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Determinants of Return on Equity in Sharia Bank in Indonesia

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Firm size
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Abstract

This study examines the influence of several financial indicators Firm Size, BOPO, NOM, DER, FDR, DPK, NPF, and CAR on Return on Equity (ROE) in Indonesian Sharia Banks from 2013 to 2022. Using a quantitative approach with secondary data sourced from the Financial Services Authority (FSA) and banks' annual reports, the study employed panel data regression with model selection among Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The REM was identified as the most suitable model. The results reveal that NOM and DPK have a positive and significant impact on ROE, while BOPO, DER, and NPF negatively and significantly affect ROE. These findings offer insights into optimizing financial strategies in Islamic banking in Indonesia.

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INTRODUCTION

In accordance with the Law of the Republic of Indonesia No. 10 of 1998 on November 10, 1998 on Banking, "bank" is an enterprise that collects money from the public in the form of savings and circulates it to the public as credit or other forms in order to improve the standard of living of the people (Kasmir, 2014). According to Sharia principles, Sharia banks can be regarded as financial intermediaries that share profits (Isman & Suwandi Putra Suaib, 2022). Bank of Indonesia Regulation No. 9/1/PBI/2007 of January 24, 2007 on the General Bank Health Assessment System Based on the Sharia Principles, in which the ratio used to calculate the rating of the funding factor, asset quality, profitability, liquidity, and sensitivity to market risk is distinguished into the primary ratio, the supporting ratio, and the observation ratio (Bank Indonesia, 2007). Efforts to maintain the stability of the financial system are not enough to focus on the health and performance of individual banks or other financial institutions.

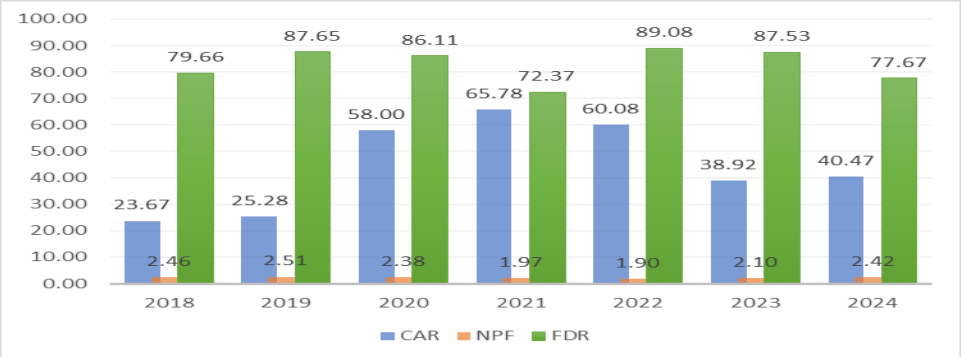
The measure of a country's progress can be found in the development of one of its banks. This indicates that the government and its citizens need the banking industry to become more and more excessive (Kasmir, 2014). Therefore, both the conventional banking system and the Shariah in each country must be kept as stable as possible. Besides,

the previous global financial crisis led to a series of failures at most conventional banks (Yetty et al., 2021). The establishment of the financial institution of the sharia bank in Indonesia, later known as the Sharia Bank, was initiated in 1991 by the Indonesian National Assembly. (MUI). Shariah banks don't use interest to generate income. Islamic financial and banking organizations are also known as interest-free banks based on their operations and products in the Quran and Hadith. Or, in other words, a financial organization that is mainly engaged in the provision of financing and other services related to the trafficking of payments and the circulation of money and conducting its business in accordance with the principles of Islamic Shariah is known as an "Islamic bank" (Muhamad, 2014).

The benefits of improved bank management can lead to higher profitability. Profitability is one of the metrics used to measure bank performance. The good financial performance of a bank can be demonstrated by its capacity to increase profitability. On the contrary, if the bank's profitability is poor, its performance in yielding profits is less ideal. When it comes to measuring profitability in the banking industry, one of them is the return on equity (ROE), which is used to measure the capacity of banks to manage capital to generate net profits. (Net Income) (Daulay, 2016). The loss report shows net profit, while the balance sheet shows capital. Owners, managers, and other interested parties are intended to obtain financial information from the company through financial statements (Syafri, 2007). Return on equity (ROE) can measure how effectively a company manages its modalities to generate profits, so if a bank company achieves a high ROE ratio, it also affects customer confidence in keeping funds in the bank. Equity plays an important role in corporate capital, supporting growth, financing investments, and providing a level of confidence to shareholders and other stakeholders.

Public confidence is a fundamental capital for the survival of financial institutions today, and the CAR level has a significant influence on public perceptions of banks. Banks reduce financing risk by providing funds for business growth and bearing fund losses caused by bank operations, known as the CAR (Isnaini et al., 2021). An ideal CAR rate would increase public confidence in banks as fund owners and would be very profitable for banks, thus increasing the public desire to keep their money in the bank (Lestari & Mardiana, 2022).

Figure 1.
Chart of Performance of Shariah General Bank (BUS) 2018-2024



Source: Financial Services Authority, 2025.

Bus Performance Development as seen in: 1. Explaining the graphs of capital development, non-performing financing, and liquidity. If we examine the development of BUS capital each period, we see an average increase of 51.25% from 2018 to 2024, with the highest increase in 2021 at 65.78%. This pattern can be interpreted as the increasing competition among Islamic banks, both directly and indirectly, will affect their profitability. If we look at the current average gross NPF, it's still quite good, averaging 2.25%, which is still below 5%. Based on Bank Indonesia's criteria for assessing bank health, the current gross NPF is still quite healthy, falling between 5% ≤ NPL < 8% (Bank Indonesia, 2012). However, data from KB Bukopin Syariah NPF bank for the years 2021, 2023, and 2024 exceeded the tolerance limit of 8.83%, 9.56%, and 9.06%, respectively, indicating that the bank is not healthy.

Many banking experts agree that the FDR of a bank should not exceed 80%, with a tolerance level of 85% to 100% (Mubarok, 2021). Meanwhile, the current average FDR is still in line with banking experts, at 83.01%. However, data from Panin Dubai Syariah Bank shows that the FDR in 2020 and 2021 exceeded the tolerance limit, reaching 111.71% and 107.6%, respectively. Similar cases were found at KB Bukopin Syariah Bank, where the FDR in 2020, 2023, and 2024 was 196.73%, 113.18%, and 103.26%, respectively. Furthermore, Aladin Syariah Bank also exceeded its tolerance limit in 2022, reaching 173.27%. The same occurred at Viktoria Syariah Bank in 2024, with an FDR of 104.18%. Based on the research findings of Mubarok (2021), which state that a bank can be considered healthy if its FDR does not exceed 80%, the data above indicate that some banks still have an FDR that exceeds the standard for healthy banks, meaning the banks are not very healthy.

LITERATURE REVIEW

Firm size is the scale of a company, measured by its total assets at the end of the year. Total sales can also be used to measure the size of a company (Jufrizen & Sri, 2021). In line with the research conducted by (Akoto et al., 2020) which implies that manufacturing companies listed in Ghana will significantly improve their profitability (ROE) if they increase sales. Based on the explanation above, the following hypothesis can be proposed:
H1: Firm size has a positive effect on Return on Equity (ROE).

The research carried out by Aguguom (2020) also shows that equity returns are statistically influenced by operational risk in Nigeria. One way financial institutions can effectively increase operational risk is by investing large amounts of funds in creating a strong and sound framework. Also, it involves collaboration from all banks because the highest threat to banks comes from uncontrollable external events. While research Setiyawan (2017) stated that the variable BOPO has a negative influence on ROE at BNI Shariah Bank. Based on the explanation above, the following hypothesis can be proposed:
H2: BOPO has a negative effect on Return On Equity (ROE).

Iggeenurzanah research (2020) showed that the impact of NOM on profitability was that increased distribution of financing to customers resulted in increased bank revenue. The size of the NOM indicates that operating income minus funds for earnings minus operating costs is greater than the average productive asset, so as the income for earnings increases above the average production asset managed by the bank, the likelihood of a

bank in trouble becomes smaller. The results of research (Hanafia & Karim, 2020) indicate that the NOM variable has no influence on the profitability of sharia banks in Indonesia. Based on the explanation above, the following hypothesis can be proposed:
H3: NOM has a positive effect on Return On Equity (ROE).

The debt-to-equity ratio is the total liabilities divided by total equity, which indicates the extent to which a company uses debt (total debt) compared to its capital. The Debt-to-Equity Ratio (DER) is the ratio of total debt to total assets, expressed as a percentage. The debt ratio measures what percentage of a company's assets are financed with debt (Wahyuti & Pratiwi, 2020). DER provides an overview of the extent to which a company utilizes funds obtained through debt to finance its operations and business growth. The higher the DER, the greater the proportion of debt in the company's capital structure, which also means a higher level of financial risk. Conversely, a lower DER indicates that the company relies more on equity and has a lower level of financial risk. Based on the explanation above, the following hypothesis can be proposed:
H4: DER has a negative effect on Return On Equity (ROE).

Research conducted by Idrus (2018) indicates that FDR has a negative impact on the extent to which credit channeled to customers can overcome the bank's obligation to meet the demands of depositors who want to withdraw the funds invested in the bank. The higher the ratio in a bank, the lower the liquidity of a bank, But it is different from the results of a study Mubarok (2021) that states that FDR has a positive effect on ROE. Based on the explanation above, the following hypothesis can be proposed:
H5: FDR has a positive influence on Return On Equity (ROE).

Research conducted by Asiyah dkk (2018) indicated that DPK had a positive influence on the profitability that Mudharabah obtained Baitul Maal Wat Tamwil from members' savings, both in mudharabah savings and deposits. DPK has been used as a source of BMT operational funds to be channeled to its members in the form of financing. Unlike the results of research (Nuswandari et al., 2022) that showed DPK had no impact on ROE. Based on the explanation above, the following hypothesis can be proposed:
H6: DPK has a positive effect on Return on Equity (ROE).

A study conducted by Nofriyanti dkk (2021) stated that NPF affects ROE that the NPF falls, then the ROE will rise, so that the financial performance of banks can be said to be better, while a study (Nuswandari et al., 2022) states that NFP has no influence on ROE. Based on the explanation above, the following hypothesis can be proposed:
H7: NPF has a negative effect on Return On Equity (ROE).

A study conducted by Kimsen (2021) indicated that the CAR has an impact on ROE and that the higher the CAR, the better the bank's ability to bear the risk of any productive credit or asset at risk. If the CAR is high, then the bank is able to finance operational activities and make a significant contribution to ROE, while the results of research conducted (Maulida et al., 2022) show that CAR has no impact on ROE. Based on the explanation above, the following hypothesis can be proposed:
H8: CAR has a positive effect on Return On Equity (ROE).

Here is the framework that will be used:

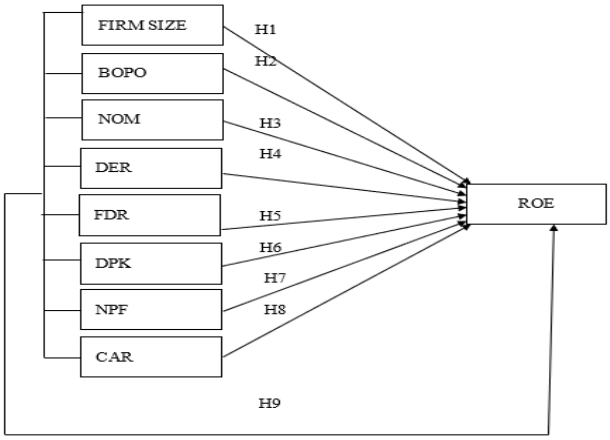


Figure 2. Research Framework
Source: Processed Research Data

Based on the background exposure above, it can be said that there was inconsistency in the results of the research so that further investigation was needed. This research is interesting to study because equity is crucial to shareholders, investors, corporate management, financial analysts, and other stakeholders. It helps them understand the corporate financial health, make wise investment decisions, and manage the risks associated with equity ownership.

RESEARCH METHODS

This research calls for quantitative analysis techniques. Scientific research that methodically investigates the component pieces of phenomena and their relationships is known as quantitative research. The creation and application of mathematical ideas, models, and hypotheses related to natural events are the objectives of quantitative research. To determine to what extent independent variables affect dependent variables. The research was conducted using financial publication data from the Sharia Bank in Indonesia for the years 2013 to 2022 on the website www.ojk.go.id. The research is scheduled to take place in March 2023.

Of the entire population, the purposive sampling method is used to select samples to be used in this research. Purposive sampling is a method of taking samples that have been carefully selected with specific characteristics so that they are relevant to the research project. Alas, researchers use this method due to restricted access to data, so not all bank data can be accessed. The period of the research object used is selected as seven years because the data over seven years is expected to be sufficient to describe the results of the study and is also relevant to the research time. In addition, significant banking development has facilitated the establishment of banks, so that the Sharia banking industry in Indonesia is currently growing rapidly. Data analysis was performed using multiple linear regression tests. Before regression can be conducted, the data must meet the requirements for regression. Therefore, to meet these requirements, classical assumption tests must be performed, namely the multicollinearity and heteroskedasticity tests.

Estimation methods using panel data can be done through three approaches: general effects, fixed effects, and random effects.

As for the form of the panel data regression model in this study:

$Yit = \alpha + \beta1X1it + \beta2X2it + \beta3X3it + \beta4X4it + \beta5X5it + \beta6X6it + \beta7X7it + \beta8X8it + eit$

Description:

Y = Return On Equity (ROE)
α = Konstanta
β = Regresi Koefisien
X1 = Firm Size
X2 = BOPO
X3 = NOM
X4 = DER
X5 = FDR
X6 = DPK
X7 = NPF
X8 = CAR
i = Islamic Commercial Bank
t = Year
eit = Standar Eror

In general, using a panel data model will affect the challenges associated with model requirements. There are three types of residuals: cross-sectional, time series, and a combination of the two. The panel data regression model can be estimated using a variety of techniques, such as the random effect model (REM), fixed effect model (FEM), and common effect model (CEM) (Widarjono, 2005).

a) Chow Test

The Fixed Effect Model (FEM) or Common Effect Model (CEM) is chosen based on the Chow test, with the following conditions:

H0: Common Effect Model
H1: Fixed Effect Model

The probability value is accepted if it is greater than the threshold value (more than 0.05), so the model can be tested using the CEM model method. Conversely, if the probability value is less than 0.05, H0 is rejected, so the FEM method is selected.

b) Hausman Test

The Fixed Effect Model (FEM) or Random Effect Model (REM) can be selected as the estimation model using the Hausman test, with the following conditions:

H0: Random Effect Model
H1: Fixed Effect Model

The probability value is accepted if it is greater than the threshold value (greater than 0.05), so further testing using the REM model approach is conducted. Conversely, if the probability value is less than 5% (less than 0.05), H0 is rejected, so the FEM model is selected.

c) Lagrange Multiplier Test

The Common Effect Model (CEM) or the Random Effect Model (REM) can be selected using the Lagrange multiplier test as the estimation model, provided that:

H0: Common Effect Model

H1: Random Effect Model

The probability value is accepted if it is greater than the threshold value (greater than 0.05), so further testing using the CEM model approach is conducted. Conversely, if the probability value is less than 5% (less than 0.05), H0 is rejected, so the random effects model (REM) approach is used.

RESULT AND DISCUSSION

Descriptive Statistics

Table 1. is descriptive statistics describing the variables used in this study.

Table 1: Descriptive Statistics

	Min.	Max.	Mean	Std. Dev.	N
ROE	-94.01	64.64	0.2295	18.03037	80
Firm Size	7.62	18.77	13.8955	2.791022	80
BOPO	56.16	428.4	108.053	55.08022	80
NOM	-37.74	12.24	-0.99825	8.131732	80
DER	0.01	30.47	3.451888	4.339546	80
FDR	0.00	506,600.0	11731.69	73449.69	80
DPK	1000.00	13,833,888.00	3,161,691.00	3,370,054.00	80
NPF	0.00	43.99	4.877875	6.747762	80
CAR	11.10	390.50	40.33538	64.25201	80

Source: Data Processed, 2025

Descriptive statistics related to the variables used in the study over the period from 2013 to 2022. The Return on Equity variable had a minimum ratio of -94.01% at Bank Panin Dubai Syariah in 2017 and a maximum value of 64.64% at Bank Mega Syariah in 2021. The average value was 0.2295% with a standard deviation of 18.03. The Firm Size variable has a minimum value of 7.62% at Bank BCA Syariah in 2013 and a maximum value of 18.77% at Bank Aladin Syariah in 2014. The average value is 13.89% with a standard deviation of 2.79%.

The BOPO variable has a minimum value of 56.16% at Bank Aladin Syariah in 2020 and a maximum value of 428.4% at Bank Aladin Syariah in 2021. The average value is 108.05% with a standard deviation of 55.08%. The NOM variable has a minimum value of -37.74% at Bank Aladin Syariah in 2018 and a maximum value of 12.24% at Bank Aladin Syariah in 2022. The average value is -0.99% with a standard deviation of 8.13%.

The DER variable had a minimum value of 0.01% at Bank Victoria Syariah in 2015 and a maximum value of 30.47% at Bank Panin Dubai Syariah in 2017. The average value was 3.45% with a standard deviation of 4.33%. The FDR variable has a minimum value of 0.00% at Bank Aladin Syariah in 2017 and a maximum value of 506,600.00% at Bank Aladin Syariah in 2019. The average value is 11731.69% with a standard deviation of 73449.69%.

DPK had a minimum value of Rp. 1,000 billion at Bank Aladin Syariah in 2019 and a maximum value of Rp. 13,833,888.00 trillion at Bank Mega Syariah in 2022. The average

value was Rp. 3,161,691.00 trillion with a standard deviation of 3,370,054.00. The NPF variable has a minimum value of 0.00% at Bank Aladin Syariah from 2017-2022 and a maximum value of 43.99% at Bank Aladin Syariah in 2016. The average value is 4.87% with a standard deviation of 6.74%. The CAR variable has a minimum value of 11.10% at Bank Bukopin Syariah in 2013 and a maximum value of 390.5% at Bank Aladin Syariah in 2021. The average value is 40.33% with a standard deviation of 64.25%.

Classic Assumption Tes

The multicollinearity and heteroscedasticity tests were used in this work to conduct the traditional assumption test.

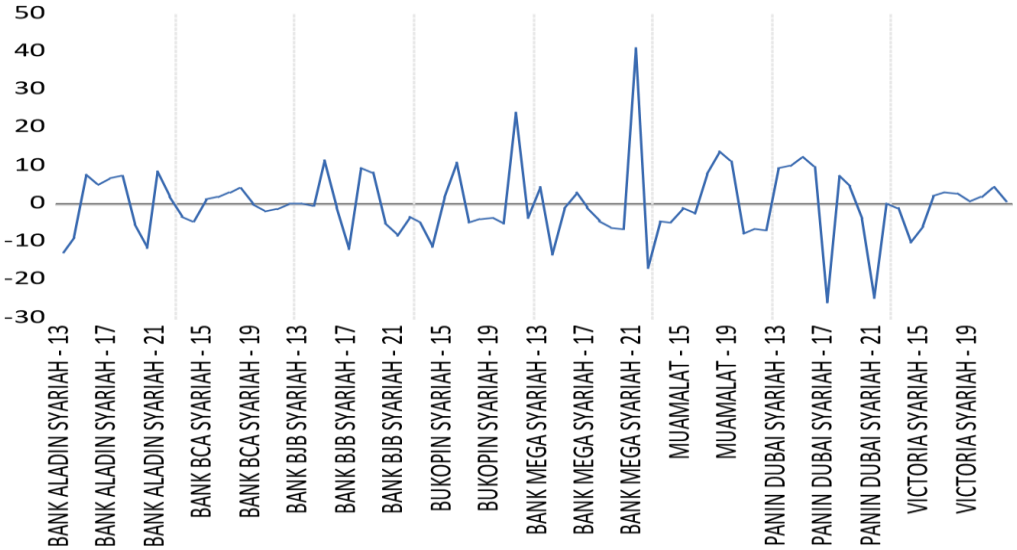
Table 2: Multicollinearity Test

	X1	X2	X3	X4	X5	X6	X7	X8
X1	1.00	0.08	0.07	-0.02	-0.03	0.62	0.02	0.01
X2	0.08	1.00	-0.15	0.04	0.08	-0.09	0.19	0.52
X3	0.07	-0.15	1.00	-0.07	-0.31	0.06	-0.53	0.03
X4	-0.02	0.04	-0.07	1.00	-0.11	0.23	0.10	-0.25
X5	-0.03	0.08	-0.31	-0.11	1.00	-0.15	-0.11	0.41
X6	0.62	-0.09	0.06	0.23	-0.15	1.00	-0.08	-0.24
X7	0.02	0.19	-0.53	0.10	-0.11	-0.08	1.00	-0.16
X8	0.01	0.52	0.03	-0.25	0.41	-0.24	-0.16	1.00

Source: Data Processed, 2025

The findings of the multicollinearity test results in Table 4.2 show that the correlation coefficient between X1 and X2 is 0.083891 < 0.80, between X1 and X3 is 0.077438 < 0.80, and similarly, the correlation between independent variables does not exceed 0.80. Therefore, it can be concluded that the independent variables in this study are free from multicollinearity.

Figure 3. Framework Multicollinearity Test



Source: Data processing,2025

Note that the residual plot (blue color) can be seen crossing the boundaries (500 and -500), meaning the variance of the residuals is not equal. Therefore, heteroskedasticity occurs.

Tabel 3. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.939963	(7,64)	0.0002
Cross-section Chi-square	34.558617	7	0.0000

Source: Data Processed, 2025

From Table 4. above, just pay attention to the top table. Observe the probability (Prob.) value for Cross-section F. If the value is > 0.05 (initially set as the significance level or alpha), then the selected model is CEM; if it is < 0.05, then the selected model is FEM. In the top table, the Prob. value for Cross-section F is 0.0002, which is < 0.05. Therefore, it can be concluded that the FEM model is more appropriate than the CEM model.

Tabel 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	9.461217	8	0.3049

Source: Data Processed, 2025

From Table 5. above, just pay attention to the top table. Note the probability (Prob.) value of the cross-section random variable. If the value is > 0.05, then the selected model is REM, but if it is < 0.05, then the selected model is FEM. In the top table, it can be seen that the Prob. Cross-section random value is 0.3049, which is > 0.05. Therefore, it can be concluded that the REM model is more appropriate than the FEM model.

Tabel 5. Langrangge Multiplier

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	16.33865 (0.0001)	0.039902 (0.8417)	16.37856 (0.0001)
Honda	4.042110 (0.0000)	-0.199755 (0.5792)	2.716955 (0.0033)
King-Wu	4.042110 (0.0000)	-0.199755 (0.5792)	2.899457 (0.0019)
Standardized Honda	5.651456 (0.0000)	0.051054 (0.4796)	0.205419 (0.4186)
Standardized King-Wu	5.651456 (0.0000)	0.051054 (0.4796)	0.465943 (0.3206)
Gourieroux, et al.	--	--	16.33865 (0.0001)

Source: Data Processed, 2025

This technique uses the Breusch-Pagan method. The P-value is indicated by the number below Breusch-Pagan, which is 0.0001, where the value is < 0.05. Therefore, this Lagrange Multiplier Test shows that accepting H1 means the best estimation method is REM. If the p-value is greater than 0.05, then H0 is accepted, which means the best estimation method is CEM.

Panel Data Regression

The results of the panel data regression are examined after the classical assumption test is completed. Several models are chosen for this study, including the common effect model (CEM), fixed effect model (FEM), random effect model (REM), Chow test, Hausman, and Lagrange multiplier (L.M.).

Table 6: Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-13.81597	21.03584	-0.656782	0.5137
X1	1.679351	1.450660	1.157647	0.2513
X2	-0.065145	0.027881	-2.336527	0.0226
X3	0.728287	0.251051	2.900953	0.0051
X4	-1.637683	0.313523	-5.223486	0.0000
X5	1.47E-05	2.04E-05	0.721503	0.4732
X6	1.97E-06	7.82E-07	2.517585	0.0143
X7	-0.550759	0.267435	-2.059412	0.0435
X8	0.010444	0.044238	0.236078	0.8141

Source: Data Processed, 2025

Based on estimates of the Random Effect Model (REM) model over a ten-year period, firm size has no significant impact on return on equity (H1 rejected). The results are in line with Novyanny & Turangan (2019), Nurhayati & Dasmaran (2022), and Yulianto et al. (2023) research, which indicates that the amount of assets the company owns will decrease if not managed properly. Although Shariah public banks have more capital, they may also have higher debt rates, which can lower ROE. Business size is not a guarantee that the business has the ability to increase profits. This is due to the fact that the larger the company, the greater the costs required to carry out its operational activities, such as labor, administrative, and general costs, as well as maintenance costs of buildings, machines, vehicles, and equipment. As a result, these charges will increase the company's ROE.

The influence of corporate size on return on equity means that large companies are considered more stable and have lower risks compared to start-ups or small companies, which can affect investor perceptions and their investment decisions. However, large companies may also grow more slowly than small firms, which are more creative and flexible with market changes. Smaller firms have lower profitability, and larger firms require larger costs to run their operations. Larger companies can also obtain more funding resources, which makes it easier for them to obtain loans from creditors.

Based on the estimates of the Random Effect Model (REM) model, BOPO has a significant negative impact on return on equity (H2 accepted). The results of this study are similar to those of Setiyawan ((2017), Idrus (2018), and Kimsen (2021), which showed that BOPOs have a negative effect on ROE. Basically, BOPOS is an efficiency ratio used to

measure the ability of bank management to control operating costs against operational revenue. The results show that the value of BOPAs is negatively correlated with ROEs. This is because any increase in the bank's operating costs that is not followed by an increase in its operating revenue will result in a decrease in the profits obtained by the bank, which in turn will reduce the return on equity (Kimsen, 2021).

As for the implications of this study, the company may be limited in its ability to pay dividends if its ROE decreases due to a high BOPO. This can reduce the attractiveness of investors, especially those seeking dividend income, and ultimately affect the company's stock price. Furthermore, higher BOPOs can reflect weaknesses in company operational management and can affect investor perceptions of company performance and potential growth. It can lead to falling stock prices and investor interests, which in turn can affect ROE through a fall in equity market value. The results of this study are inconsistent with Aguguom (2020), which states that BOPO has a positive effect on ROE.

Based on the estimates of the Random Effect Model (REM), NOM has a positive influence on return on equity (H3 accepted). These results are consistent with the Iggeenurzanah (2020) and Rifai & Suyono (2019) studies, which state that NOM has a positive impact on ROE. This reflects the better efficiency and profitability of the company in managing its portfolio of assets and liabilities, which in turn can generate added value for shareholders and strengthen the company's position in the market.

High NOMs can also boost investor confidence in the company's financial performance and stability. This can create a more positive perception in the market and influence the company’s stock price, which in turn can raise the market value of equity and ROE. As for the implications, companies with high NOMs may have easier access to capital and other external resources due to their strong financial performance, which can help them expand their operations, make profitable investments, or finance growth projects, which can in turn increase ROEs.

Based on the estimates of the Random Effect Model (REM), the DER has a negative influence on Return On Equity (H4 accepted). This result is in line with Ramadita & Suzan (2019), Meilani (2024) which states that DER has a negative influence on return on equity. This reflects that the higher the debt-to-equity ratio, the greater the cost the company has to pay. These fees can reduce the net profit available to shareholders, which in turn can lower ROE.

A high debt ratio can indicate that a company has greater financial risk. This can reduce investor confidence and encourage them to demand higher returns, which in turn can lower ROE. As to the implications, investors may lose confidence in a company if they see a higher debt rate, as this can be seen as a sign that the company has high financial risks. A decline in investor confidence can lead to a fall in the stock price and affect the company's ability to acquire funds through the issuance of new shares.

Based on the estimates of the Random Effect Model (REM) model, it shows that FDR has no influence on Return On Equity (H5 rejected). This result is in line with Adiputra (2017) study, which states that FDR has no influence on return on equity. It reflects that

companies may have a balanced capital structure in which equity and debt capital use are well regulated so that there is no significant impact on ROE.

In this case, revenue growth and operational efficiency can be more dominant in determining ROE than capital structure. As for the implication that investors may not pay attention to the ratio of debt in their assessment of company performance or are more focused on other factors that affect ROE, If investors see that FDR does not have a significant influence on ROE, it can increase investor confidence in the company. Investors may be more confident that companies can manage their financial obligations well without sacrificing good financial performance.

Based on the estimates of the Random Effect Model (REM) model, it shows that DPK has a positive influence on Return On Equity (H6 accepted). These results are in line with research by Asiyah et al. (2018) and Sriyono and al. (2023) which stated that DPK has a positive impact on ROE. This reflects that by using third-party funds to finance growth and investment, companies can increase their competitiveness in the market. This can enable companies to acquire a larger market share or increase operational efficiency, which in turn can increase ROE. These implications indicate that companies have successfully optimized their modal structure by using a mix of equity and borrowing capital that allows for increased ROEs. This may be a sign that the management of the company has a good understanding of how to use third-party funds to improve financial performance.

Based on the estimates of the Random Effect Model (REM), the NPF has a negative influence on Return On Equity (H7 accepted). The results are in line with Nofriyanti et al. (2021) which states that NPF has a negative impact on ROE. This reflects that a high NPF can raise concerns about the quality of a company's credit portfolio. This can reduce investor confidence in the company's ability to generate consistent and sustainable profits, which in turn can lead to a fall in the price of stocks and ROE. Companies usually have to allocate funds to cover losses arising from NPF, either in the form of additional operating costs or commissions allocated to deal with unencumbered liabilities. This can result in a decrease in the net profit available to shareholders and, consequently, lower ROEs.

Based on the estimates of the Random Effect Model (REM), the CAR has no influence on the return on equity. (H8 rejected). These results are in line with Maulida et al. (2022) and Suhendro research (2019) which states that CAR has no influence on ROE. These results show that, although high capital is important for maintaining bank stability, increasing capital does not necessarily increase profits earned by shareholders. This may be due to inefficiencies in capital utilization or suboptimal financing expansion strategies (Sirait et al., 2025). This reflects that the company has sufficient and stable capital to support its operations, but that the level of capital does not have a significant impact on the ROE. This indicates that a company may have sufficient financial resources to meet the expected return rate without having to rely on additional capital. If CAR does not influence ROE, this may indicate that the firm has managed financial and capital risks effectively. The company might have adopted the appropriate strategy to minimize financial risk without significantly affecting the return rate achieved by shareholders.

CONCLUSION

Firm size did not have a significant impact on the ROE at the Sharia General Bank in Indonesia from 2013 to 2022. This suggests that the size of the company does not significantly affect profitability. However, company growth can increase profitability, although there is no guarantee that the company's size will increase profits directly, as it will result in higher operating costs. BOPO has had a significant negative impact on the ROE of the Sharia General Bank in Indonesia from 2013 to 2022. The higher operating costs that are not offset by operating income will lower the bank's profits and ultimately lower the ROE. The NOM has a significant positive impact on the ROE at the Sharia General Bank in Indonesia from 2013 to 2022. The high NOM ratio signals the bank's ability to generate profits from its productive assets, thereby increasing the ROe. The DER has a significant negative impact on the ROE at the Sharia General Bank in Indonesia from 2013 to 2022. The higher the debt-to-equity ratio, the higher the costs the company has to pay, thereby reducing ROE. FDR had no significant influence on the ROE at the Shariah General Bank in Indonesia from 2013 to 2022.

This suggests that a balanced capital structure does not significantly affect ROE. DPK has had a significant positive impact on ROE at the Sharia General Bank in Indonesia from 2013 to 2022. Using funds collected from the public for credit expansion and investment can increase ROE. The NPF had a significant negative impact on the ROE of the Sharia General Bank in Indonesia from 2013 to 2022. The high NPF can raise concerns about the quality of the company's credit portfolio and ultimately lower the ROE. The CAR did not have a significant impact on the ROE of the Sharia General Bank in Indonesia from 2013–2022. Although the bank has sufficient capital to support its operations, the capital rate did not significantly impact ROE. Future researchers could also consider including additional variables that might potentially influence ROE in Islamic commercial banks, such as management quality, product innovation, or external factors like regulation or market conditions. Overall, all variables have an impact on ROE. Each element needs to be monitored because risks can be identified and assessed, and risks that are not managed immediately can lead to instability in the financial system.

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