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Islamic Banking Financial Performance in Indonesia and Malaysia: Analysis of Factors That Influence It

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ABSTRACT

This research focuses on the analysis of the financial performance of Islamic banks in Indonesia and Malaysia from 2018 to 2022. The study aims to determine the impact of Operational Expenses Compared to Operational Revenues (BOPO), Capital Adequacy Ratio (CAR), Non-Performing Financing (NPF), Net Interest Margin (NIM), and Firm Size on the profitability (ROA) of Islamic banking in Indonesia and Malaysia. Using purposive sampling techniques, 24 banks were selected as samples, with 12 banks from Indonesia and 12 from Malaysia. Data analysis was conducted using multiple regression analysis. The results of the study indicate that (1) BOPO has a negative and significant contribution to the ROA of Islamic banks in Indonesia, while CAR and NPF show a positive correlation but not significantly; (2) NPF and NI affect the ROA of Islamic banks in Malaysia, while Firm Size shows a positive correlation but not significantly. These findings are expected to provide valuable insights for investors in making investment decisions, particularly in the banking sector in both Indonesia and Malaysia.
Keywords: BOPO, CAR, NPF, NIM, ROA

ABSTRAK

Penelitian ini fokus pada analisis kinerja keuangan bank syariah di Indonesia dan Malaysia pada tahun 2018 hingga 2022. Penelitian ini bertujuan untuk mengetahui dampak Biaya Operasional Dibandingkan Pendapatan Operasional (BOPO), Capital Adequacy Ratio (CAR), Non-Performing Financing (NPF), Net Interest Margin (NIM), dan Firm Size terhadap profitabilitas (ROA) perbankan syariah di Indonesia dan Malaysia. Dengan menggunakan teknik purposive sampling, terpilih 24 bank sebagai sampel, dengan rincian 12 bank dari Indonesia dan 12 bank dari Malaysia. Analisis data dilakukan dengan menggunakan analisis regresi berganda. Hasil penelitian menunjukkan bahwa (1) BOPO mempunyai kontribusi negatif dan signifikan terhadap ROA bank syariah di Indonesia, sedangkan CAR dan NPF menunjukkan korelasi positif namun tidak signifikan; (2) NPF dan NI berpengaruh terhadap ROA bank syariah di Malaysia, sedangkan Firm Size menunjukkan korelasi positif namun tidak signifikan. Temuan ini diharapkan dapat memberikan wawasan berharga bagi investor dalam mengambil keputusan investasi, khususnya pada sektor perbankan baik di Indonesia maupun Malaysia.
Kata kunci: BOPO, CAR, NPF, NIM, ROA

INTRODUCTION

The financial sector is one of the backbones or parts of a country's economy. The banking sector is a crucial component of the financial industry, serving a significant function., namely carrying out the function of intermediaries or financial intermediaries because it creates a flow of funds to be managed by productive parties, in this case the banks themselves. In the context of islamic banking, this role is strengthened by the existence of sharia principles which regulate every banking activity so that it is in accordance with Islamic teachings. Islamic banking focuses not only on financial profits, but also on compliance with ethical and moral principles. Banking also grows the community business sector, increases the economic capacity of entrepreneurs & MSMEs, and serves as a source of funding. Until now, banks are still the main source of funding, as proven in Indonesia based on data from Mandiri Research in May 2015, outstanding loans were IDR 375 trillion, bank assets were IDR 5,838 trillion and bank debtors were 248,256. Banks are the main source of funding, apart from shares and bonds. Therefore, if there is no banking, the economy will not be optimal.

One of the backbones or parts of the economy in a country is the financial sector. The banking sector is a crucial component of the financial sector, serving a significant function, namely carrying out the function of intermediaries or financial intermediaries because it creates a flow of funds to be managed by productive parties, in this case the banks themselves. Banking also grows the community business sector, increases the economic capacity of entrepreneurs & MSMEs, and serves as a source of funding. Until now, banks are still the main source of funding, as proven in Indonesia based on data from Mandiri Research in May 2015, outstanding loans were IDR 375 trillion, bank assets were IDR 5,838 trillion and bank debtors were 248,256. Banks are the main source of funding, apart from shares and bonds. Therefore, if banking does not exist, the economy will not be optimal. (Kementrian Koordinator Bidang Perekonomian Republik Indonesia, 2016)

Good bank performance can also create public trust in using financial services from the bank. As per the guidelines outlined in Statement of Financial Accounting Standards (PSAK) number 31, a bank is characterized as an establishment that functions as a financial middleman, connecting individuals or entities with excess funds to those who require funds, while also facilitating payment transactions. This role requires public trust to use bank services as an intermediary. With this, bank health is of course necessary to maintain its liquidity so that the bank fulfills its obligations to all parties who withdraw or disburse their deposits at any time. (Widi et al., 2013)

In Islam, economic activity is considered a component of muamalah, which is an element of the Sharia. An Islamic bank is a representation of muamalah in the economy, encompassing and applying Islamic teachings in its system. The Islamic banking industry possesses a significant advantage as an economic force, as it demonstrates resilience in the face of economic crises. (Windriya, 2019)

The rapid and stable growth of the Shariah financial industry makes Southeast Asia an important part of global Islamic finance. Countries in ASEAN have diverse variations in banking development sharia. Among the ten ASEAN countries, Brunei Darussalam, Indonesia, Malaysia, Myanmar, Philippines, Singapore, and Thailand are the six countries that have Islamic banks. By 2016, Indonesia and Malaysia had the highest number of Islamic Banks among ASEAN countries. Malaysia is the country with the fastest development sharia banking among countries in ASEAN, then Indonesia is also intensive in its efforts to develop sharia banking, although its development is slow when compared to Malaysia, because of the approach used different. The approach used in Malaysia is the (state driven), while Islamic banking in Indonesia has more movement by society (market driven). (Ghozali et al., 2019)

Financial performance analysis is conducted to assess a company's adherence to financial implementation regulations and its effectiveness in carrying out its operations. Financial performance measurements are used by companies to make improvements from operational activities that have been carried out by the company so that they become better and can compete with other companies. Financial performance is a key indicator that describes the financial condition of a company in a certain period. This includes analysis of the capacity of the companies to manage its resources, as well as evaluating operational effectiveness and profit achievement. (Ery Santika et al., 2022)

Bank health level according to POJK No. 8/POJK.03/2014 is the result of an assessment of the bank's condition based on the bank's risk and performance or called Risk-based Bank Rating. In measuring the level of bank health. One of the methods that can be used is the CAMEL technique, which stands for Capital, Asset Quality, Management, Earnings, and Liquidity. The CAMELS technique is an analytical framework employed to evaluate the financial soundness of banks based on five key dimensions: Capital, Assets, Management, Earnings, and Liquidity. Profitability is one of the performance indicators that is commonly used to measure whether a company is successful in carrying out its business activities. Objective The main aim of bank operations is to achieve maximum profitability. Performance profitability is shown by several indicators. An example of one of these indicators is Return on Assets (ROA). Return on assets (ROA) is crucial for banks as it serves as a metric to assess the company's efficiency in generating profits through the utilization of its owned assets. (Widi et al., 2013)

Profitability theory according to Brigham and Houston (2009:107), that increasingly the firm's substantial profitability indicates a positive outlook for its future operations, resulting in an increased value of the company. Consequently, the price of the company's shares is expected to rise. Banking profitability is an important indicator for assessing bank performance. Profitability is a metric that assesses a corporation's performance and its capacity to generate profits. It is crucial for the company's overall well-being, which is why the firm consistently strives to enhance its profitability. (Mappanyuki & Sari, 2017). One measure that is often used to measure bank profitability is Return on Assets (ROA). ROA reflects the ability of bank management to utilize its assets to generate profits. Several variables impact the profitability of banks, such as Non-Performing Financing (NPF), Operating Costs and Operating Income (BOPO), Capital Adequacy Ratio (CAR), Net Interest Margin (NIM), and the size of the corporation (firm size).

Non-Performing Loans (NPL) represents loans that have been disbursed but are classified as less performing, doubtful, and non-performing. The NPL Ratio can serve as an indicator of the bank's management proficiency in handling non-performing loans. A higher non-performing loan (NPL) ratio indicates a lower quality of the bank's credit, leading to a greater number of non-performing loans, which can result in bankruptcy. Bank Indonesia has set the NPL regulation at 5%. If a bank can keep the NPL ratio below 5%, the potential profit it can obtain will be greater. In Islamic bank there is Non-Performing Financing that refers to the portion of financing that is not generating the expected returns due to borrowers' failure to make timely payments. This Measure is crucial as it impacts the bank's profitability and risk management strategies. Higher NPF ratios indicate a larger amount of problematic financing, which can lead to financial instability and reduced profitability for banks.

Operating Cost and Operating Income (BOPO) According to Lukman Dendawijaya (2009:120) is the term "efficiency ratio" refers to a financial metric that evaluates the effectiveness of a bank's operational activities. It calculates the ratio of total operating expenses to total operating income. The ratio quantifies the proportion of the bank's operating income that is being utilized by its operating expenses. A lower BOPO ratio suggests higher operational efficiency and profitability, while a higher ratio indicates lower efficiency and potential profitability issues.

The Capital Adequacy Ratio (CAR) is a ratio that indicates a bank's capacity to mitigate potential losses. This ratio is calculated by comparing bank capital with risk-weight assets. When assessing banking performance, the solvency ratio incorporates the Capital Adequacy Ratio (CAR) is a measure used to evaluate a bank's ability to carry out its long-term liabilities or fulfill its commitments in the case of a bank collapse.

Net Interest Margin (NIM) is a metric used to quantify the difference between the interest income generated by a bank or financial institution and the interest it disburses to its lenders, in relation to the portion of their assets that generate interest. NIM, or Net Interest Margin, serves as a measure of a bank's profitability and growth. It illustrates the difference between the interest income the bank generates from loans and the interest expenses it incurs on deposits (Puspitasari et al., 2021). Net Interest Margin (NIM) in Islamic banking is a measurement used by conventional banks to assess the profitability by calculating the disparity between the interest earned from loans and the interest paid on deposits. However, since Islamic banking operates under Sharia principles, which prohibit interest (riba), The notion of NIM is modified to align with Islamic financial instruments and methods that involve sharing of profits. Islamic banks earn money through the implementation of profit-sharing contracts such as Mudarabah (profit-sharing), Musharakah (joint venture), Ijarah (lease), and Murabaha (cost-plus financing), instead of relying on interest.

Firm Size is often measured by total assets or bank market capitalization. Larger banks can take advantage of economies of scale and diversity, which can potentially lead to higher profitability. (Šeho et al., 2024)

In the research entitled "The Effect OF FDR, NPF, OEOI, AND Size Toward ROA (Comparative Study on Indonesian Islamic Bank and Malaysian Islamic Bank Period 2010-2015)" found that there were limitations in the research which only used 7 Islamic banks as samples so that the researcher increase the number of samples used. Researchers also added CAR and NIM as a variable. Capital Adequacy Ratio (CAR) is a ratio that functions to accommodate the risk of loss that may be faced by the bank. The higher the CAR, the better the bank's ability to bear the risk of any risky credit/productive assets. CAR is one of indicator that influences ROA. Net Interest Margin (NIM) is one of the indicators considered in assessing profitability aspects. Net Interest Margin (NIM) is a ratio used to measure bank management's ability to manage its productive assets to generate net interest income.

The objective of this study is to examine the impact of these factors on the profitability of Islamic banking in Indonesia and Malaysia. NPF is an indicator of a bank's financial health, where a high NPF indicates high credit risk and asset quality. BOPO reflects the bank's operational efficiency, where the lower this ratio, the better the bank's performance. CAR shows the adequacy of capital a bank has to cover credit, operational and market risks. NIM reflects the bank's ability to manage assets and liabilities to generate net interest income. Company size also affects profitability because larger companies tend to have greater resources and better risk diversification.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Stakeholder Theory

Stakeholder theory states that organizations must take into consideration the concerns and welfare of all stakeholders, rather than solely focusing on shareholders. In islamic banking, this includes considering the interests of customers, employees, regulators and the wider community. This approach is relevant in understanding how policies such as Capital Adequacy

Ratio (CAR), Financing Deposit Ratio (FDR), and Net Interest Margin (NIM) affect bank performance and profitability, as well as how these policies are influenced by the needs and expectations of different stakeholders.(Freeman & McVea, 2005)

The Influence of Operational Ratio to Operating Income on Return on Asset

According to Agam et al. (2021); (Yuliana & Listari (2021); and Astuti (2022) Operating Expenses Ratio has a negative and significant influence on the profitability of Islamic banking. BOPO has a significant negative effect, which means that any increase in bank operating costs that is not accompanied by an increase in operational income will result in reduced profit before tax and will impact ROA. If operational activities are carried out efficiently or the BOPO value is low, the income generated will increase. The large BOPO value is also due to the high cost of funds collected and the low interest income from investing funds. This will result in reduced profits and will ultimately reduce ROA, this is what causes BOPO to have a negative effect on Profitability (ROA). (Kumala Safitri Agam et al., 2021).

H_1: BOPO has a negative and significant influence on ROA.

The Influence of Capital Adequacy Ratio on Return on Asset

According to Sari & Putri (2021); Alaziz (2020); and Subekti & Wardana (2022), CAR has a negative and significant effect on ROA of Islamic Banks. This shows that the higher the CAR value will reduce the resulting ROA. (Agung Panji Subekti & Kusuma Wardana, 2022). CAR has no effect on ROA because it is due to less than optimal management of existing funds. This can be seen from the CAR values in several Sharia Banks which have small numbers and are close to the numbers that already set by Bank Indonesia. (Sari & Putri, 2021).

H_2: CAR has a negative and significant influence on ROA

The Influence of Non Performing Financing on Return on Asset

The high of NPF shows that islamic banking fails to manage the funds given to customers for purposes that can affect the financial performance of the bank itself. This is the biggest risk because losses caused by non-functioning funding can destroy bank capital. According to Sabbrina & Rialdy (2024); Azzahra (2020); and Sari & Rialdy (2024), NPF has negative and significant on the ROA of Islamic Bank.

H_3: NPF has a negative and significant influence on ROA

The Influence of Net Interset Margin on Return on Asset

NIM is also a ratio to determine the level of profitability, namely the level of bank effectiveness between net interest income compared to average productive assets. An increase in the NIM value indicates that the bank's performance is improving. The increasing NIM value also helps to reduce the cost of funds as interest costs that banks pay to reduce the cost of funds as interest costs that banks pay to each related bank source. According to (Veronika Dora Wesso et al., 2022), (Yudha et al., 2017), (Wahyudin et al., 2021) NIM has a positive and crucial impact on banking profitability.

H_4: NIM has a positive and significant influence on ROA

The Influence of Firm Size on Return on Asset

Firm Size is a measure that shows the size of a company, namely the average level of sales, total sales and total assets. According to Katharina & Novita (2022); Sari et al. (2021) Firm Size has no influence on ROA for the profitability of Sharia banks.

H_5: Firm Size has negative and significant influence on ROA

Conceptual Model

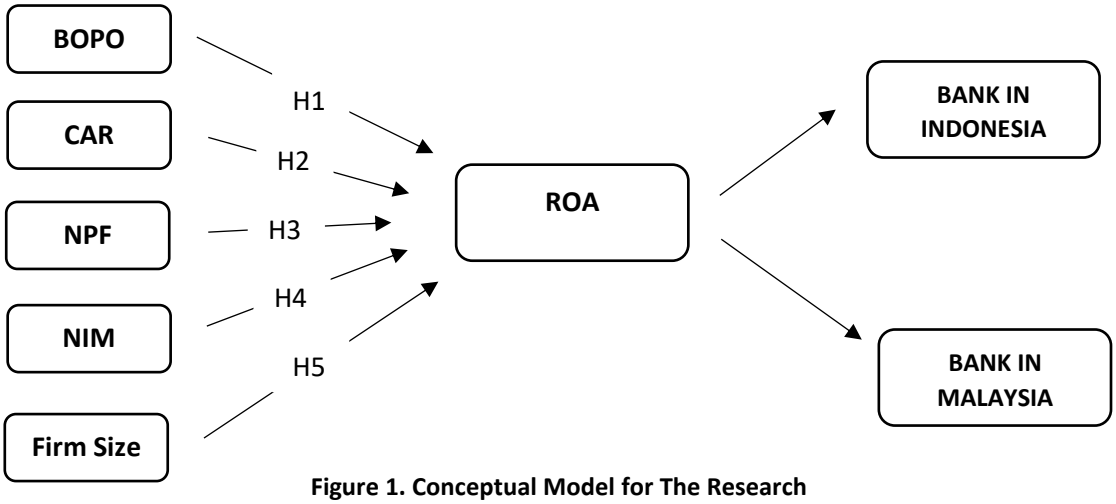

Figure 1. Conceptual Model for The Research

METHOD

Data Analysis Method

This study use quantitative analysis as the tool for data analysis. Quantitative analysis is a descriptive research method that employs a higher level of analysis. he aim of quantitative research is to demonstrate variable correlations, analyze them, and identify relationships that explain causes in quantifiable social facts. In order to collect information that must be concluded, this quantitative research is conducted by collecting data and analyzing the findings.

This study uses multiple regression analysis with the aid of Stata software. Linear Regression is a statistical technique that use many independent variables to forecast the dependent variable and assesses the influence of two or more independent variables on a single dependent variable.

The Study Population and Sample

Population is a generalized area of an object or subjects that have certain qualities and characteristics that are applied by researchers to studied and conclusions drawn. The population in this study are banking companies listed on the IDX as many as 12 islamic banking companies in Indonesia and KLSE (Bursa Malaysia) as many as 12 islamic banking companies in Malaysia over a period of 5 years (2018-2022). A sampling method based on certain criteria. As for the basic and these criteria are:

1. The company published complete financial reports from 2018 to in 2022 to see a comparison of profitability for these companies.
2. Have complete data related to the data required in the research, namely data for calculating CAR, NPF, NIM, BOPO, Firm Size, and ROA.

Measurement of Variables

a. Non Performing Financing

$$\text{NPF} = \left(\frac{Non\ Performing\ Financing}{Total\ Financing}\right) \times 100\%$$

b. Operating Cost and Operating Income

$$\text{BOPO} = \left(\frac{Operational\ Expenses}{Operating\ Income}\right) \times 100\%$$

c. Capital Adequacy Ratio

$$\text{CAR} = \left(\frac{Tier\ 1\ Capital + Tier\ 2\ Capital}{Risk\ Weighted\ Assets}\right) \times 100\%$$

d. Net Interest Margin

$$\text{NIM} = \left(\frac{Interest\ Income - Interest\ Expense}{Average\ Earning\ Assets}\right) \times 100\%$$

e. Firm Size

$$\text{Firm Size} = \text{LN (Total Assets)}$$

f. Return On Asset

$$\text{ROA} = \left(\frac{Net\ Income}{Total\ Assets}\right) \times 100\%$$

RESULT AND DISCUSSION

Descriptive Statistics

The objective of descriptive statistics is to display the distribution of the major value through the mean. A measure of the distribution of the data can be found in the standard deviation value. A smaller standard deviation indicates that the data is approaching the mean value. The statistical measures that describe the variables in this study are as follows:

Table 1. Descriptive Statistics table Islamic Banking in Indonesia

Variable	Mean	Std. Dev.	Min	Max
ROA	1.412281	4.416804	-10.85	13.58
BOPO	100.3274	61.06528	56.16	428.4
CAR	43.25456	67.53223	12.34	390.5
NPF	1.451754	1.572897	0	5.89
NI	6.626842	7.396685	.66	32.42
FS	24.57368	5.449796	13.4	30.99

Source: Data Processed (2024)

Based on the results from table 1 above, the Return On Assets (ROA) variable has a mean value of 1.412281 with a standard deviation of 4.416804. The minimum value is -10.85 and the maximum value is 13.58. The Operating Expenses Operating Income (BOPO) variable has a mean value of 100.3274 with a standard deviation of 61.06528. The minimum value is 56.16 and the maximum value is 428.4. The Capital Adequacy Ratio variable has a mean value of 43.25456 with a standard deviation of 67.53223. with The minimum value is 56.16 and the maximum value is 390.5. The Non Performing Financing variable has a mean value of 1.451754 with a standard deviation of 1.572897. The minimum value is 0 and the maximum value is 5.89. The Net Interest Margin variable has a mean value of 6.626842 with a standard deviation of 7.396685. The minimum value is .66 and the maximum value is 32.42. The Firm Size variable has a mean value

of 24.57368 with a standard deviation of 5.449796. The minimum value is 13.4 and the maximum value is 30.99.

Table 2. Descriptive Statistics table Islamic Banking in Malaysia

Variable	Mean	Std. Dev.	Min	Max
ROA	.9580109	.7538177	.004	3.589364
BOPO	33.35539	11.5638	13.24222	65.59605
CAR	18.59464	2.565146	14.23333	26.31
NPF	.3418678	.8847943	0	4.07
NI	3.419748	5.662725	.0634108	28.1925
FS	24.82828	1.867311	23.15	31.65

Source: Data Processed (2024)

Based on the results from table 2 above, the Return On Asset (ROA) variable has a mean value of .9580109 with a standard deviation of .7538177. The minimum value is .004 and the maximum value is 3.589364. The Operating Expenses Operating Income (BOPO) variable has a mean value of 33.35539 with a standard deviation of 11.5638. The minimum value is 13.24222 and the maximum value is 65.59605. The Capital Adequacy Ratio variable has a mean value of 18.59464 with a standard deviation of 2.565146. The minimum value is 14.23333 and the maximum value is 26.31. The Non Performing Financing variable has a mean value of .3418678 with a standard deviation of .8847943. The minimum value is 0 and the maximum value is 4.07. The Net Interest Margin variable has a mean value of 3.419748 with a standard deviation of 5.662725. The minimum value is .0634108 and the maximum value is 28.1925. The Firm Size variable has a mean value of 24.82828 with a standard deviation of 1.867311. The minimum value is 23.15 and the maximum value is 31.65

Preliminary Test

This study conducted three model selection tests: the Chow test, comparing OLS to FE; the Breusch and Pagan Lagrangian multiplier test, comparing OLS to RE; and the Hausman test, comparing RE to FE.

Heteroscedasticity Diagnostic Test and Serial Correlation

As a result of this research, the serial correlation and heteroscedasticity of the diagnostic test are tested using the Fixed Effect (FE) model.

Hipothesis Testing

Table 3. Model result Islamic Banking in Indonesia

ROA	Coeff.	Std. Err.	t	P>|t|
BOPO	-.0541135	.0042019	-12.88	0.000
CAR	.0032288	.0144038	0.22	0.827
NPF	.0597507	.2397058	0.25	0.808
NI	-.396461	.5896003	-0.67	0.515
FS	-.0345136	.3559024	-0.10	0.924
R-squared Overall	0.0033			
F	5,11			
Prob > F	0.0000			
Number of obs	57			

Source: Data Processed (2024)

Table 4. Model result Islamic Banking in Malaysia

ROA	Coeff.	Std. Err.	t	P>|t|
BOPO	-.0155097	.0102502	-1.51	0.158
CAR	-.0549444	.0412305	-1.33	0.210
NPF	-.6208839	.1015672	-6.11	0.000
NI	.0170534	.0075735	2.25	0.046
FS	.0612026	.097373	0.63	0.542
R-squared Overall	0.0163			
F	5,11			
Prob > F	0.0000			
Number of obs	58			

Source: Data Processed (2024)

Analysis The Influence of Operational Ratio to Operating Income on Return on Asset in Indonesia and Malaysia

The impact of BOPO on ROA in Table 3 indicates that BOPO has a negative and significant effect, with a t-value of -12.88 and a significance value of 0.000, according to the testing results of Indonesian banking data. This implies that the ROA ratio will drop as BOPO rises. Based on banking data from Malaysia, Table 4's analysis of BOPO's impact on ROA reveals that BOPO attained a t-value of -1.51 and a significance value of 0.158, indicating a negative and inconsequential effect.

Analysis The Influence of Capital Adequacy Ratio on Return On Asset in Indonesia and Malaysia

Table 3's analysis of the impact of CAR on ROA, which was based on testing Indonesian banking data, reveals that CAR obtained a t-value of 0.22 and a significance value of 0.827, indicating a positive but non-significant effect. This suggests that there exists a correlation between ROA (Return on Assets) and CAR (Capital Adequacy Ratio), albeit not one that is statistically significant. The ROA tends to rise along with the CAR variable, albeit not very much. Table 4's results for Malaysian banks indicate that the CAR had a t-value of -1.33 and a significance value of 0.210, indicating a negative but not statistically significant effect. This indicates that there is no correlation between CAR on ROA in Malaysia.

Analysis The Influence of Non Performing Financing on Return On Asset in Indonesia and Malaysia

The impact of NPF on ROA in Table 3 indicates that NPF obtained a t-value of 0.25 and a significance value of 0.808, which indicates that NPF has a positive but not statistically significant effect. These findings are based on the testing of Indonesian banking data. Table 4's results for Malaysian banks indicate that NPF had a substantial and negative impact, with a t-value of -6.11 and a significance value of 0.000. This suggests that a considerable fall in ROA will occur with an increase in NPF.

Analysis The Influence of Net Interest Margin (NI) on Return On Asset in Indonesia and Malaysia

The impact of NPF on ROA in Table 3 indicates that NI obtained a t-value of -0.67 and a significance value of 0.515, indicating that NPF has a negligible and not significant effect. These findings are based on the testing of Indonesian banking data. Table 4 presents the banking results for Malaysia. It indicates that NI had a positive and significant effect with a t-value of 2.25 and a significance value of 0.046.Analysis Firm Size (FS) on Return On Asset in Indonesia and Malaysia

The influence of Firm Size on ROA in Table 3 indicates that Firm Size attained a t-value of -0.10 and a significance value of 0.924, which means Firm Size has a negatif and not significant effect. These results are based on the testing of Indonesian banking data. Table 4 presents the banking results for Malaysia. It indicates that Firm Size had a positive and non-significant influence, with a t-value of 0.63 and a significance value of 0.542.

CONCLUSION

Based on the analysis of Islamic banks in Indonesia, it shows that BOPO (Operating Expenses to Operating Income) affects ROA (Return on Assets), while CAR (Capital Adequacy Ratio) and NPF (Non-Performing Financing) show a correlation with ROA but are not statistically significant. Meanwhile, the two variables NI (Net Income) and FS (Firm Size) do not affect ROA.

And based on the analysis of Islamic banks in Malaysia, it shows that NPF (Non-Performing Financing) and NI (Net Income) affect ROA (Return on Assets), while the three variables BOPO (Operating Expenses to Operating Income), CAR (Capital Adequacy Ratio), and FS (Firm Size) do not affect ROA.

This research has been attempted and carried out in accordance with scientific procedures, however, several limitations of this research:

1. The observation period used in this research is five years 2018 to 2022.
2. The variables in the research are still limited (only using the variables NPF, NIM, BOPO, CAR and ROA so that this research can be used as a reference for further research, other variables need to be added to get the optimal results.

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