

**THE EFFECT OF CAPITAL ADEQUACY, OPERATIONAL EFFICIENCY, ASSET QUALITY,
AND SHARIA SUPERVISORY BOARD PERFORMANCE
ON THE FINANCIAL PERFORMANCE OF SHARIA COMMERCIAL BANKS REGISTERED
WITH THE FINANCIAL SERVICES AUTHORITY IN THE PERIOD 2019-2023**

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Abstract: This inquiry endeavors to assess the influence on capital adequacy, operational efficiency, asset quality, and Sharia Supervisory Board performance on the financial performance of Sharia Commercial Banks listed by the Financial Services Authority in the period 2019-2023. This research is an empirical study grounded in a quantitative causal-associative approach. The population examined comprises Sharia Commercial Banks listed by the Financial Services Authority spanning 2019-2023. The analytical sample was determined utilizing a purposive sampling approach, yielding nine Sharia Commercial Banks and a total of 45 observational units. The assessment utilised archival data extracted from annual reports published on the respective banks' official web portals. The data were analysed applying panel-based econometric analysis processed using EvIEWS version 13. The findings substantiate that, partially, the operational efficiency variable exhibits a negative and significant bearing on financial performance. Meanwhile, the capital adequacy, asset quality, and Sharia Supervisory Board performance variables are not significantly associated with financial performance. These findings substantiate that the stability of financial performance in Sharia Commercial Banks is largely driven by the banks' ability to maintain operational efficiency.

Keywords: Asset Quality, Capital Adequacy, Financial Performance, Operational Efficiency, Sharia Commercial Banks, Sharia Supervisory Board Performance

INTRODUCTION

In recent years, Sharia Commercial Banks within Indonesia exhibit shown significant expansion. Data disseminated by the Financial Services Authority (OJK) reveals that the total asset value of Sharia Commercial Banks in Indonesia has consistently increased year after year, reaching IDR 594,709 billion at the end of 2023, up from IDR 531,860 billion in 2022 and IDR 441,789 billion in 2021 (OJK, 2024). Although Sharia Commercial Bank assets continue to grow, there is still a gap in operational efficiency and profitability compared to conventional Commercial Banks. The most representative financial performance is operationalized using Return on Assets (ROA).

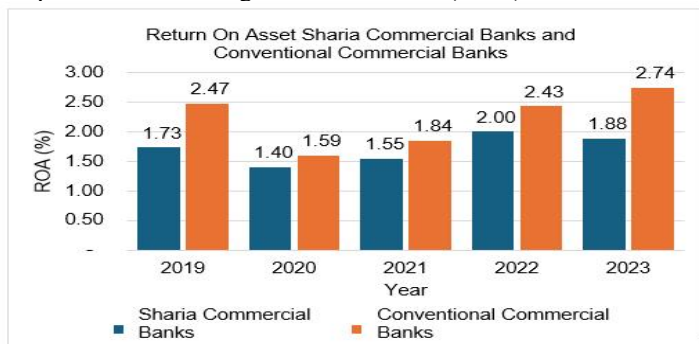


Figure 1. ROA Sharia Commercial Banks and Conventional Commercial Banks

Predicated on Figure 1, the ROA of Sharia Commercial Banks remains inferior to that of Conventional Commercial Banks. On average, the ROA of Sharia Commercial Banks falls below 2%, whereas Conventional Commercial Banks consistently exceed the 2% threshold over the same observation period. This disparity suggests that, in general terms, Conventional Commercial Banks demonstrate greater proficiency in utilizing their asset base to generate earnings compared to Sharia Commercial Banks. Such a divergence further reflects that Sharia Commercial Banks are confronted with multifaceted structural constraints in their efforts to enhance financial performance.

Financial performance evaluation is a pivotal aspect that every business entity, including Islamic commercial banks, must consider. This assessment plays a crucial role in identifying performance trends, whether they are improving or declining from year to year. This information then forms the basis for strategic considerations in formulating future policies (Saputra & Lina, 2020). Furthermore, for investors, financial performance is a crucial indicator used to assess and guide investment decisions. Therefore, banks will consistently strive to optimally maintain and improve their financial performance.

The capital adequacy level of banking institution constitutes a pivotal element in assessing its resilience, as sufficient capitalization underpins operational stability and strengthens the bank’s risk absorption capacity; beyond this, operational efficiency also exerts a considerable influence on profitability, wherein inefficiencies not accompanied by corresponding growth in operating income may precipitate a decline in operating profit due to the necessity of allocating earnings to offset losses arising from elevated operational costs; furthermore, from a risk profile perspective, asset quality signifies the extent of financing risk whereby directly affects the bank’s capacity to generate returns, while within the sphere of Islamic banking, one dimension that remains relatively underexplored is the Sharia Supervisory Board Performance, whereby serves a fundamental function in safeguarding that banking operations adhere consistently to sharia principles.

A number of prior scholarly inquiries have examined the determinants influencing financial performance; however, these investigations have yielded divergent and inconclusive findings. Several of these studies are systematically presented in the following table:

Table I.1. Previous Research

No.	Independent Variabel	Dependent Variabel	Researcher Name	Research Result
1.	Capital Adequacy (CAR)	Financial Performance	Nugrahanti et al (2018)	Positive Influence
			Suwarno & Muthohar (2018)	No Effect
2.	Operational Efficiency (BOPO)		Hasibuan et al (2022)	Negative Influence
			Veriana & Wirman (2023)	Positive Influence
3.	Asset Quality (NPF)		Hodi & Wardana (2023)	Negative Influence
			Nurkholifah & Wirman (2022)	No Effect
4.	Sharia Supervisory Board Performance		Bayu (2023)	Negative Influence
			Afiska et al (2021)	No Effect

This study specifically focuses on Sharia Commercial Banks as the sample object, because this type of bank has the largest branch office network compared to other Sharia banking entities. Grounded in Islamic banking statistics disseminated by the Financial Services Authority, thus Sharia Commercial Banks are considered capable of representing the financial performance of the Sharia banking sector as a whole in Indonesia. Predicated on the existing phenomenon, the researcher is inclined to raise the study title "The Effect of Capital Adequacy Level, Operational Efficiency, Asset Quality, and Sharia Supervisory Board Performance on Financial Performance of Sharia Commercial Banks Registered with the Financial Services Authority 2019-2023."

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

LITERATURE REVIEW

Agency Theory

Agency theory posits that introduced by Jensen and Meckling (1976), elucidating the interplay among principals and agents. Principals are the corporate entity owners or shareholders, while agents are the management authorized to administer the company's operations as well as making decisions on behalf of the owners. This authorization creates an agency relationship within the company's activities. (Intia & Azizah, 2021).

Signalling Theory

Signaling Theory was initially formulated by Michael Spence (1973). The theory focuses on how asymmetric information between two parties, namely company management and investors, can be addressed through signals. Signals are conveyed by the more knowledgeable party (management) to the less knowledgeable party (investors). These signals can take the form of concrete actions, information delivery, or specific indicators aimed at addressing information asymmetries in the market. In the context of financial management, signaling theory serves as a conceptual foundation for information ownership between companies and external stakeholders. (Perdana, 2024).

Sharia Compliance Theory

According to Abdullah (2020), Sharia compliance represents adherence to Islamic principles in Sharia financial institutions, in this case Sharia banking, which pertains to the fatwas promulgated by the National Sharia Council of the Indonesian Ulema Council as well as Bank Indonesia regulations as the basis for evaluating sharia compliance in the provision of transactions, products, and operations of Sharia banks. The primary objective of implementing sharia compliance is to ascertain that bank operational activities are not deviate from sharia principles.

Sharia Banking

The first regulation governing Sharia banking in Indonesia was Law No. 7 of 1992, which regulated the operations of Rural Banks (BPR) based on the profit-sharing principle. As economic complexity and public interest in Islamic finance increased, the government revised this regulation through Law No. 10 of 1998. This revision clarified the definition and principles of Sharia banking in greater detail. Subsequently, Law No. 21 of 2008 was enacted, which remains the legal basis for Sharia banking to date. This law clearly regulates business activities, the implementation of Islamic principles, the distribution of funds, and prohibits activities that conflict with Islamic values. Pursuant to Law No. 21 of 2008, Article 1, Sharia banking encompasses all matters related to Sharia Banks and Islamic Business Units, including institutional structures, business activities, and operational mechanisms.

Sharia Financial Report

Sharia financial reports are regulated by PSAK 101 concerning the Presentation of Sharia Financial Reports. Sharia financial reports are financial statements issued by profit-oriented sharia entities. Sharia entities are entities that conduct sharia transactions as business activities grounded sharia principles and are outlined in their corporate charter.

Financial Performance

Financial performance is a key factor indicating the degree to which a firm attains its objectives. Financial performance reflects a firm's financial position and serves as a basis for evaluating whether its condition is sound or unsound. Financial performance also represents the firm's performance over a given period (Putri, 2025).

Return on Asset (ROA)

ROA is part of the profitability ratio which aims to assess the firm's profitability capacity from the assets it owns. According to Astuti et al. (2021), ROA represents how much return is obtained from utilizing assets to generate net profit from every rupiah invested in total assets.

Capital Adequacy

Capital adequacy is part of banking sector regulations that establish a construct governing banks and financial entities manage their capital structure. Capital adequacy serves as a regulatory benchmark for companies in assessing their capacity to deliver the necessary financing for support enterprise development as well as accommodate the risk of financial losses resulting from the company's operational activities. (Putri, 2025).

Operational Efficiency

Operational efficiency is the use of lower costs than revenue generated. A high level of efficiency reflects better profitability. Operational efficiency demonstrates a firm's capacity to manage its business activities efficiently and serves as a key indicator in evaluating financial performance. (Maisarah, 2018).

Asset Quality

Asset quality reflects the level of earning assets held, particularly as financing, that are in a healthy condition and free from non-performing financing risk. Non-performing financing risk refers to potential losses stemming from the obligor's incapacity to discharge payment obligations as agreed in the financing contract. This risk materializes when the debtor unable to repay the including margin, principal, or profit sharing, on time, at, or past maturity. (Azzahra, 2024).

Sharia Supervisory Board

Pursuant to POJK No. 2 of 2024, the Sharia Supervisory Board (SSB) constitutes the supervisory organ mandated to oversee Sharia Commercial Banks and Sharia Business Units in ensuring adherence to Sharia Principles. Banks must have at least three members, with a maximum of 50% of the total board composition

HYPOTHESIS

The Impact of Capital Adequacy on Financial Performance

An optimal level of capital adequacy tends to be better equipped to absorbing losses, mitigating risks efficiently, and meeting long-term financial obligations, ultimately contributing to increased profitability and overall financial performance. As evidenced by Ningsih & Ilhami (2023) demonstrates that capital adequacy exerts a positive and significant impact on financial performance. Nevertheless, in an investigation by Komarawati (2021) indicates that capital adequacy exerts no significant influence on financial performance. Grounded in the conceptual underpinning and prior empirical findings, the following hypothesis is proposed:

H1 = Capital Adequacy exerts a positive influence on Financial Performance.

The Impact of Operational Efficiency on Financial Performance

Operational efficiency, as proxied by the BOPO ratio, significantly impacts financial performance. A rise in BOPO indicates declining operational efficiency and potentially deteriorating financial performance, while a low BOPO indicates effective cost management and positively impacts financial performance. As evidenced by Nurkhalifa et al. (2021), Operational efficiency proxied by BOPO exerts a statistically significant negative influence on financial performance. However, as evidenced by Adelita (2021), Operational efficiency exerts a statistically meaningful positive impact on financial performance. Grounded in the theoretical framework and previous empirical findings outlined, the following hypothesis is proposed:

H2 = Operational Efficiency exerts a negative impact on Financial Performance.

The Impact of Asset Quality on Financial Performance

High asset quality reflects elevated non-performing financing (NPF) levels. Banks must divert funds to cover losses resulting from non-performing financing. The increased risk burden negatively impacts banks' financial performance. As evidenced by Yudistira & Ristati (2022), Asset quality measured using NPF exerts a statistically significant negative impact on financial performance. However, in a investigation by (Lestari, 2020), Asset quality exerts no impact on financial performance. Grounded in the theoretical framework and prior research findings, the following hypotheses is proposed:

H3 = Asset Quality exerts a negative impact on Financial Performance.

The Impact Performance of the Sharia Supervisory Board of Asset Quality on Financial Performance

The good performance of the Sharia Supervisory Board will build sound governance, increase stakeholder trust, and create operational stability that will impact the enhancement of the bank's financial performance. A study by Anggreni et al. (2022), posited that the performance of the Sharia Supervisory Board, as proxied by meeting frequency, exerts a statistically significant positive impact on financial performance. Nevertheless, in a investigation by Afiska et al. (2021), posited that the performance of the Sharia Supervisory Board exerts no impact on financial performance. Grounded in the conceptual underpinning and prior empirical findings, the following hypotheses is proposed:

H4 = The performance of the Sharia Supervisory Board exerts a positive impact on Financial Performance.

RESEARCH METHOD

Methodological Design

This inquiry adopts a quantitative methodological orientation. Quantitative methods are used because the data collected is numerical and analyzed using statistical tools. This inquiry employs a causal-associative

research design, namely, to test the influence or cause interplay between the independent and dependent variable.

Data Types and Sources

In this study, the data employed are archival data, based on its origin. Secondary data refers to information obtained indirectly from intermediary sources or specific institutions, generally sourced from documents such as official reports, institutional profiles, manuals, and other literature (Hardani et al., 2020). By its nature, this study utilizes quantitative data. Quantitative data is presented in absolute parametric, allowing for static measurements and analysis to ascertain the magnitude or level among the variables being studied.

Data Acquisition Technique

Data were compiled through documentary techniques. Documentation is a data compilation method conducted by reviewing various written sources, such as books, official reports, meeting minutes, and similar documents containing relevant information according to the research needs. Within this inquiry, all data were compiled sourced the official websites of each Islamic Commercial Bank as well as the Financial Services Authority (www.ojk.co.id).

Population and Sampling Design

The study population encompasses all Sharia Commercial Banks officially recognized by the Financial Services Authority until December 2023, amounting to 13 Sharia Commercial Banks. Sampling procedures in this inquiry utilizes a purposive sampling technique. The sample within this inquiry was selected grounded in considerations with the criteria outlined below: 1) Sharia Commercial Banks officially enlisted with the Financial Services Authority until December 2023. 2) Sharia Commercial Banks wich consistently publish comprehensive annual financial reports during the 2019-2023 research period. 3) Sharia Commercial Banks wich present the information and data required in each research variable

Data Analysis Techniques

This inquiry utilizes a quantitative analytical approach by applying a multiple linear regression method predicated on panel data, which is analyzed using Eviews 13 software and Microsoft Excel as a tool.

Table I.2. Variable Measurement

No	Variable	Indicator	Measuring Scale
1	Capital Adequacy (X1)	$CAR = \frac{Bank\ Capital}{ATMR} \times 100\%$	Rasio
2	Operational Efficinecy (X2)	$BOPO = \frac{Operating\ Costs}{Operating\ Income} \times 100\%$	Rasio
3	Asset Quality (X3)	$NPF = \frac{Financing\ Problems}{Total\ Financing} \times 100\%$	Rasio
4	Sharia Supervisory Board Performance (X4)	$Meeting\ Frequency = \sum Meeting\ for\ 1\ Year$	Nominal
5	Financial Performance (Y)	$ROA = \frac{Net\ Profit}{Total\ Assets} \times 100\%$	Rasio

RESULT AND DISCUSSION

Chow Test

Table I.3. Chow Test Results

Redundant Fixed Effects Tests
Equation: FIXED_EFFECT_MODEL
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.941170	(8,32)	0.0005
Cross-section Chi-square	36.196746	8	0.0000

Data Provenance: Analysis conducted using Eviews 13

The Chow test indicate that the cross-section Chi-square Prob. equals 0.0000. Because this value lies below the 0.05 significance cut-off. Consequently, the fixed effects model is deemed the most appropriate specification, allowing the examination to proceed to the Hausman test.

Hausman Test
Table I.4. Hausman Test Result

 Correlated Random Effects - Hausman Test
 Equation: RANDOM_EFFECT_MODEL
 Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	7.745233	4	0.1014

Data Provenance: Analysis conducted using Eviews 13

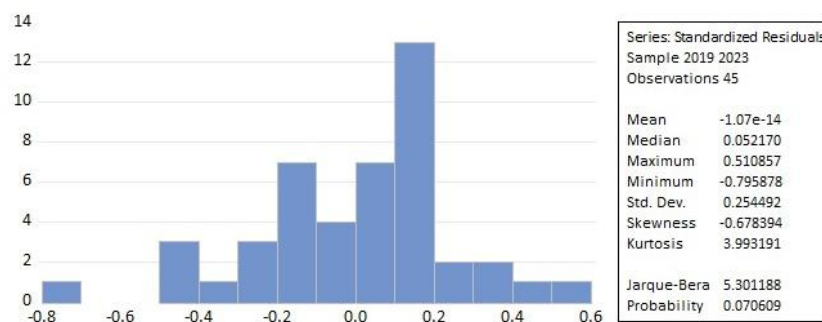
The Hausman test outcomes indicate that the a random cross-section Prob. is 0.1014. Because this value is above the 0.05 significance cut-off. Therefore, the Random Effects Model (REM) is considered the most suitable specification, allowing the examination to proceed to the Lagrange multiplier test.

Lagrange Multiplier Test
Table I.5. Lagrange Multiplier Test Result

Lagrange Multiplier Tests for Random Effects			
Null hypotheses: No effects			
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives			
	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	5.282780 (0.0215)	0.020882 (0.8851)	5.303663 (0.0213)

Data Provenance: Analysis conducted using Eviews 13

The Lagrange multiplier test outcomes indicate that the Breusch-Pagan cross-section probability is 0.0215. As this value lies below the 0.05 significance cut-off. Consequently, the Random Effects Model is considered the most suitable specification. Grounded in the sequence of tests conducted, it may be inferred that REM represents the most suitable panel data regression model the present inquiry.

Normality Test

Figure 2. Normality Test

Data Provenance: Analysis conducted using Eviews 13

Grounded in the test outcomes, the histogram shows a distribution pattern approaching normal. This finding is substantiated by the Jarque-Bera magnitude of 5.301188 with a probability of 0.070609, which constitutes exceeds the 0.05 significance cut-off. Thus, the model's residuals can be declared normally distributed, therefore meeting the assumption of normality.

Multicollinearity Test

Table I.6. Multicollinearity Test Result

Variance Inflation Factors
Date: 12/06/25 Time: 01:41
Sample: 2019 2023
Included observations: 45

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.064680	9.189332	NA
KECUKUPANMODAL_X1	4.59E-06	1.785636	1.240853
EFISIENSIOPERASIONAL_X2	2.13E-06	3.775882	1.036279
KUALITASASET_X3	0.000557	1.795522	1.190910
KINERJADPS_X4	2.95E-05	2.903743	1.118316

Data Provenance: Analysis conducted using Eviews 13

In light of the test outcomes in the Table, the VIF magnitudes for each independent variable are presented as follows: capital adequacy of 1.240853, operational efficiency of 1.036279, asset quality of 1.190910, and Sharia Supervisory Board performance of 1.118316. All of these values are well below the limit of 10, it may be inferred that the regression model is devoid of indications of multicollinearity.

Heteroscedasticity Test

Table I.7. Heteroscedasticity Test Result

Dependent Variable: ABS(RESID)
Method: Panel EGLS (Cross-section random effects)
Date: 12/06/25 Time: 02:17
Sample: 2019 2023
Periods included: 5
Cross-sections included: 9
Total panel (balanced) observations: 45
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.568389	0.195963	2.900488	0.0060
KECUKUPANMODAL_X1	-0.001568	0.001863	-0.841205	0.4052
EFISIENSIOPERASIONAL_X2	-0.001878	0.001309	-1.435425	0.1589
KUALITASASET_X3	-0.024251	0.019461	-1.246184	0.2199
KINERJADPS_X4	-0.002972	0.003647	-0.814808	0.4200

Data Provenance: Analysis conducted using Eviews 13

In light of the tabulated test outcomes, all independent variables exhibit a significance level exceeding 0.05, namely capital adequacy of 0.4052, operational efficiency of 0.1589, asset quality of 0.2199, as well as Sharia Supervisory Board performance of 0.4200. Thus, it may be inferred that the regression model in the present inquiry fails to contain indications of heteroscedasticity, so the assumption of homoscedasticity is met.

Autocorrelation Test

Table I.8. Autocorrelation Test Result

Weighted Statistics			
R-squared	0.981322	Mean dependent var	0.234152
Adjusted R-squared	0.979455	S.D. dependent var	1.628338
S.E. of regression	0.233401	Sum squared resid	2.179041
F-statistic	525.3978	Durbin-Watson stat	1.978363
Prob(F-statistic)	0.000000		

Data Provenance: Analysis conducted using Eviews 13

In light of the tabulated test results, the Durbin-Watson (DW) value obtained is 1.978363, at a 5% significance threshold, the quantity of observations (n) = 45, with the count of independent variables (k) = 4. So, DU is 1.7200, DL is 1.3357, 4 – DU is 2.2800, and 4 – DL is 2.6643. Seeing the results of the autocorrelation-free area calculation is $DU (1.7200) < DW (1.978363) < 4 - DU (2.2800)$, it may be inferred that the regression model in the present inquiry is devoid of autocorrelation.

Panel Data Regression Analysis
Table I.9. Panel Data Regression Analysis

Dependent Variable: KINERJAKEUANGAN_Y
 Method: Panel EGLS (Cross-section random effects)
 Date: 12/06/25 Time: 07:27
 Sample: 2019 2023
 Periods included: 5
 Cross-sections included: 9
 Total panel (balanced) observations: 45
 Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.218328	0.254322	28.38263	0.0000
KECUKUPANMODAL_X1	-0.000859	0.002141	-0.401177	0.6904
EFISIENSIOPERASIONAL_X2	-0.068792	0.001460	-47.10794	0.0000
KUALITASASET_X3	-0.025386	0.023594	-1.075957	0.2884
KINERJADPS_X4	0.000421	0.005436	0.077493	0.9386

Effects Specification		S.D.	Rho
Cross-section random		0.231051	0.5173
Idiosyncratic random		0.223186	0.4827

Weighted Statistics			
R-squared	0.981322	Mean dependent var	0.234152
Adjusted R-squared	0.979455	S. D. dependent var	1.628338
S.E. of regression	0.233401	Sum squared resid	2.179041
F-statistic	525.3978	Durbin-Watson stat	1.978363
Prob(F-statistic)	0.000000		

Unweighted Statistics			
R-squared	0.978852	Mean dependent var	0.590444
Sum squared resid	4.259438	Durbin-Watson stat	1.012090

Data Provenance: Analysis conducted using Eviews 13

In light of the findings of the panel data regression analysis presented in Table , the regression specification may be expressed as delineated below:

$$Y = 7,218328 - 0,000859X_1 - 0,068792X_2 - 0,025386X_3 + 0,000421X_4 + e$$

Description:

 Y = Financial Performance

 X_1 = Capital Adequacy

 X_2 = Operational Efficiency

 X_3 = Asset Quality

 X_4 = Independent Variable: Sharia Supervisory Board Performance

 e = Standard Error

The intercept value of 7,218328 signifies that when all independent variables assume a value of zero, the dependent variables attains a value of 7,218328. The coefficients of X_1 -0,000859 indicates that one-unit an increment in X_1 results in a reduction Y by 0,000859 . Similarly, the coefficient of X_2 -0,068792 implies that a one-unit rise in X_2 reduces Y by 0,068792, while the coefficient of X_3 -0,025386 suggests that a one-unit increment in X_3 diminishes Y by 0,025386. In contrast, the coefficient of X_4 0,000421 denotes that a one-unit increment in X_4 results in a rise in Y by 0,000421.

Partial Test (t-Test)
Table I.10. Partial Test Result

Dependent Variable: KINERJAKEUANGAN_Y
 Method: Panel EGLS (Cross-section random effects)
 Date: 12/06/25 Time: 07:27
 Sample: 2019 2023
 Periods included: 5
 Cross-sections included: 9
 Total panel (balanced) observations: 45
 Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.218328	0.254322	28.38263	0.0000
KECUKUPANMODAL_X1	-0.000859	0.002141	-0.401177	0.6904
EFISIENSIOPERASIONAL_X2	-0.068792	0.001460	-47.10794	0.0000
KUALITASASET_X3	-0.025386	0.023594	-1.075957	0.2884
KINERJADPS_X4	0.000421	0.005436	0.077493	0.9386

Data Provenance: Analysis conducted using Eviews 13

- 1) **The Impact of Capital Adequacy on Financial Performance**
 Predicated on the t-test findings, the Capital Adequacy variable (X1) exerts a t-statistic of -0.401177 and a t-table of 1.6848. Therefore, the t-statistic is < t-table, with a p-value of 0.6904 > 0.05. It may be inferred that Capital Adequacy (X1) exerts no partial impact on Financial Performance (Y). Consequently, H1 is rejected.
- 2) **The Impact of Operational Efficiency on Financial Performance**
 Predicated on the t-test findings, the Operational Efficiency variable (X2) exerts a t-statistic of -47.10794 with an absolute value greater than the t-table of 1.6848. Therefore, the t-statistic is > t-table, with a p-value of 0.0000 < 0.05. It may be inferred that Operational Efficiency (X2) has a partial negative as well as significant impact on Financial Performance (Y). Consequently, H2 is accepted.
- 3) **The Impact of Asset Quality on Financial Performance**
 Predicated on the t-test findings, the Asset Quality variable (X3) exerts a t-statistic of -1.075957 and a t-table of 1.6848. Therefore, the t-statistic < t-table with a p-value of 0.2884 > 0.05. It may be inferred that Asset Quality (X3) exerts no partial impact on financial performance (Y). Therefore, H3 is rejected.
- 4) **The Impact of Sharia Supervisory Board Performance on Financial Performance**
 Predicated on the t-test findings, the Sharia Supervisory Board Performance variable (X4) has a t-statistic of 0.077493 and a t-table of 1.6848. Therefore, the t-statistic < t-table with a p-value of 0.9386 > 0.05. It may be inferred Sharia Supervisory Board Performance (X4) exerts no partial impact on financial performance (Y). Therefore, H4 is rejected.

Coefficient of Determination Test (R²)

Table I.11. Coefficient of Determination Test Result

Weighted Statistics			
R-squared	0.981322	Mean dependent var	0.234152
Adjusted R-squared	0.979455	S.D. dependent var	1.628338
S.E. of regression	0.233401	Sum squared resid	2.179041
F-statistic	525.3978	Durbin-Watson stat	1.978363
Prob(F-statistic)	0.000000		

Data Provenance: Analysis conducted using Eviews 13

In view of the table, the adjusted R-squared value was recorded at 0.979455 (97.94%). This finding suggests that the variables of capital adequacy, operational efficiency, asset quality, and Sharia Supervisory Board performance collectively explain 97.94% of the variation in financial performance at Islamic Commercial Banks. The remaining 2.06% is attributable to external determinants beyond the scope of this inquiry.

Interpretation of Analysis Results

The Impact of Capital Adequacy on Financial Performance

In light of the test, the capital adequacy variable (X1) exerts no partial impact on the financial performance variable (Y). This constitutes evidenced as reflected in the regression coefficient magnitude of -0.000859 at a significance level of 0.6904, whereby exceeds the 0.05 significance cut-off; thus, H1 is rejected. These results signify that the level of capital adequacy fails to directly influence financial performance. The empirical evidence derived from this inquiry accords with those reported by Nurkhalifa et al. (2021), whereby posits that capital adequacy ratio (CAR) exerts no impact on financial performance (ROA). This study confirms that capital adequacy, as measured by CAR, aims to ensure the availability of capital to support business activities and absorb potential losses. However, when CAR is significantly above the minimum threshold of 8%, this condition indicates that some capital is not being utilized optimally, thus making less of a direct contribution to improving financial performance.

The Impact of Operational Efficiency on Financial Performance

In light of the findings of the tests that have been conducted, the operational efficiency variable (X2) is partially demonstrated to exerts a statistically significant negative impact on financial performance variable (Y). This is evidenced by a regression coefficient of -0.068792 at a significance level of 0.0000, which constitutes smaller than the 0.05 significance cut-off, so H2 is accepted. This finding indicates that operational efficiency exhibits a statistically significant negative association with financial performance. This implies that a one-unit increase in operational efficiency corresponds to a decline in financial

performance by 0.068792. The empirical evidence derived from this inquiry accords with those reported by Nurkhalifa et al. (2021), which shows that operational efficiency (BOPO) exerts a statistically significant negative influence on financial performance (ROA). This study confirms that a bank's capacity to manage costs efficiently is a pivotal determinant in improving financial performance. A lower BOPO ratio, the better the managerial capacity bank's to utilize resources and curtail operating costs relative to revenue generation, thus positively impacting profitability. Conversely, a high BOPO ratio reflects suboptimal cost management, which can depress revenue margins and ultimately lower financial performance.

The Impact of Asset Quality on Financial Performance

In light of the test, the asset quality variable (X3) exerts no partial impact on the financial performance variable (Y). This constitutes evidenced as reflected in the regression coefficient magnitude of -0.025386 at a significance level of 0.2884, whereby surpasses the 0.05 significance cut-off; thus, H3 is rejected. These results signify that the level of asset quality fails to directly influence financial performance. The empirical evidence derived from this inquiry accords with those reported by Puspita (2025), which posits that asset quality (NPF) fails to influence financial performance (ROA). This is due to the financing quality remaining within the healthy category and the implementation of sound management through the establishment of loss reserves and provisions for productive asset write-offs. Furthermore, banks' prudence in disbursing NPF means that an escalation in NPF does not explicitly influence the financial performance (ROA) of Islamic banks.

The Impact of the Sharia Supervisory Board's Performance on Financial Performance

In light of the test, the Sharia Supervisory Board (X4) performance variable exerts no partial influence on the financial performance variable (Y). This constitutes evidenced as reflected in the regression coefficient magnitude of 0.000421 at a significance level of 0.9386, whereby surpasses the 0.05 significance threshold; thus, H4 is rejected. These results indicate that the performance of the Sharia Supervisory Board (SSB) fails to directly influence financial performance. The empirical evidence derived from this inquiry accords with those reported by Afiska et al. (2021), which posits that the performance of the Sharia Supervisory Board (SSB Meeting Frequency) exerts no impact on financial performance (ROA). The study confirms that the SSB's limited role in sharia supervision, without direct involvement in financial management and decision-making, results in its insignificant influence on financial performance. Furthermore, the low quality of meetings, suboptimal member attendance, and the existence of concurrent SSB positions in several banks also reduce the effectiveness of supervision, so that meeting frequency is not able to reflect a direct impact the financial performance of Sharia Commercial Banks.

CONCLUSION

Conclusion

This study examines the influence of capital adequacy, operational efficiency, asset quality, and the performance of the Sharia Supervisory Board on the financial performance of banks formally recognized by the Financial Services Authority (OJK) in 2019-2023. The sample size was nine Sharia Commercial Banks from 2019 to 2023 period. This inquiry employed panel data regression analysis conducted utilizing Eviews 13. Based on the research results and interpretation outlined in the preceding section, it may be inferred that the operational efficiency variable exerts a negative and significant influence on financial performance. Meanwhile, the capital adequacy, asset quality, as well as performance of the Sharia Supervisory Board variables fails to influence financial performance.

Recomendation

Islamic banks are advised to maintain operational efficiency through consistent cost management, given that operational efficiency, as proxied by BOPO, exerts a statistically significant negative impact on financial performance, as proxied by ROA. The government is advised to formulate policies that encourage efficiency and strengthen sound Islamic banking governance. Future scholars are encouraged to broaden the research by incorporating additional salient variables, developing research with a longer research period, and expanding the research object, for example, to Islamic Business Units or Islamic Rural Banks.

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