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THE EFFECT OF CAR, NPF, AND BOPO ON ROA IN ISLAMIC COMMERCIAL BANKS FOR THE 2017-2024

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Abstract

Introduction: this research is motivated by the fluctuation of probability (ROA) in Islamic Commercial Banks in Indonesia, which is influenced by capital conditions, financing quality, and operational efficiency. ROA stability serves as a crucial indicator in assessing bank performance; thus, empirical analysis is required to determine the effect of Capital Adequacy Ratio (CAR), Non Performing Financing (NPF), and Operating Expenses to Operating Income (OEOI/BOPO). **Research Methods:** this study employs a quantitative of five Islamic commercial banks (BUS) during period of 2017-2024. The analysis technique used is panel data regression via Eviews9 software, involving model section stages through the Chow test and Hausman Test. Based on the test result, the Random Effect Model (REM) was selected as the best model **Results and Conclusion:** indicate that partially, CAR does not have a significant effect on ROA, meanwhile NPF and OEOI/BOPO has a significant negative effect on ROA. Simultaneously, CAR, NPF, and OEOI/BOPO significantly affect ROA with a coefficient of determination (R2) of 0,542, indicating that 54,2% of the variation in ROA can be explained by these three variables, while the remaining 45,8% is influenced by factor outside this research.

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INTRODUCTION

Islamic Commercial Banks (BUS) are financial institutions that operate according to Islamic Sharia principles. In addition to managing payment operations, these banks also assist in the collection and distribution of funds through financing contracts, and provide a variety of other banking services (NIla & Sayudin, 2024). One characteristic of Islamic Commercial Banks (BUS) is that every transaction and product offered must comply with the requirements set by the Sharia Supervisory Board (DPS) (Khikmatin & Setianingsih, 2021). To effectively oversee the performance of these institutions, a banking regulator is essential. This is a crucial part of the economic functioning of Islamic Commercial Banks. Profitability is one effective way to measure a company's performance in generating operating profit (Ananda, 2023). Profit not only indicates a company's ability to meet its shareholders' obligations, but also determines the company's value (Sania, 2023).

The performance of both conventional and Islamic banks can be measured and analyzed in depth through financial ratios, one of which is the profitability ratio. Profitability is the primary indicator for assessing a bank's financial performance. The level of profitability indicates a bank's ability to generate profits from all its assets. One ratio frequently used to measure profitability is Return on Assets (ROA) (Kasmir, Bank dan Lembaga Keuangan Lainnya, 2011). This ratio is crucial because it reflects a bank's ability to manage all assets to generate profits. Therefore, the higher the Return on Assets (ROA), the better the bank's performance is considered, as the bank's assets are capable of generating greater profits (Kasmir, 2004). The profitability of Islamic banks (BUS) tends to fluctuate and remains at a relatively low level. For example, Bank Panin Dubai Syariah and Bank KB Bukopin Syariah have experienced significantly negative ROA for several years, indicating performance pressure due to high non-performing loans, increasing allowances for possible losses, and high operating expenses that reduce profits (Deli & Nainggolan, 2024).

Meanwhile, Bank Victoria Syariah exhibits a relatively stable ROA of around 0%, indicating prudence in asset and risk management. Bank BJB Syariah exhibits a more positive and stable ROA, even showing an increase in 2022. This pattern indicates improved operational efficiency and better maintained financing quality. Overall, the fluctuations in ROA across the five Islamic banks (BUS) indicate that profitability is significantly influenced by other internal factors, such as increasing NPF (non-performing financing), high BOPO (cost of capital), and the bank's ability to manage its producing assets. This confirms that financing quality and operational efficiency are important factors determining the fluctuations in ROA from 2017 to 2024.

Given the fluctuations in ROA at these five Islamic banks, it is important to examine the internal factors that can affect bank profitability. In the context of Islamic banking, three key indicators often associated with changes in ROA are CAR, NPF, and BOPO. These three indicators are interrelated and together reflect a bank's ability to manage capital, financing risk, and operational efficiency (Faradila & Susanto, 2025). A high CAR ideally indicates that a bank has sufficient capital to cover financing risks and asset expansion (Mardayanti, Triana, &

Fatonah, 2025). According to Slamet Riyadi, the higher the CAR, the stronger the bank's ability to channel productive financing, thereby increasing ROA (Riyadi, Banking Assets And Liability Management (3 ed.). , 2006). However, several Islamic banks (BUS) for the period 2017-2024 showed that high CARs were not always accompanied by increased ROA. This condition indicates inefficiencies in capital utilization, where large amounts of capital are not optimally channeled into productive assets capable of generating profits. Furthermore, a high CAR without an impact on ROA increases may also indicate that the bank is facing high operational costs, weak risk management, or low financing quality, which requires capital to be allocated to cover existing losses (Andini & Piliyanti, 2023). If capital is not used effectively, banks will stagnate, become limited, and their ability to generate profits from assets will be reduced. Further impacts include a decline in bank competitiveness, a reduced ability to withstand financial shocks, and a reduced potential for ROA growth in subsequent periods (Andini & Piliyanti, 2023).

In some banks, despite increasing CAR, ROA remains low or even negative for certain periods. This indicates that the increased capital has not been optimally utilized for productive financing or is instead being absorbed to cover credit risk and high reserve requirements (Mendonca, Ndoen, Makatita, & Amtiran, 2024). The fluctuations in CAR in some banks reflect unstable risk management dynamics. When CAR increases but ROA does not improve, this may indicate that capital is being allocated more to handling problem financing than to productive activities (Febryanti & Aini, 2021). This condition indirectly indicates that banks have not been able to maximize their intermediary function.

Although capital adequacy plays a role in maintaining bank stability, profitability remains highly dependent on the quality of the financing disbursed (Putri, 2026). Therefore, after observing how CAR has not been able to consistently drive an increase in ROA, further analysis needs to focus on the Non-Performing Financing (NPF) level as a key indicator of asset quality and credit risk, which can directly impact bank profitability (Lutfianda, 2023). According to an increase in NPF indicates deteriorating financing quality due to an increasing number of customers defaulting or defaulting (Dedawijaya , 2009). This condition will directly reduce ROA, as banks must bear the risk of losses through increased provisions or CKPN (Credit Losses). From 2017-2024, it was apparent that all banks experienced fluctuations in the level of non-performing financing throughout the study period. In early 2017-2018, several banks, such as Bank Panin Dubai Syariah and Bank KB Bukopin Syariah, showed relatively high NPF levels compared to other banks, indicating pressure on financing quality. However, entering 2019, most banks began to experience a decline in NPF, indicating improvements in the disbursement process and payment risk management.

BOPO is a key indicator of a bank's operational efficiency. In theory, a higher BOPO means greater operating expenses must be borne compared to the operating income generated (Pandia F. , 2012). This condition causes a decrease in net profit, ultimately depressing ROA. In five Islamic banks (BUS) from 2017 to 2024, ROA decreased in years when BOPO was at a high level, indicating that operational efficiency has a significant impact on profitability. High BOPO can be caused by increasing administrative costs, high funding costs,

salary expenses, office operating expenses, or high NPF provision costs. If operating expenses continue to increase without being offset by revenue growth, the bank will experience decreased profitability, limited expansion capacity, and a weakened ability to manage productive assets.

The cost efficiency level of several Islamic banks (BUS) continues to face serious challenges. Bank BJB Syariah, Bank Panin Dubai Syariah, and Bank KB Bukopin Syariah exhibited very high fluctuations in their BOPO (Operating Cost to Equity) ratios, even reaching over 200% in certain years. This value reflects significant inefficiency, as operating costs significantly exceed operating income. The surge in BOPO was particularly evident in 2020, which coincided with the Covid-19 pandemic. This reflects significant pressure on operating costs, a decline in financing activity, and a weakening in the asset quality of Islamic banks. Meanwhile, Bank Muamalat and Bank Victoria Syariah demonstrated more stable BOPO values.

This fluctuation and high BOPO (Operating Cost of Goods) is a significant issue because a high BOPO will depress profits, resulting in a decline in ROA. This instability in cost efficiency indicates structural challenges that have not been fully addressed by the Islamic banking industry, both in terms of cost control, optimization of operating income, and the bank's ability to adapt to external shocks such as the Covid-19 pandemic (Amalina & Diana, 2022).This condition also contradicts banking theory, which states that the larger a bank's assets and operational capacity, the more efficient its financing management should be. However, empirical data shows that Islamic banking growth has not been fully accompanied by an increase in cost efficiency (Istinfarani & Azmi, 2020).

RESEARCH METHOD

In this study, data collection was conducted by collecting data on each bank's financial report ratios from 2017-2024, which were then analyzed according to the research variables used, namely the Capital Adequacy Ratio (CAR), Non-Performing Financing (NPF), Adjustment Costs to Operating Expenses (BOPO), and Return on Assets (ROA). These data were then tested and analyzed to prove the previously formulated hypotheses.

This study used a sample of 40 observations. This number was determined based on an eight-year research period, from 2017 to 2024, involving five Islamic commercial banks as research subjects. Therefore, the total observations were obtained from the calculation:
5 banks × 8-year research period = 40 observations, using annual data in panel data format. Although the number of observations is not large, it is still considered adequate for panel data research because it assesses not only the number of cross-sectional data but also the consistency of the time period and the suitability of the analytical method. Furthermore, similar research in Islamic banking generally uses relatively limited sample sizes due to the availability of Islamic commercial banks that meet the research criteria (Ghozali & Ratmono, 2017, p. 86).

This study uses panel data, namely time-series data (data collected periodically at predetermined time intervals, such as daily, weekly, monthly, or annually) combined with

cross-sectional data (data consisting of one or more variables at a time). The testing uses the eViews 9 application.

RESULT AND DISCUSSION

Statistic Descriptive

Table 1. Results of Descriptive Statistical Test

	Y_ROA	X1_CAR	X2_NPF	X3_BOPO
Mean	-0,609500	22,92775	4,846500	107,1043
Median	0,155000	21,20000	3,905000	97,73500
Maximum	1,790000	65,83000	22,04000	217,4000
Minimum	-10,77000	11,51000	0,670000	76,99000
Std. Dev.	2,656658	10,78543	3,652516	33,35093
Observations	40	40	40	40

Table 1 shows that there are 40 observational data in this study, obtained from five samples multiplied by the eight-year research period.

The dependent variable in this study is Return on Assets (ROA). The results of the descriptive statistical tests in the table above show that the minimum ROA value was 10.77, recorded at Panin Dubai Syariah Bank in 2017, and the maximum value was 1.790, recorded at Panin Dubai Syariah Bank in 2022. Over the eight-year period, the average ROA value was -0.609, with a standard deviation of 2.656. A standard deviation greater than the mean indicates significant variation in the data obtained. In this study, the first independent variable (X1) is the Capital Adequacy Ratio (CAR). Table 1 shows that the minimum CAR value was 11.51, recorded at Bank Panin Dubai Syariah in 2017, and the maximum value was 65.83% at Bank Victoria Syariah in 2023. Over the five-year period, the average CAR ratio was 22.92 with a standard deviation of 10.78. A standard deviation smaller than the mean indicates lower variation in the data.

In this study, the second independent variable (X2) is Non-Performing Financing (NPF). Table 1 shows that the minimum NPF ratio was 0.67, recorded at Bank Muamalat in 2021, while the maximum value was 22.04% at Bank BJB Syariah in 2017. Over the five-year period, the average NPF ratio was 4.84 with a standard deviation of 3.65. A standard deviation smaller than the mean indicates lower data variation.

In this study, the third independent variable (X3) is Operating Expenses to Operating Income (BOPO). Table 1 shows that the minimum BOPO ratio was 76.99, recorded at Panin Dubai Syariah Bank in 2017, while the maximum value was 217.40% at Panin Dubai Syariah Bank in 2022. Over the five-year period, the average BOPO ratio was 107.10, with a standard deviation of 33.35. A standard deviation smaller than the mean indicates lower data variation.

Chow Test

Table 2. Chow Test Result

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2,771825	(4,31)	0,0445
Cross-section Chi-square	11,924594	4	0,0179

Table 2 shows that the Chi-Square probability value for the cross-section is 0.0179, or lower than the 5% significance level (0.0179 < 0.05). Therefore, H0 is rejected. These test results indicate that the most appropriate model for testing the hypothesis is the Fixed Effects Model (FEM). The next step is to conduct a Hausman test to determine whether the Fixed Effects Model (FEM) or the Random Effects Model (REM) is most appropriate for estimating panel data.

Hausman Test

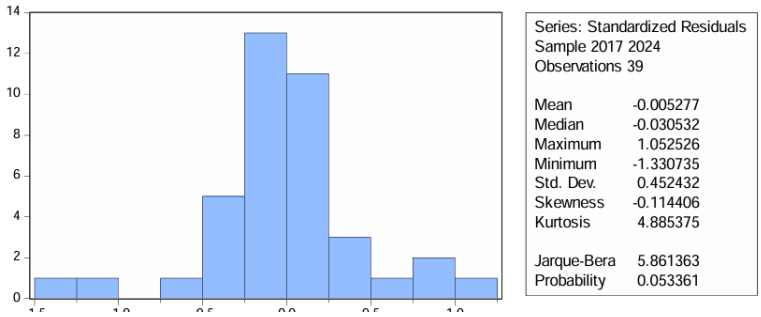
Table 3. Hausman Test Result

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.925048	3	0.1774

Table 3 above shows that the Chi-square probability value for the cross-section is 0.1774, or less than α = 5% (0.1774 > 0.05), indicating that H0 is accepted, indicating there is no significant difference between the estimates generated by FEM and REM. Under these conditions, the Random Effects Model (REM) is chosen because it is considered statistically more efficient. With the selection of REM through the Hausman Test, the Lagrange Multiplier (LM) Test is unnecessary.

Normality Test

Figure 1. Normality Test Result



The results of the normality test shown in the figure above show a Jarque-Bera probability value of 0.053361 > 0.05. This result indicates that the data has a normal distribution. Although the probability value of 0.053361 appears very small (marginally passes) and is almost equal to 0.05, in statistics, even the smallest difference around the threshold still results in an absolute decision.

Autocorrelation Test

Table 4. Autocorrelation Test Result

F-Statistic	0,6830	*Prob.F(1,560)*	0,6830
*Obs*R-squared*	- 0,1150	*Prob. Chi-Square*	0,5379

The table above shows the Chi-Square probability value (Obs*R-Squared) of 0.6150 > 0.05, indicating that there is no autocorrelation problem in the observed data. Therefore, it can be concluded that the assumption of the absence of autocorrelation has been met.

Multicollinearity Test

Table 5. Multicollinearity Test Result

	X1_CAR	X2_NPF	X3_BOPO
X1_CAR	1,000000	-0,326609	-0,150287
X2_NPF	-0,326609	1,000000	0,327657
X3_BOPO	-0,150287	0,327657	1,000000

Based on the data in Table 4.5, the results of the multicollinearity test indicate that there is no multicollinearity in the regression model because the correlation coefficient between the independent variables is <0.8.

Heteroscedasticity Test

Table 6. Heteroscedasticity Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0,039115	0,139504	0,280383	0,7808
X1_CAR	0,003433	0,003099	1,107765	0,2753
X2_NPF	0,018274	0,009557	1,912023	0,0639
X3_BOPO	-0,000184	0,001001	-0,183523	0,8554

Based on the table above, the heteroscedasticity test results show that the CAR variable has a probability value of 0.2753 > 0.05, while the NPF variable has a probability value of 0.0639 > 0.05, and the BOPO variable has a probability value of 0.8554 > 0.05. This indicates that the three independent variables (CAR, NPF, and BOPO) have no effect on the absolute residual value, and it can be concluded that the model formed does not exhibit heteroscedasticity, meaning the assumption test is met.

Random Effect Model Test

Table 7. Random Effect Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8,451203	0,139504	0,280383	0,0000
X1_CAR	0,003433	0,004529	0,757912	0,4352
X2_NPF	0,154437	0,009557	-3,748365	0,0006
X3_BOPO	-0,073042	0,001001	-5,824720	0,0000

Effects Specification		
	S.D.	Rho
Cross-section random	0,000000	0,0000
Idiosyncratic random	0,197063	1,0000

Weighted Statistics			
R-squared	0,542310	Mean dependent var	0,186720
Adjusted R-squared	0,504102	S.D. dependent var	0,202713
S.E. of regression	0,142811	Sum squared resid	0,732110
F-statistic	14,21550	Durbin-Watson stat	2,143211
Prob(F-statistic)	0,000002		

Based on the data processing results using Eviews 9, the following regression equation can be created using the estimated results of the research model = $\boldsymbol{\beta 0} + \boldsymbol{\beta 1 X1} + \boldsymbol{\beta 2 X2} + \boldsymbol{\beta 3 X3} + \boldsymbol{e}$

Y = 0.039115 + 0.003433X1 + 0.154437X2 – 0.073042X3 + e

The equation above can be explained as follows:

a. Constant
   The constant value has a positive value of 8.451203. This indicates a unidirectional influence between the independent and dependent variables. This means that without the influence of other variables, ROA has a value of 8.451203%.
b. Capital Adequacy Ratio (X1)
   The coefficient for CAR is 0.003433, with a positive sign.
   This means that if CAR increases by 1%, ROA will increase by 0.003433%, assuming other variables remain constant.
c. Non-Performing Financing (X2)
d. The coefficient for NPF is -0.154437 with a negative sign. This means that if NPF increases by 1%, ROA will decrease by 0.154437%, assuming other variables remain constant. The negative sign indicates an inverse relationship, where an increase in financing risk will decrease profitability.
e. Operating Expenses/Operating Income (X3)
   The coefficient for BOPO is -0.073042, which is negative. This means that if BOPO increases by 1%, ROA will decrease by 0.073042%, assuming other variables remain constant.

Parsial Test

Table 8. T Test Result

ariable	oefficient	td. Error	Statistic	rob.
	,039115	,139504	,280383	,0000
1_CAR	,003433	,004529	,757912	,4352
2_NPF	,154437	,009557	3,748365	,0006
3_BOPO	),073042	,001001	5,824720	,0000

a. The Effect of CAR on ROA
   The t-statistic for the CAR variable is 0.757912, with a probability value of 0.4352 > 0.05. Therefore, it can be concluded that H0 is accepted and H1 is rejected.
   Statistically, the CAR variable does not have a positive and significant effect on ROA in Islamic Commercial Banks.
b. The Effect of Non-Performing Loan (NPF) on ROA
   The t-statistic for the CAR variable is -3.748365, with a probability value of 0.0006 > 0.05. Therefore, it can be concluded that the NPF variable has a negative and significant effect on ROA in Islamic Commercial Banks.
   With a coefficient of 0.154437 for the NPF variable, it can be concluded that the relationship between NPF and ROA is not unidirectional. This means that every 1% increase in NPF reduces ROA by 0.154437%, assuming all other variables remain constant.
c. The Effect of BOPO on ROA
   The t-statistic value for the BOPO variable is -5.824720, with a probability value of 0.0000 > 0.05. Therefore, it can be concluded that statistically, the BOPO variable does not have a positive and significant effect on ROA in Islamic Commercial Banks.
   With a BOPO coefficient of -0.073042, it can be concluded that the relationship between BOPO and ROA is not unidirectional. This means that every 1% increase in BOPO reduces the ROA value by -0.073042%, assuming all other variables remain constant.

Simultaneous test

Table 9. F test Result

F-statistic	14,21550
Prob(F-statistic)	0,000002

Based on Table 4.9, the simultaneous test results show a calculated F-statistic of 14.21550, with a Prob (F-Statistic) value of 0.000002 < 0.5. Thus, it can be concluded that the CAR (X1), NPF (X2), and BOPO (X3) variables simultaneously influence ROA (Y) in Islamic Commercial Banks.

Coefficient of determination

Table 10. Coefficient of determination test results

R-squared	0,542310
Adjusted R-squared	0,504102

Based on Table 4.10, the coefficient of determination (R2) test results show an R-squared value of 0.542, or 54.2%. This means that 54.2% of the variation in the Return on

Assets (ROA) variable can be explained by the Capital Adequacy Ratio (CAR), Non-Performing Financing (NPF), and Operating Expenses to Operating Income (BOPO). The remaining 45.8% is influenced by other factors not discussed in this study.

1. **The Effect of Capital Adequacy Ratio (CAR) on Return on Assets (ROA)**

   Based on the test results above, it is concluded that statistically, the CAR variable does not have a positive and significant effect on Return on Assets (ROA) in Islamic Commercial Banks for the 2017-2024 period. According to the theory proposed by Riyadi, the Capital Adequacy Ratio (CAR) is a ratio that measures a bank's ability to provide capital to cover the risk of loss from its productive assets. A higher CAR indicates a stronger bank capital in facing financial risks. However, if this capital is not utilized for productive activities, its contribution to increasing profits will be low (Riyadi, 2006).

   From a sharia banking perspective, despite the strong emphasis on prudential principles, sharia bank profitability (ROA) is driven more by asset quality and operational efficiency (Ramadhani, 2026). If a bank has high capital but poor financing risk management (NPF) and cost efficiency (BOPO), the capital will not contribute significantly to profits. This is supported by previous research conducted by Pricilla Febryanti and Nur Aini, which stated that CAR has no significant effect on ROA, as capital adequacy only reflects a bank's ability to generate profits (Widyastuti & Aini, 2021). This is due to Bank Indonesia regulations requiring banks to maintain a minimum standard of 8%, which is one factor that contributes to CAR's insignificant impact on profitability (ROA).

2. **The Effect of Non-Performing Financing (NPF) on Return on Assets (ROA)**

   Based on the regression test results, it can be concluded that statistically the NPF variable has a negative and significant effect on Return on Assets (ROA) in Islamic Commercial Banks for the 2017-2024 period. This phenomenon can be seen from empirical data at Bank BJB Syariah in 2017, where the NPF value reached 22.04%, far above the healthy limit according to Bank Indonesia regulations (≤5%). This condition indicates that the bank experienced a very high increase in non-performing financing. On the other hand, Bank BJB Syariah's ROA in the same year was recorded as negative at -5.69%, indicating that the profitability of Islamic banks in general was depressed (Sari, Gibran, & Yanti, 2024). This phenomenon indicates that the increase in NPF causes a decrease in ROA because the high level of non-performing financing makes margin income from financing unavailable on time. According to Lukman Dendawijaya, the higher the NPF value, the greater the amount of uncollectible or non-revenue financing for the bank. This condition can reduce financing margin income and result in loss provision expenses, thereby directly lowering the bank's profitability level as measured by Return on Assets (ROA). Thus, an increase in NPF will have a negative impact on ROA, because it indicates a decrease in the bank's effectiveness in managing its productive assets to generate profits (Dendawijaya, 2009).

3. **The Influence of Operating Expenses and Operating Income (BOPO) on Return on Assets (ROA)**

Based on the regression test results above, it can be concluded that the BOPO variable statistically has a negative and significant effect on Return on Assets (ROA) in Islamic Commercial Banks for the 2017-2024 period. This phenomenon was seen at Bank KB Bukopin Syariah in 2023, where the BOPO ratio reached 206.19%, indicating that operating expenses were significantly higher than revenue. During the same period, the bank's ROA decreased to -7.13%, indicating that high operating expenses, not offset by increased revenue, significantly decreased the bank's profitability.

According to Frianto Pandia, the BOPO ratio is used to measure a bank's efficiency and ability to carry out its operations. A higher BOPO ratio indicates a greater operational burden than the operating income generated, leading to a decline in bank profits and a decline in ROA (Pandia F. , 2012). The results of this study are in line with previous research by Putri Lufianda, which stated that BOPO has a negative effect on ROA, which means that the higher the BOPO ratio, the lower the bank's profitability level (Lufianda, 2023).

4. Capital Adequacy Ratio (CAR), Non-Performing Financing (NPF), and Operating Expenses to Operating Income (BOPO) to Return on Assets (ROA)

Based on the results of panel data regression tests using the Random Effect Model (REM), it can be concluded that statistically, the CAR, NPF, and BOPO variables simultaneously affect ROA in Islamic Commercial Banks for the 2017-2024 period. The results of this study also show a positive and significant value with a confidence level of 0.986744 or 54%. This means that 45.8% of the variation in the ROA variable is influenced by CAR, NPF, and BOPO. Meanwhile, the remaining 1.4% is influenced by other factors not discussed in this study. The phenomenon shows that increasing capital and operational efficiency as well as decreasing the non-performing financing ratio contribute to increasing bank profitability. The higher the CAR and the lower the NPF and BOPO, the bank's financial performance, especially ROA, tends to improve.

According to Kasmir, ROA is a profitability ratio that reflects a company's ability to utilize its resources, such as assets, cash, and other operational activities, to generate profits. ROA is influenced not only by the size of assets but also by how those assets are managed. This includes how much assets generate net income after expenses, and how effectively bank management optimizes assets to generate profits. Therefore, ROA is an important indicator in assessing a bank's overall financial performance because it combines aspects of asset management, profitability, and management efficiency (Kasmir, 2011).

These results reinforce the finding that internal banking factors collectively play a significant role in the financial performance of Islamic banks, particularly in achieving optimal profits. This is supported by previous research by Gadis Ditya Ananda, which stated that the Capital Adequacy Ratio (CAR), Non-Performing Financing (NPF), and Operating Expenses to Operating Income (BOPO) influence Return on Assets (ROA), with operational efficiency being the most dominant factor when examined alongside capital and financing. Therefore, these research findings reinforce the evidence that capital

adequacy, operational efficiency, and financing quality collectively play a significant role in increasing the profitability of Islamic banks (Ditya, 2023).

CONCLUSION

The Capital Adequacy Ratio (CAR) did not significantly affect Return on Assets (ROA) in Islamic Commercial Banks during the 2017-2024 period. This indicates that the level of capital adequacy held by a bank does not necessarily have a direct impact on profitability. In other words, high capital levels do not always translate into increased profitability for the bank. Non-Performing Financing (NPF) had a significant negative effect on Return on Assets (ROA) in Islamic Commercial Banks during the 2017-2024 period. This means that the higher the level of non-performing financing, the lower the bank's profitability.

This indicates that financing quality plays a crucial role in maintaining the stability of Islamic bank profits. Operating Expenses and Operating Income (BOPO) negatively affected Return on Assets (ROA) in Islamic Commercial Banks during the 2017-2024 period. This indicates that the higher the BOPO value, the lower the bank's efficiency, which in turn reduces the bank's ability to generate profits. Therefore, operational cost efficiency is a crucial factor in increasing bank profitability. The Capital Adequacy Ratio (CAR), Non-Performing Financing (NPF), and Operating Expenses and Operating Income (BOPO) simultaneously have a significant effect on Return on Assets (ROA) in Islamic Commercial Banks from 2017 to 2024. This indicates that these three variables play a significant role in determining a bank's profitability. Good capital management, controlling non-performing financing, and improving operational efficiency can help banks improve their overall performance.

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