-Normality Test is used to determine whether the processed data is normally distributed. The test results in this study are presented in histogram forms as shown in Fig. 2.
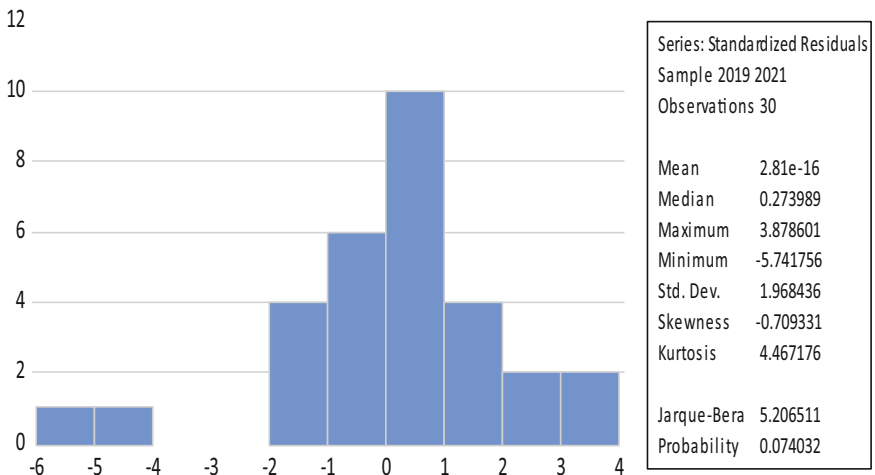

| Series: Standardized Residuals |
| Sample 2019 2021 |
| Observations 30 |

Mean	2.81e-16
Median	0.273989
Maximum	3.878601
Minimum	-5.741756
Std. Dev.	1.968436
Skewness	-0.709331
Kurtosis	4.467176
Jarque-Bera	5.206511
Probability	0.074032

Fig. 2. Normality Test Results. Source: The above data is processed by researchers (2022)

Table 9. Multicollinearity Test Results

	CAR	NPF	OER	FDR
CAR	1.000000	0.544680	-0.715810	-0.364815
NPF	0.544680	1.000000	-0.265060	-0.049442
OER	-0.715810	-0.265060	1.000000	0.520797
FDR	-0.364815	-0.049442	0.520797	1.000000

Source: The above data is processed by researchers (2022)

The Jarquel-Bera value is 5.206511 with a probability value of $0.074032 > 0.05$. Based on the results of the data above, following decision-making, we can conclude that the data has met the assumption of normality.

Multicollinearity Test
According to Agustin & Darmawan (2018), the multicollinearity test aims to test whether the regression model found a correlation between the independent variables (independent). A good regression model should not correlate with the independent variables. Multicollinearity can be seen from the value of tolerance and VIf (variance inflation factor) (Table 9).

The results of the multicollinearity test show that all the correlations between the independent variables in this study have no values greater than 0.8. Thus, this regression model does not occur multicollinearity.

4.5 Hypothesis Test

F Test (Simultaneous)
The F test is a hypothesis test used to determine the simultaneous effect of the independent variable on the dependent variable. The difficulty using Eviews 12 is made by looking at the significance value of F, which is 0.05. If the significance is <0.05, then this model has a simultaneous Effect of the independent variable on the dependent variable (Table 10).

Table 10. F Test Results (Simultaneous)

Weighted Statistics			
R-squared	0.590866	Melan dependent var	2.052667
Adjusted R-squared	0.525405	S.D dependent var	3.077434
S.El of regression	2.120071	Sum squared resid.	112.3675
F-statistic	9.026179	Durbin-Watson stat	1.681549
Prob (F-statistilc)	0.000118		

Source: Data processed by researchers (2022).

Table 11. T-Test Results (Partial)

	Coefficient	Std. Error	t-Statistic	Prob.
C	3.272354	1.224190	2.673078	0.0130
CAR	0.023650	0.005583	4.236035	0.0003
NPF	0.343277	0.168168	2.041346	0.0519
OER	-0.011712	0.005511	-2.125343	0.0436
FDR	-0.026117	0.013574	-1.924013	0.0658

The Prob Value (F-statistic) of 0.000118 is lower than 0.05. It means that the Capital Aquency Ratio, Non-Performing Ratio, Operational Efficiency Ratio, and Financing to Deposit Ratio have a significant simultaneous Effect on financial performance (Return On Assets).

t-test (Partial)
The t-test is used to partially test the effect of the independent variable on the dependent variable (Table 11).

The results of the t-test (partial) can then be interpreted as follows:

a. The Capital Aquency Ratio variable has a probability value of 0.0003 which is smaller than 0.05, which indicates that the Capital Aquency Ratio variable has a significant effect on financial performance (Return On Assets). The coefficient of 0.023650 suggests that the Capital Aquency Ratio has a positive Effect. This result shows that H_1, where Capital Account Ratio has a significant positive effect on financial performance, is accepted.

b. The Non-Performing Ratio variable has a probability value of 0.0519 which is more significant than 0.05 which indicates that the Non-Performing Ratio variable has no considerable effect on financial performance (Return On Assets). The coefficient of the variable Non-Performing Ratio is 0.342277, meaning that Non-Performing Ratio positively affects economic performance. It shows that H_2, where Non-Performing Ratiosignificant positive Effect on financial performance, is rejected.

c. Variable Operational Efficiency Ratio has a probability value of 0.0436 which is smaller than 0.05, indicating that the Operational Efficiency Ratio variable significantly affects financial performance (Return On Assets). The coefficient of variable Operational Efficiency Ratio – 0.011712 means that the Operational Efficiency Ratio harms financial performance. This result shows that H_3, where Operational Efficiency Ratio has a significant positive effect on financial performance, is accepted.

d. The Financing to Deposit Ratio variable has a probability value of 0.0658 which is more significant than 0.05 and indicates that the variable Operational Efficiency Ratio has no significant effect on financial performance (Return On Assets). The coefficient of variable Operational Efficiency Ratio – 0.026117 means that the Operational Efficiency Ratio harms financial performance. It shows that H_4, where Operational Efficiency Ratio's significant positive effect on financial performance is rejected.

Table 12. Results of the Coefficient of Determination

Weighted Statistics			
R-squared	0.590866	Melan dependent var	2.052667
Adjusted R-squared	0.525405	S.D dependent var	3.077434
S.El of regression	2.120071	Sum squared resid.	112.3675
F-statistic	9.026179	Durbin-Watson stat	1.681549
Prob (F-statistilc)	0.000118		

Source: Data processed by researchers (2022).

4.6 Coefficient of Determination

Measuring how far the ability of the independent variable to explain the dependent variable [19] (Table 12).

The R-squared value of 0.590886 means that the variables of Capital Aquency Ratio, Non-Performing Ratio, Operational Efficiency Ratio, and Financing to Deposit Ratio can explain the financial performance variable of 59.1%. In contrast, the other 40.9% are explained by variables outside the study.

5 Discussion

5.1 Effect of Capital Adequacy Ratio (X_1) to the ROA of Islamic Banks (Y)

The t-test (partial) was carried out to determine the results of testing the first hypothesis (H1) to ROA (Y). Based on the t-test that has been carried out, the analysis accepts the theory that states that there is a significant Effect of the Capital Adequacy Ratio (X1) partially on the ROA of Islamic Commercial Banks (Y). Also, CAR has an excellent positive and significant Effect, meaning that with ratio analysis, the higher the CAR value, the higher the profit. Proven by The Capital Aquency Ratio variable has a probability value of 0.0003 which is smaller than 0.05. It indicates that the Capital Aquency Ratio variable has a significant effect on financial performance (Return On Assets) [19].

5.2 Effect of Non-Performing Financing Ratio (X2) to ROA of Islamic Commercial Banks (Y)

The t-test (partial) was conducted to determine the results of testing the second hypothesis (H2). It has a significant positive effect on ROA (Y). Based on the t-test that has been carried out, the analysis accepts the hypothesis that there is little Effect of Non-PerformingFinancing (X2) partially on ROA, stating that NPF has a simultaneous Effect on the ROA of Islamic commercial banks. Proven by The Non-Performing Ratio variable has a probability value of 0.0519 which is more significant than 0.05, which indicates that the Non-Performing Ratio variable has no significant effect on financial performance (Return On Assets). The coefficient of the variable Non-Performing Ratio is 0.342277, meaning that the Non-Performing Ratio positively affects economic performance. This result has a positive but insignificant effect on financial performance. This result is in line with research conducted [12].

5.3 Effect of Operational Efficiency Ratio (X₃) to ROA of Islamic Commercial Banks (Y)

A partial t-test (partial) was conducted to determine the results of testing the third hypothesis (H3). Based on the results of statistical calculations, the t-test is known that the OER (X3) has a significant negative effect on ROA (Y). Meanwhile, based on the t-test that has been carried out, the analysis accepts the hypothesis that there is a considerable Effect of the Operational Efficiency Ratio (X3) partially on ROA. It states that OER has a negative and significant effect on the ROA of Islamic Commercial Banks. The higher the OER, the bank's operational activities are inefficient, so the bank's financial performance decreases.

Conversely, the lower the OER, the more efficient the bank's operational activities, so we can conclude that the bank's financial performance is increasing. This issue is evidenced by the results Variable Operational Efficiency Ratio has a probability value of 0.0436, more diminutive than 0.05. It indicates that the Operational Efficiency Ratio variable significantly affects financial performance (Return On Assets). Coefficient of variable Operational Efficiency Ratio – 0.011712. It means that the Operational Efficiency Ratio harms financial performance. This result is in line with Agustin & Darmawan's (2018) research.

5.4 Effect of Financing to Deposit ratio (X4) to ROA of Islamic Commercial Banks (Y)

A partial t-test (partial) was conducted to determine the results of testing the fourth hypothesis (H4). Based on the results of statistical calculations, the t-test is known that there is no significant Effect of the Financing to Deposit Ratio (X4) to ROA (Y). Based on the t-test that has been carried out, the analysis results accept the hypothesis, which states that there is an insignificant Effect of Financing to Deposit Ratio (X4) partially to ROA (Y). FDR partly has a significant adverse effect on the ROA of Islamic commercial banks. This issue can be interpreted as if the FDR has increased. It will affect increasing ROA and vice versa. The results of calculations evidence it. The Financing to Deposit Ratio variable has a probability value of 0.0658 which is more significant than 0.05 and indicates that the variable Operational Efficiency Ratio has no significant effect on financial performance (Return On Assets). The coefficient of variable Operational Efficiency Ratio – 0.026117 means that the Operational Efficiency Ratio hurts financial performance. It is also in line with research [9].

6   Conclusion

Based on the findings of a study on the impact of the Capital Aquency Ratio, Non-Performing Ratio, Operational Efficiency Ratio, and Financing to Deposit Ratio on Financial Performance (Return On Assets) at Islamic Commercial Banks from 2019 to 2021. we may form several conclusions based on the outcomes of the data analysis and discussion mentioned in CHAPTER IV: The capital account ratio has a favorable and considerable impact on the return on assets. The non-Performing balance has a positive and insignificant effect on the Return On Assets.

a Operational Efficiency Ratio has a negative and significant effect on Return On Assets.
b Financing to Deposit Ration negative and insignificant Effect on Return On Assets.
c Financial performance (Return On Assets) Islamic banking can be explained by Capital Aquency Ratio, Non-Performing Ratio, Operational Efficiency Ratio, and Financing to Deposit Ratio of 59.1%. Variables outside the study demonstrate the other 40.9%.

7 Research Limitations

The limitations of this study are as follows:

a We conducted this research only by taking a period of 3 years, namely from 2019 to 2021, so the data obtained may not reflect the long term
b The selection of independent variables only includes the Capital Aquency Ratio, Non-Performing Ratio, Operational Efficiency Ratio, and Financing to Deposit Ratio.
c The use of financial ratios to measure the financial performance of Islamic banking is only the profitability ratio.

8 Suggestions

a Expanding to use other variables not mentioned in this study so we can obtain different research results
b Expand the year of observation so that the results can show more accurate predictions.
c This research is further developed because there still needs to be more research on Islamic banks in Indonesia, which are different from conventional banks.

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