

## Impact of Covid-19 on Financial Performance of Sharia Bank in Indonesia



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**ABSTRACT:** The Islamic Banking Industry has a strategic role in people's economic development. This study aims to analyze the effect of CAR, NPF, FDR, and BOPO on the performance of Islamic banks in Indonesia during the Covid-19 pandemic, using Good Corporate Governance moderation. The total sample of research data during the study period was 60 observational data. This research was conducted using the Moderated Regression Analysis (MRA) method. Based on the results of the data test, it was found that the capital adequacy ratio and BOPO variables had a positive and significant effect on the performance of Islamic banks. The non-performing financing variable has no effect on the performance of Islamic banks. The variable Financing to Deposit Ratio has a negative and significant effect on the performance of Islamic Banks. Good Corporate Governance as measured by the size of the Board of Commissioners and proven to moderate the influence of the Capital Adequacy Ratio and BOPO variables on the performance of Islamic Banks. Good Corporate Governance as measured by the size of the Board of Commissioners is proven to moderate the influence of the Non Performing Financing variable on the performance of Islamic Banks, but moderate the influence of the Financing to Deposit Ratio variable on the performance of Islamic Banks.

**KEYWORDS:** Financial performance, Islamic finance, Islamic accounting

### I. INTRODUCTION

The Covid-19 pandemic has had an impact on the economic sector in all countries, including Indonesia. As a result, the production and consumption of the world's people are disrupted. In fact, according to BPS (Central Statistics Agency) data, the Indonesian economy in 2020 experienced a growth contraction of 2.07% (yoy). Then, the Indonesian economy in the first quarter of 2021 experienced a growth contraction of 0.74% (yoy). Even though in the second quarter of 2021 there was a growth of 7.07% (yoy), the condition of economic recovery is still happening throughout the country. One sector that is still experiencing recovery is the Islamic banking sector. according to Elena (2020) One of the phenomena that occurs is the increase in several business risks in Islamic banks. These include the risk of tightening liquidity, decreasing asset quality, and decreasing profitability. This has caused all Islamic banks to start implementing economic stimulus related to restructuring financing for customers affected by the COVID-19 pandemic based on POJK No. 11/POJK. 03/2020.

The Islamic Banking Industry has a strategic role in people's economic development, such as contributing to economic transformation in productive, value-added and inclusive economic activities during the Covid-19 pandemic. The Islamic Banking Industry is also moving quickly to adapt by creating strategies, new innovations and appropriate and careful risk mitigation to survive in the face of the Covid-19 pandemic which makes economic conditions uncertain. The existence of Islamic banking in Indonesia is a reflection of the need for an alternative banking system that can make a more positive contribution to improving the stability of the national banking system. The purpose of sharia banking is to support the implementation of national development, such as carrying out functions to support the real sector through financing according to sharia principles that support the implementation of national development in the context of equitable distribution of people's welfare.

One of the Islamic banking companies, PT Bank BTPN Syariah, Tbk, which experienced a decline from the previous period due to the COVID-19 pandemic in Indonesia. In 2018 and 2019 it was Rp.965,311 million and Rp.1,399,634 million, while the period during the COVID-19 pandemic in Indonesia, namely the 2020 period, experienced a decrease in profit from the previous year of Rp.854,614 million. One of the most important financial statement information is earnings information (Laut & Narsa, 2021). Earnings information can help estimate the ability of representative earnings, as well as to assess risk in investment or credit, therefore profit is part of the financial statements that must present actual facts about the company's economic condition. (Jaya,

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2020). One of the instruments for measuring this profit is using financial performance ratios. Financial ratios are generally classified into 4 types, namely liquidity ratios, solvency ratios, asset ratios, and profitability ratios. One of the indicators that can be used to measure the profitability of a bank is ROA (Return On Asset), which is a profitability ratio that shows the comparison between profit (before tax) and the bank's total assets, this ratio shows the level of efficiency of asset management carried out by the bank concerned. Even in Islamic banks to measure the ratio of financial performance, generally use the ratio of return on assets (ROA). (Gunawan et al., 2020).

Bank's financial performance is a measure that describes the financial condition of a bank. For customers, before depositing their funds in a bank, they will first see the bank's financial performance through financial statements in the form of a balance sheet and profit and loss. The greater the Return on Assets (ROA) of a bank, the greater the level of profit achieved by the bank, and the better the position of the bank in terms of asset use. Based on Bank Indonesia Circular Letter Number 12/11/DPNP dated March 31, 2010 concerning the Rating System for Commercial Bank Soundness based on Sharia principles, Return on Assets (ROA) is obtained by dividing profit before tax by the average total assets in a period (Bank Indonesia Indonesia).

Bank profitability can be influenced by two factors, namely external factors and internal factors. External factors are factors originating from outside the bank, for example economic conditions, developments in the money and capital markets, government policies, and Bank Indonesia regulations. While internal factors are factors that come from the bank itself, for example bank products, interest rate policies or profit sharing in Islamic banks, service quality, and bank reputation. Several factors that are thought to influence the level of ROA are Capital Adequacy Ratio (CAR), Non Performing Financing (NPF), Financing to Deposit Ratio (FDR), and Operating Expenses to Operating Income (BOPO). In addition, the factor of Good Corporate Governance is also suspected to be able to strengthen the influence of these factors on the performance of Islamic banks.

## II. THEOROTICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

In this section, the theoretical basis used for understanding the problem solving of this research will be presented, and also translated into several hypotheses used, with several previous studies. The theoretical basis used, namely agency theory, was proposed by Jensen and Meckling in 1976. Agency theory explains the relationship between principal (owner) and agent (company management). Principal employs by giving delegates to agents to make decisions in order to achieve company goals and maximize profits. Agency theory also explains the assumption that the manager (agent) as the manager of the company has more information about his company than the company owner (principal) who does not continuously and periodically make observations of his company. So therefore, One of the performances of Islamic banks is seen from the Return on Assets. The return on profits illustrates the effectiveness and efficiency of the performance of the Islamic bank concerned (Surepno & Minoto, 2018). Management is required to be able to work effectively and efficiently in order to get the benefits as expected by the owner of the company based on the information held and the decisions taken.

### Capital Adequacy Ratio (CAR) affects Return on Assets

Return on Assets suspected to be influenced by the Capital Adequacy Ratio (CAR). CAR is the performance ratio of Islamic banks to measure the adequacy of capital owned by Islamic banks to support assets that contain or generate risks, for example financing provided (Das et al., 2020). Islamic bank management is required to be able to provide financing by considering the capital owned by Islamic banks. These considerations are carried out with the aim that management is careful in providing financing but can still generate the desired profit. Because the financing provided is not always smooth, but there are also non-current financing.

Several previous studies discussed the effect of CAR on the performance of Islamic banks with ROA proxies getting different results. CAR has a positive effect on ROA according to research from Rivandi & Gusmariza (2021) and Mainata & Ardiani (2017). However, this is different from research from Das et al. (2020) which results that CAR has no effect on ROA in Islamic banks. Based on the results of these studies, the formulation of this hypothesis is:

**H1=** CAR has a positive effect on the performance of Islamic banks

### Non Performing Financing (NPF) affects Return on Assets

Non-performing financing is called Non-Performing Financing (NPF). NPF is a comparison ratio between bad loans and the amount of loans disbursed in order to determine the risk to loans disbursed (Rivandi & Gusmariza, 2021). Information regarding the NPF ratio must be known by management to be considered in making decisions. This information is one of the information that is generally conveyed to the owners of Islamic banks. Several previous studies discussed the effect of NPF on the performance of Islamic banks with ROA proxies getting different results. NPF has a negative effect on ROA according to research from Das et al. (2020), Devi (2021), and Gunawan et al. (2020). However, this is different from research from Rivandi & Gusmariza

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(2021) and Fadhilah & Suprayogi (2019) which results that NPF has no effect on ROA in Islamic banks. Based on the results of these studies, the formulation of this hypothesis is:

**H2** = NPF has a negative effect on the performance of Islamic banks

### Financing to deposit ratio (FDR) affect Return on Assets

Other information that is generally conveyed by management to Islamic bank owners is regarding the financing to deposit ratio (FDR). FDR shows the total financing of Islamic banks from all funds collected from third parties by comparing the total financing provided with funds sourced from third parties (Wahyudi, 2020). If management can provide effective and efficient financing to reduce non-current financing, the higher FDR will further increase profits because operating expenses arising from uncollected financing will be minimized. Several previous studies discussed the effect of FDR on the performance of Islamic banks with ROA proxies getting different results. FDR has a negative effect on ROA according to research from Das et al. (2020). However, this is different from research from Gunawan et al. (2020) which results that FDR has no effect on ROA in Islamic banks. Based on the results of these studies, the formulation of this hypothesis is:

**H3** = FDR has a negative effect on the performance of Islamic banks

### BOPO affects Return on Assets

The operating expense is a deduction component from the calculation of Islamic bank profit. The level of effectiveness and efficiency of Islamic banks in controlling their operating expenses can be measured by the ratio of operating expenses to operating income (BOPO). (Das et al., 2020). BOPO is the ratio between operating costs to operating income (Ida, 2016). The smaller the BOPO ratio, it can be interpreted that the management of Islamic banks runs operations effectively and efficiently from the work patterns used and the decisions taken. Several previous studies discussed the effect of BOPO on the performance of Islamic banks with ROA proxies getting different results. BOPO has no effect on ROA (Gunawan et al., 2020). However, this is different from research from Das et al. (2020) and supported by research Tarmidi & Widodo, (2021) which results that BOPO has a negative and significant effect on ROA in Islamic banks. Based on the results of these studies, the formulation of this hypothesis is:

**H4** = BOPO has a negative effect on the performance of Islamic banks

### Moderate Effect of Good Corporate Governance

To be able to carry out effective and efficient operations as well as good and appropriate work patterns in making decisions, companies must be guided by the principles of Good Corporate Governance (GCG). (Gholy & Nadya, 2020). Good Corporate Governance (GCG) is a set of regulations that regulate the relationship between shareholders, management (managers) of the company, creditors, the government, employees and other internal and external stakeholders relating to rights and obligations, or in other words a system that regulates and controls the company (Forum for Corporate Governance in Indonesia, 2001). The GCG instrument used in this study is the size of the board of commissioners, namely the number of commissioners in Islamic banks. The board of commissioners is a representative of the owners who are elected through the General Meeting of Shareholders (GMS) and is tasked with directly supervising the performance of Islamic bank management. The Board of Commissioners is required to be able to become a liaison between the principal (owner) and also the agent (management). Previous research that discusses the effect of GCG as measured by the size of the board of commissioners on the performance of Islamic banks as measured by return on assets is research from Ariandhini (2019) which results that the size of the board of commissioners has a positive and significant effect on ROA. Based on the results of these studies, the formulation of this hypothesis is:

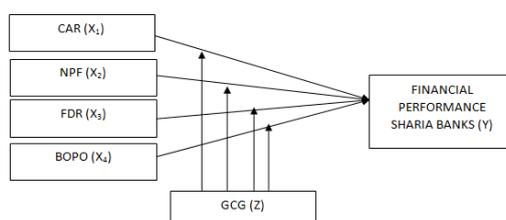
**H5** = GCG strengthens the influence of CAR on Sharia Bank Performance

**H6** = GCG strengthens the influence of NPF on Sharia Bank Performance

**H7** = GCG strengthens the influence of FDR on Sharia Bank Performance

**H8** = GCG strengthens the influence of BOPO on Sharia Bank Performance

BASED ON THE ELABORATION OF THEORY, THE RELATIONSHIP BETWEEN VARIABLES, THE RESEARCH CONCEPT FRAMEWORK CAN BE DESCRIBED AS FOLLOWS:



**Figure 1.** Research model framework

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### III. RESEARCH METHOD

This study uses secondary data sourced from the quarterly reports of Islamic Commercial Banks published on the company's official website and the Indonesia Stock Exchange website. This study uses a purposive sampling technique (Sugiyono, 2018). The following are the sample selection criteria used by researchers:

1. The study was conducted at Islamic Commercial Banks in Indonesia registered with the OJK for the period January 2020 - June 2021.
2. Quarterly financial reports are presented in rupiah currency.
3. Quarterly financial reports are presented containing the research data needed during the research period.

This research data collection technique uses literature study and field research. The research data were obtained through books, journals, theses, theses, the internet, and other tools related to the title of the research, as well as studying the data, then proceeding with recording, and calculating. This study uses multiple regression analysis method to predict the state (up and down) of the dependent variable, if two or more independent variables are predictors. (Sugiyono, 2018). This study also uses the Moderated Regression Analysis (MRA) method. The stages of testing in this study include descriptive statistical analysis, normality test (Sholihin & Angraini, 2020), Multicollinearity test (Sholihin & Angraini, 2020), heteroscedasticity test, coefficient of determination test (R<sup>2</sup>), and t-test (t-test). The equation model for multiple linear regression analysis in this study is as follows.

$$Y_{it} = \alpha + \beta_1 CAR_{it} + \beta_2 NPF_{it} + \beta_3 FDR_{it} + \beta_4 BOPO_{it} + e_{it}$$

Information:

Y <sub>it</sub>	= Bank Performance/ <i>Return on Assets</i> (ROA)
α	= Constant
β	= Regression coefficient
CAR	= <i>Capital Adequacy Ratio</i>
NPF	= <i>Non Performing Financing</i>
FDR	= <i>Financing to Deposit Ratio</i>
BOPO	= <i>Operating Expenses to Operating Income</i>
e	= <i>Error term</i> (estimate error rate in research)
i	= company data
t	= Time period data

Meanwhile, the moderated regression analysis (MRA) test of this study is shown as follows.

$$Y_{it} = \alpha + \beta_1 CAR_{it} + \beta_2 NPF_{it} + \beta_3 FDR_{it} + \beta_4 BOPO_{it} + \beta_5 (CAR.GCG)_{it} + \beta_6 (NPL.GCG)_{it} + \beta_7 (FDR.GCG)_{it} + \beta_8 (BOPO.GCG)_{it} + e_{it}$$

Information:

Y <sub>it</sub>	= Sharia Bank Performance/ <i>Return on Assets</i> (ROA)
α	= Constant
β	= Regression Coefficient
CAR	= <i>Capital Adequacy Ratio</i>
NPF	= <i>Non Performing Financing</i>
FDR	= <i>Financing to Deposit Ratio</i>
BOPO	= <i>Operating Expenses to Operating Income</i>
GCG	= <i>Good Corporate Governance</i>
CAR.GCG	= The multiplication variable between CAR and GCG which describes the effect of the moderating variable
NPF.GCG	= The multiplication variable between NPF and GCG which describes the effect of the moderating variable
FDR.GCG	= The multiplication variable between FDR and GCG which describes the effect of the moderating variable
BOPO.GCG	= The multiplication variable between BOPO and GCG which describes the effect of the moderating variable
e	= Error term (level of estimation error in research).
i	= company data
t	= Time period data

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Table 1. Variable Operational Definition

No.	Variable	Definition	Measurement	Scale
1.	<b>Sharia Bank Performance</b>	The performance of Islamic banks uses the Return on Assets proxy. ROA is one of the profitability ratios with the aim of knowing the extent to which the investment that has been invested is able to provide a return of profit as expected (Gunawan et al., 2020).	$ROA = \frac{\text{Laba Setelah Pajak}}{\text{Total Aset}} \times 100\%$ (Almunawwaroh & Marlina, 2018)	Ratio
2.	<b>Capital Adequacy Ratio</b>	CAR is a bank performance ratio to measure the adequacy of capital owned by a bank to support assets that contain or generate risk, for example financing provided (Das et al., 2020).	$CAR = \frac{\text{Total Modal}}{\text{Total ATMR}} \times 100\%$ (Ilhami & Thamrin, 2021)	Ratio
3.	<b>Non Performing Financing</b>	NPF is a comparison ratio between bad loans and the amount of loans disbursed in order to determine the risk to loans disbursed (Rivandi & Gusmariza, 2021).	$NPF = \frac{\text{Jumlah Pembiayaan Bermasalah}}{\text{Jumlah Pembiayaan}} \times 100\%$ (Das et al., 2020)	Ratio
4.	<b>Financing to Deposit Ratio</b>	FDR shows the total financing of Islamic banks from all funds collected from third parties by comparing the total financing provided with funds sourced from third parties (Wahyudi, 2020).	$FDR = \frac{\text{Total Pembiayaan}}{\text{Total Dana Pihak Ketiga}} \times 100\%$ (Gunawan et al., 2020)	Ratio
5.	<b>Operating Expenses to Operating Income</b>	BOPO is the ratio between operating costs to operating income (Ida, 2016).	$BOPO = \frac{\text{Beban Operasional}}{\text{Pendapatan Operasional}} \times 100\%$ (Tarmidi & Widodo, 2021)	Ratio
6.	<b>Good Corporate Governance</b>	<i>Good Corporate Governance</i> (GCG) is a set of regulations that regulate the relationship between shareholders, management (managers) of the company, creditors, the government, employees and other internal and external stakeholders relating to rights and obligations, or in other words a system that regulates and control the company (Forum for Corporate Governance in Indonesia, 2001).	Board of Commissioners Size (Ariandhini, 2019)	Nominal

## IV. RESULTS

Based on table 2, it can be seen that the number of Islamic commercial banks registered with the Financial Services Authority (OJK) during January 2020-June 2021 according to the research criteria are 10 companies. So that the total sample of research data during the research period is 60 observational data.

Table 2. Stages of Sample Selection

No.	Criteria	Number of Islamic Banks
1.	Sharia Commercial Banks registered with OJK for the period January 2020 – July 2021	12
2.	Quarterly financial reports are not presented in rupiah currency	-
3.	Quarterly financial reports are presented without containing the required data for the period January 2020 – July 2021	(2)
4.	Number of Islamic commercial banks that meet the criteria	10
	Research Period (Quarter)	6
	Total sample data for six quarters, namely January 2020 – June 2020	60

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## Research Findings

This study aims to obtain results regarding the effect of the independent variables Capital Adequacy Ratio (CAR), Non Performing Financing (NPF), Financing to Deposit Ratio (FDR), Operational Costs on Operating Income (BOPO)1 on the dependent variable, namely the performance of Islamic banks with proxies. Return on Assets (ROA) and moderated by the variable Good Corporate Governance (GCG) with the proxy size of the Board of Commissioners. The following are the findings of the data test results.

**Table 3. Descriptive statistical test results**

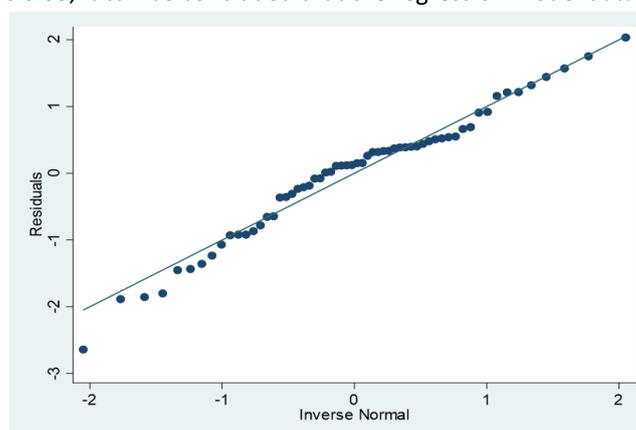
Variable	N	mean	Std. Deviation	Minimum	Maximum
ROA	60	0.173257	0.0285416	0.000004	0.1358
CAR	60	0.2630328	0.1071958	0.1212203	0.5202393
NPF	60	0.0981531	0.5035123	0.005	3.93
FDR	60	0.9003433	0.2931675	0.5628	1.9673
BOPO	60	0.882455	0.1111768	0.5485	1.002
GCG	60	3.116667	1.328841	1	9

The results of the statistical test in table 3 show that the return on assets variable with a sample size (N) of 60 has an average value (mean) of 0.173257 and a standard deviation of 0.0285416. Then it has a minimum and maximum value of 0.000004 and 0.1358. The statistical test results in table 3 also show that the CAR variable with a sample size (N) of 60 has an average value (mean) of 0.2630328 and a standard deviation of 0.1071958. Then it has a minimum and maximum value of 0.1212203 and 0.5202393. The NPF variable with a sample size (N) of 60 has an average value (mean) of 0.0981531 and a standard deviation of 0.5035123. Then it has a minimum and maximum value of 0.005 and 3.93. The FDR variable with a sample size (N) of 60 has an average value (mean) of 0.9003433 and a standard deviation of 0.2931675. Then it has a minimum and maximum value of 0.5628 and 1.9673. The BOPO variable with a sample size (N) of 60 has an average value (mean) of 0.882455 and a standard deviation of 0.1111768. Then it has a minimum and maximum value of 0.5485 and 1.002. Furthermore, table 3 also shows that the GCG variable with a sample size (N) of 60 has an average value (mean) of 3.116667 and a standard deviation of 1.328841. Then it has a minimum and maximum value of 1 and 9. Table 3 also shows that the GCG variable with a sample size (N) of 60 has an average value (mean) of 3.116667 and a standard deviation of 1.328841. Then it has a minimum and maximum value of 1 and 9. Table 3 also shows that the GCG variable with a sample size (N) of 60 has an average value (mean) of 3.116667 and a standard deviation of 1.328841. Then it has a minimum and maximum value of 1 and 9.

**Table 4. Shapiro-Wilk Test Normality Test Results**

Shapiro- Wilk W Test for normal data					
Variable	Obs	W	V	Z	Prob>z
Ur2	60	0.97498	1.360	0.663	0.25366

The regression model is said to be normally distributed when it has a significance value greater than 0.05. The significance value is greater than the p value, which is 0.05, it can be concluded that the regression model data has normally distributed data.



**Figure 2. Normality Probability Plot**

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The Normality Probability Plot graph after data transformation in logarithmic form (log) in Figure 2 shows that the plotting data (dots) shows that the data spreads along the existing diagonal line so that this regression model meets the requirements for the data normality test. Therefore, it is concluded that on the results of the normality test using the Normality Probability Plot graph, the regression model data is normally distributed.

**Table 5. Multicollinearity Test Results**

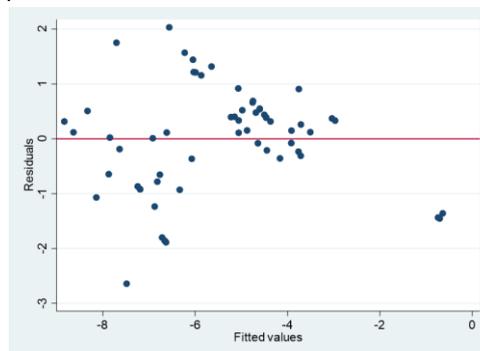
Variable	VIF	1/VIF
Logx1	2.09	0.477944
Logx2	1.66	0.602628
Logx3	1.28	0.779027
Logx4	1.72	0.579868
Mean VIF	1.69	

Based on table 5, the results of the multicollinearity test show that the tolerance value is greater than 0.1 and the VIF value is less than 10. It can be concluded that the independent variables in this study did not experience multicollinearity between independent variables.

**Table 6. Heteroscedasticity Test Results**

Bruesch Pagan/ Cook-Weisberg test	Prob
Chi-square (1)	1.75
Prob>Chi2	0.1863

Based on table 6, the results of the heteroscedasticity test with the BrueschPagan/Cook-Weisberg test have a Chi2 probability value of 0.1863, which is greater than the 5% or 0.05 significance level ( $0.1863 > 0.05$ ). So it can be concluded that this research model is free from heteroscedasticity symptoms.



**Figure 3. Scatterplot Graph**

The results of the heteroscedasticity test in Figure 3 with a scatterplot graph can be seen that there is no clear pattern in the image, other than that the points spread above and below the number 0 on the Y axis. It can be concluded that in this regression model there is no heteroscedasticity.

**Table 7. Coefficient of Determination Test Results**

R-Squared	0.7873
Adj R-Squared	0.7718

Based on table 7, it can be seen that the Adjusted R-Squared value is 0.7718. This indicates that the performance of Islamic banks with the return on assets (ROA) proxy can be explained by the independent variables, namely: capital adequacy ratio (CAR), non-performing financing (NPF), financing to deposit ratio (FDR), and operating expenses to operating income. (BOPO) which is expected to be 77.18%. The remaining 22.82% was determined by other variables not analyzed in this study.

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**Table 8. Results of t-test**

Variable	Coefficient	Std. error	t	P> t
X1	1.431774	0.4777307	3.00	0.004
X2	-0.0898703	0.1694916	-0.53	0.598
X3	-2.039691	0.5424317	-3.76	0.000
X4	-8.876198	1.221534	-7.27	0.000
_cons	-5.235476	1.127469	-4.64	0.000

Based on table 8 the results of the t-test, in the X1 variable, namely the capital adequacy ratio (CAR), the tcount value is 3.00 with a probability value of 0.004. Then, the value of ttable is known to be 2.00 with a significance level of 0.05. These results can be concluded that the value of tcount is greater than the value of ttable (3.00 > 2.00), then the significance level is greater than the probability value obtained (0.05 > 0.004). The conclusion is that partially the independent variable, namely the capital adequacy ratio (CAR) has a positive and significant effect on the dependent variable, namely the performance of Islamic banks with the return on assets (ROA) proxy.

In the X2 variable, namely non-performing financing (NPF), the tcount value is -0.53 with a probability value of 0.598. Then, the value of ttable is known to be 2.00 with a significance level of 0.05. These results can be concluded that the value of tcount is smaller than the value of ttable (-0.53 < 2.00), then the significance level is smaller than the probability value obtained (0.05 < 0.598). The conclusion is that partially the independent variable, namely non-performing financing (NPF) has no effect on the dependent variable, namely the performance of Islamic banks with return on assets (ROA) proxy.

In the X3 variable, namely the financing to deposit ratio (FDR), the tcount value is -3.76 with a probability value of 0.000. Then, the value of ttable is known to be 2.00 with a significance level of 0.05. These results can be concluded that the value of tcount is smaller than the value of ttable (-3.76 < 2.00), then the significance level is greater than the probability value obtained (0.05 > 0.000). This result has a negative direction which is indicated by the value of the coefficient and t count which is negative. The conclusion is that partially the independent variable, namely the financing to deposit ratio (FDR) has a negative and significant effect on the dependent variable, namely the performance of Islamic banks with the return on assets (ROA) proxy.

In the X4 variable, namely operating expenses to operating income (BOPO), the tcount value is -7.27 with a probability value of 0.000. Then, the value of ttable is known to be 2.00 with a significance level of 0.05. These results can be concluded that the value of tcount is smaller than the value of ttable (-7.27 < 2.00), then the significance level is greater than the probability value obtained (0.05 > 0.000). This result has a negative direction which is indicated by the value of the coefficient and t count which is negative. The conclusion is that partially the independent variable, namely operating expenses on operating income (BOPO) has a negative and significant effect on the dependent variable, namely the performance of Islamic banks with a return on assets (ROA) proxy.

Based on table 8 it can be concluded that the multiple linear regression equation model is:

$$Y = -5.235476 + 1.431774X1 - 0.0898703X2 - 2.039691X3 - 8.876198X4$$

- I. Based on the equation model, the constant (a) which has a constant value of -5.235476 shows that if all the values of the independent variables are zero, then the Y variable is the performance of Islamic banks with the return on assets (ROA) proxy equal to -5.235476 .
- II. Variable X1, namely the capital adequacy ratio (CAR) has a coefficient value of 1.431774. Based on these results, it means that if there is a 1% increase in CAR, there will be an increase in ROA of 1.431774% with a note that other variables are considered constant.
- III. Variable X2, namely non-performing financing (NPF) has a coefficient value of -0.0898703. Based on these results, it means that if there is a 1% increase in NPF, there will be a decrease in ROA of 0.0898703% with a note that other variables are considered constant.
- IV. Variable X3, namely financing to deposit ratio (FDR) has a coefficient value of -2.039691. Based on these results, it means that if there is a 1% increase in FDR, there will be a decrease in ROA of 2.039691% with a note that other variables are considered constant.
- V. Variable X4, namely operating expenses to operating income (BOPO) has a coefficient value of -8.876198. Based on these results, it means that if there is a 1% increase in BOPO, there will be a decrease in ROA of 8.876198% with a note that other variables are considered constant.

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Table 9. Moderated Regression Analysis Results

Variable	Coefficient	Std. error	t	P> t
X1	-0.425976	0.079944	-5.33	0.000
X2	-1.672345	0.510615	-3.28	0.002
X3	0.0276759	0.191227	1.45	0.154
X4	0.710614	0.0532012	1.34	0.188
Z	0.0122075	0.0119505	1.77	0.082
X1Z	0.1365621	0.0244976	5.75	0.000
X2Z	0.5577722	0.1701685	3.28	0.002
X3Z	-0.0046873	0.0070083	-0.67	0.507
X4Z	-0.830154	0.0151117	-5.49	0.000
_cons	0.0981905	0.419757	2.34	0.023

Based on table 4.10, the probability value of the X1Z variable which is the interaction variable between the capital adequacy ratio (CAR) and good corporate governance (GCG) is 0.000. This value is smaller than 0.05 which means that GCG can moderate the relationship between CAR and ROA. The probability value of the X2Z variable which is the interaction variable between non-performing financing (NPF) and good corporate governance (GCG) is 0.002. This value is smaller than 0.05 which means that GCG can moderate the relationship between NPF and ROA. The probability value of the X3Z variable which is the interaction variable between the financing to deposit ratio (FDR) and good corporate governance (GCG) is 0.507. This value is greater than 0.05 which means that GCG cannot moderate the relationship between FDR and ROA. The probability value of X4Z which is the interaction variable between operating expenses on operating income (BOPO) and good corporate governance (GCG) is 0.000. This value is smaller than 0.05 which means that GCG can moderate the relationship between BOPO and GCG.

### The Effect of Capital Adequacy Ratio on Sharia Bank Performance

This study found that the capital adequacy ratio variable has a positive and significant effect on the performance of Islamic banks as measured by using return on assets (ROA). These results prove that the hypothesis is accepted. These results are in line with research conducted by Mainata & Ardiani (2017), Rivandi & Gusmariza (2021) which states that the capital adequacy ratio has a positive and significant effect on return on assets. However, the results of this study are not in line with the research conducted by Devi (2021) which states that the capital adequacy ratio variable has no significant effect on return on assets.

Capital adequacy ratio is the ratio of the company's performance, in this case the Islamic bank in order to measure the capital adequacy of the Islamic bank to support assets that contain or generate risk, for example the financing provided (Das et al., 2020). The results of this study mean that the greater the value of the capital adequacy ratio, the better for Islamic banks because Islamic banks have sufficient capital to carry out financing products. With these products, Islamic banks can maximize the profits generated. This capital adequacy is supported by the ability of Islamic bank management (agent) to make the right decisions and be careful in providing financing but still being able to maximize profits so as to satisfy the owners of Islamic banks (principals).

### The Influence of Non-Performing Financing on the Performance of Islamic Banks

This study found that non-performing financing variables did not affect the performance of Islamic banks as measured using return on assets (ROA). These results prove that the hypothesis is rejected. These results are in line with research conducted by Fadhilah & Suprayogi (2019) and Rivandi & Gusmariza (2021) which results that non-performing financing has no effect on return on assets. However, the results of this study are not in line with the research conducted by Gunawan et al. (2020) which states that non-performing financing has a negative and significant effect on return on assets.

Non Performing Financing is a comparison ratio between bad loans and the amount of credit disbursed in order to determine the risk to the loans disbursed (Rivandi & Gusmariza, 2021). Non-performing financing does not affect the performance of Islamic banks as measured by return on assets because Islamic banks can minimize the occurrence of bad loans from Islamic bank financing activities. This is a good thing because the management of Islamic banks can be careful in providing financing to customers.

### The Effect of Financing to Deposit Ratio on Sharia Bank Performance

This study finds that the variable financing to deposit ratio has a negative and significant effect on the performance of Islamic banks as measured by using return on assets (ROA). These results prove that the hypothesis is accepted. These results

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are in line with research conducted by Das et al. (2020) which results that the financing to deposit ratio has a negative effect on return on assets. However, the results of this study are not in line with the research conducted by Rivandi & Gusmariza (2021) which results that the financing to deposit ratio has no effect on return on assets.

Financing to deposit ratio shows the total financing of Islamic banks from all funds collected from third parties by comparing the total financing provided with funds sourced from third parties (Wahyudi, 2020). The larger the third party funds, the smaller the financing to deposit ratio will be. Then, the smaller the value of the financing to deposit ratio, the greater the return on assets. Islamic banks must be able to utilize third party funds in financing activities effectively in order to increase the profits of Islamic banks so that it has implications for increasing the value of return on assets.

### **The Effect of Operating Expenses on Operating Income on the Performance of Islamic Banks**

This study found that the operating expense variable on operating income has a negative and significant effect on the performance of Islamic banks as measured by return on assets (ROA). These results prove that the hypothesis is accepted. These results are in line with research conducted by Tarmidi & Widodo (2021), Das et al. (2020), and Nanda et al. (2019) which results that operating expenses on operating income have a negative and significant effect on return on assets. However, the results of this study are not in line with the research conducted by (Devi, 2021) which results that operating expenses on operating income have no effect on return on assets.

In theory, operating expenses are a deducting component from the calculation of Islamic bank profits. Then the smaller the operational burden, the greater the profit generated by Islamic banks. So, the greater the ratio of operating expenses to operating income, the smaller the profit generated so that the implications for the value of return on assets are getting smaller. Islamic banks must be able to run operations effectively and efficiently in order to minimize operational expenses. By doing this, it will improve the performance of Islamic banks, especially on the financial side.

### **Good Corporate Governance Moderate the influence of the Capital Adequacy Ratio on the Performance of Islamic Banks**

This study finds that the variable of good corporate governance as measured by the number of commissioners can moderate and strengthen the effect of the variable capital adequacy ratio on the performance of Islamic banks as measured by return on assets (ROA). These results prove that the hypothesis is accepted.

In the capital adequacy ratio variable, the coefficient value is -0.425976 with a probability level of 0.000. This shows that it has a significant effect. In the moderating variable, good corporate governance gets a coefficient value of 0.0212075 with a probability level of 0.082. This shows that it has no significant effect. In the interaction variable between the capital adequacy ratio and good corporate governance, the coefficient value is 0.1365621 with a probability level of 0.000. This shows that it has a significant effect. It can be concluded that the moderating variable of good corporate governance is Pure Moderation.

The relationship between the capital adequacy ratio variable and the performance of Islamic banks as measured by return on assets can be strengthened by the moderating variable of good corporate governance as measured by the size of the board of commissioners. The board of commissioners has an important role in the company because it is tasked with ensuring the implementation of strategies, supervising management in managing the bank and requiring the implementation of accountability. (Ariandhini, 2019). The board of commissioners supervises the management in managing the adequacy of the capital owned in order to get the maximum profit so as to increase the return on assets.

### **Good Corporate Governance Moderate the influence of Non-Performing Financing on the Performance of Islamic Banks**

This study found that the variable of good corporate governance as measured by the size of the board of commissioners can moderate and strengthen the influence of non-performing financing variables on the performance of Islamic banks as measured by return on assets (ROA). These results prove that the hypothesis is accepted.

In the non-performing financing variable, the coefficient value is -1.672345 with a probability level of 0.002. This shows that it has a significant effect. In the moderating variable, good corporate governance gets a coefficient value of 0.0212075 with a probability level of 0.082. This shows that it has no significant effect. In the interaction variable between non-performing financing and good corporate governance, the coefficient value is 0.5577722 with a probability level of 0.002. This shows that it has a significant effect. It can be concluded that the moderating variable of good corporate governance is Pure Moderation.

The influence of the non-performing financing variable with the Islamic bank performance variable as measured by return on assets can be strengthened by the moderating variable of good corporate governance as measured by the size of the board of commissioners.

### **Good Corporate Governance Moderate the influence of Financing to Deposit Ratio on Sharia Bank Performance**

This study finds that the variable of good corporate governance as measured by the size of the board of commissioners

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cannot strengthen the influence of the variable financing to deposit ratio on the performance of Islamic banks as measured by using return on assets (ROA). These results prove that the hypothesis is rejected.

The variable financing to deposit ratio gets a coefficient value of 0.0276759 with a probability level of 0.154. This shows that it has no significant effect. In the moderating variable, good corporate governance gets a coefficient value of 0.0212075 with a probability level of 0.082. This shows that it has no significant effect. In the interaction variable between the financing to deposit ratio and good corporate governance, the coefficient value is -0.0046873 with a probability level of 0.507. This shows that it has no significant effect. It can be concluded that the moderating variable of good corporate governance is homology moderation.

The influence of the variable financing to deposit ratio with the performance variable of Islamic banks as measured by return on assets can be strengthened by the moderating variable of good corporate governance as measured by the size of the board of commissioners.

### Good Corporate Governance Moderate the effect of Operating Expenses on Operating Income on Sharia Bank Performance

This study finds that the variable of good corporate governance as measured by the size of the board of commissioners can moderate and strengthen the effect of the operating expense variable on operating income on the performance variable of Islamic banks as measured by using return on assets (ROA). These results prove that the hypothesis is accepted.

The variable operating expenses on operating income gets a coefficient value of 0.710614 with a probability level of 0.188. This shows that it has no significant effect. In the moderating variable, good corporate governance gets a coefficient value of 0.0212075 with a probability level of 0.082. This shows that it has no significant effect. In the interaction variable between operating expenses and operating income with good corporate governance, the coefficient value is -0.830154 with a probability level of 0.000. This shows that it has a significant effect. It can be concluded that the moderating variable of good corporate governance is Pure Moderation.

The effect of operating expenses on operating income with Islamic bank performance variables as measured by return on assets can be strengthened by the moderating variable of good corporate governance as measured by the size of the board of commissioners.

## V. CONCLUSIONS

Based on the results of the data test on 60 samples of research data, the results showed that the capital adequacy ratio variable had a positive and significant effect on the performance of Islamic banks as measured by Return on Assets. These results are in line with research Mainata & Ardiani (2017) and Rivandi & Gusmariza (2021). The variable of non-performing financing has no effect on the performance variable of Islamic Banks as measured by Return on Assets. These results are in line with research Fadhilah & Suprayogi (2019) and Rivandi & Gusmariza (2021). The variable Financing to Deposit Ratio has a negative and significant effect on the performance of Islamic Banks. These results are in line with research Das et al. (2020). Variable Operating Expenses on Operating Income has a positive and significant effect on the Performance Variables of Islamic Banks. These results are in line with research Tarmidi & Widodo (2021), Das et al. (2020), and Nanda et al. (2019). Good Corporate Governance as measured by the size of the Board of Commissioners is proven to moderate the influence of the Capital Adequacy Ratio variable on the performance of Islamic Banks. Good Corporate Governance as measured by the size of the Board of Commissioners is proven to moderate the influence of the Non-Performing Financing variable on the performance of Islamic Banks. Good Corporate Governance as measured by the size of the Board of Commissioners is proven to moderate the influence of the variable Financing to Deposit Ratio on the performance of Islamic Banks. Good Corporate Governance as measured by the size of the Board of Commissioners is proven to moderate the influence of the Operating Expenses variable on Operational Income on the performance of Islamic Banks.

The findings of this study can add insight into the performance of Islamic banks and as a reference for stakeholders of Islamic banks to be able to improve the performance of Islamic banks, especially their financial performance during the Covid-19 Pandemic Period and the current new normal period. This study also recommends for further research to be able to use additional macro variables, such as: the inflation rate and credit interest rates, in order to provide an updated finding that is useful for the development of knowledge of banking financial performance in Indonesia.

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