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Financial Performance Assessment of Islamic Commercial Banks Post Covid-19: Mediation Role of Profitability

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A R T I C L E   I N F O

A B S T R A C T

This study is a quantitative study using data in the form of financial reports of Islamic Commercial Banks in Indonesia after Covid-19. The report data used from 2021 to 2023 were collected through the official websites of each bank and the Financial Services Authority (www.ojk.go.id). In assessing the financial performance of Islamic Commercial Banks, there are several variables used in this study, including: intervening variables, namely profitability, dependent variables, namely non-performing financing, and independent variables, namely: capital adequacy ratio and operating expenses to operating income. The results of the study indicate that the capital adequacy ratio and operating expenses to operating income have no relationship to return on assets, capital adequacy ratio and return on assets also have no relationship to non-performing financing, while operating expenses to operating income have an effect on non-performing financing. Based on the Sobel test conducted, it can be concluded that return on assets is not able to mediate the capital adequacy ratio and operating expenses to operating income against non-performing financing.

1. INTRODUCTION

The development of Islamic General Banks is increasing and is in great demand by the public. General bank products which are still known for their usury system are the reason why Indonesian people are switching to Islamic banking institutions. Many conventional banks are giving birth to Islamic banks (Islam & Rana, 2017). A sharia bank is a bank that operates without relying on interest, in other words, a sharia bank is a financial institution whose main business is providing financing and other services in payment transactions and money circulation whose operations are in accordance with sharia principles (Karamoy & Tulung, 2020). Islamic banking as part of the national banking system has an important role in the economy. The number of Islamic Commercial Banks continues to increase (Yanti et al., 2018).

The advantages of this Islamic banking product can be seen through profitability (profit), because the profitability ratio is used to see the amount of profit obtained (Yanti et al., 2021). This ratio can also be used to see the success of a bank's performance. According to Kasmir (2018) profitability ratio is a ratio to assess the company's ability to seek profit, this ratio also provides a measure of the level of effectiveness of a company's management. This is indicated by the profit generated from sales and investment income.

Then in 2019 the world was hit by a deadly corona virus which caused companies in all lines to experience a decline in income and Islamic Commercial Banks were no exception. During the pandemic, Islamic Commercial Banks faced challenges as well as opportunities in managing operations and services to the community. This caused Islamic banks to be able to survive until the pandemic was over. From data obtained from the Financial Services Authority (www.ojk.go.id) it can be seen that Islamic banks continue to experience an increase, as in Figure 1 below:
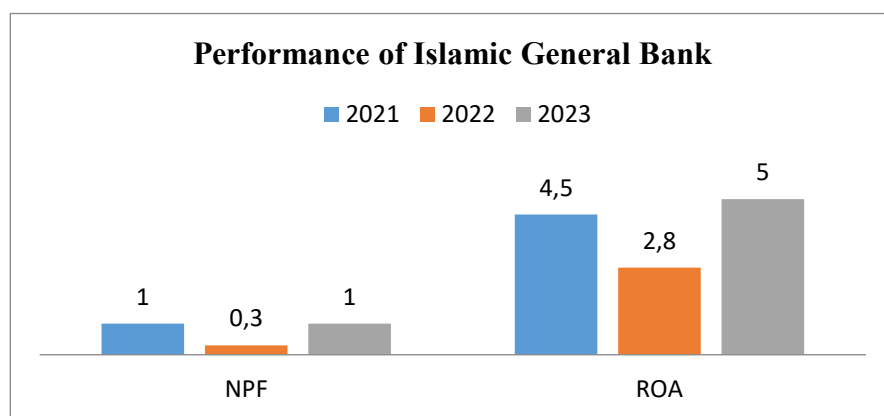

Figure 1. Performance of Islamic Commercial Banks from 2021-2023

Source: Ojk Feb 2024 (www.ojk.go.id).

Capital Adequacy Ratio (CAR) is a ratio that shows how much bank capital is compared to

risk-weighted assets. CAR is used to measure a bank's ability to bear losses without disrupting its operations (Gharaibeh, 2023). Regulations require banks to have a minimum CAR to maintain financial stability. CAR functions to (Alrwashdeh et al., 2023): (1) Maintaining Bank Stability and Security: CAR ensures that Islamic commercial banks have sufficient capital to cover the risk of losses due to problematic financing, unprofitable investments, or economic uncertainty. This is very important to maintain bank stability and customer trust. (2) Protection against Financing Risk: In Islamic commercial banks, CAR protects banks from the risk of problematic financing (NPF). Financing in Islamic banks can be in various forms, such as mudharabah (profit sharing), murabahah (sale and purchase), or ijarah (rent), all of which have different levels of risk. CAR ensures that banks have sufficient capital buffers to absorb potential losses from these financing activities. (3) Compliance with Regulations: The Financial Services Authority (OJK) sets minimum CAR standards for Islamic commercial banks so that they can operate safely. In Indonesia, for example, Islamic commercial banks are required to have a CAR Capital Adequacy Ratio of at least 8%. Banks with higher CARs are considered stronger and more capable of facing risks. H1: Capital Adequacy Ratio (CAR) affects Return on Assets (ROA).

Operating Expenses to Operating Income (BOPO) is a financial ratio used to measure the operational efficiency of a bank. This ratio shows how much operational expenses are incurred by the bank compared to the operational income generated (Zenebe Lema, 2017). The lower the BOPO value, the more efficient the bank is in managing its operational costs. BOPO functions to (Ali et al., 2023): (1) measuring Operational Efficiency: BOPO is used to assess how efficient a bank is in managing its operational costs. If operational costs are too high compared to the income generated, this reflects inefficiency. (2) Bank Financial Health Indicator: High BOPO can be a sign that the bank is having difficulty managing costs, which can affect profitability and competitiveness. Conversely, low BOPO indicates that the bank is operating efficiently and is able to keep costs under control. H2: Operational Costs to Operating Income (BOPO) has an effect on Return on Assets (ROA).

Capital adequacy ratio (CAR) is a measure of the level of a bank's capital adequacy to protect itself from credit risk and other risks. This ratio is more related to the bank's ability to absorb potential losses from their business activities, but does not directly affect the quality of credit or financing provided. (2) NPF focuses on the quality of credit distributed by the bank. NPF is more related to the risk of financing received by customers, the customer's ability to pay obligations, and the bank's risk management policies. Therefore, CAR does not have a direct effect on NPF because CAR focuses more on the bank's capital adequacy to face risks, while NPF reflects more on the quality of credit distributed. Credit quality is influenced by other factors such as risk management, market conditions, and bank financing policies. H3: Capital Adequacy Ratio (CAR) to Non Performing Financing (NPF).

BOPO can affect NPF through bank operational efficiency and credit risk management. If

BOPO is high, it can indicate that the bank is inefficient in its operations, which can be reflected in the lack of financing supervision and poor risk management. This condition can lead to an increase in the number of problematic financing, which is reflected in a higher NPF ratio. Conversely, if BOPO is low, it indicates that the bank is more efficient in its operations, which has the potential to maintain credit quality and reduce NPF. H4: Operating Expenses to Operating Income (BOPO) affects NPF.

Return on Assets (ROA) is a financial ratio that measures the ability of a company, including banks, to generate profits from the assets it owns (Herciu & Șerban, 2018). ROA shows how efficient a company is in utilizing its assets to generate profits. The higher the ROA, the more effective the company is in using assets to generate profits. This ratio is often used to assess a company's performance in generating profitability from its resources. ROA functions to (1) measure Efficiency: ROA shows how well a company uses its assets to generate profits. Companies with high ROA are considered more efficient in managing their assets than companies with low ROA. (2) Profitability indicator: ROA provides an overview of how profitable a company is based on the assets it owns. This is very important for investors and other stakeholders to understand how company management uses its assets to generate profits. H5: Return on Asset (ROA) has an effect on Non-performing financing (NPF)

Non-performing financing (NPF) is a ratio used in Islamic banking to measure the proportion of problematic or non-performing financing compared to the total financing distributed by the bank (Alshubiri & Al Ani, 2023). In addition, the Capital Adequacy Ratio (CAR) is a measure of the bank's capital adequacy level to protect itself from financing risks and other risks. NPF is an indicator of asset quality and the level of credit risk faced by the bank. This ratio reflects how much of the bank's financing portfolio is not running well, which has the potential to cause losses for the bank. Non-performing financing (NPF) is financing that is experiencing problems, such as default by customers or cannot be paid off according to the agreed agreement (Widarjono, 2018). Problematic financing is usually divided into several categories based on its severity: 1) Current: Financing that is still running according to schedule without any payment problems. 2) Special Mention: Financing that shows signs of increasing risk, such as payment delays but has not yet reached the default stage. 3) Substandard: Financing that is late in payment for more than 90 days. 4) Doubtful: Financing that shows indications of being defaulted or experiencing major difficulties in repayment. 5) Loss: Financing that can no longer be expected to be repaid by customers, thus potentially causing losses for the bank. H6: Non-performing financing (NPF) mediates the capital adequacy ratio (CAR) on return on assets (ROA). H7: Non-performing financing (NPF) mediates Operating Expenses to Operating Income (BOPO) on return on assets (ROA).

The following are the results of previous research, (Hernawati et al., 2021); (Priyadi et al., 2021); conclude that the capital adequacy ratio (CAR) has an effect on non-performing financing (NPF). (Jusni et al., 2019) stated that Operating Expenses to Operating Income (BOPO) had no effect on non-performing financing (NPF). (Marsintauli et al., 2023); (Apau & Sibindi, 2023); (Awwad, 2021); (Puspitasari et al., 2021) states that the capital adequacy ratio (CAR)

has a positive effect on return on assets (ROA), whereas according to (Ali et al., 2023); (Sugiono et al., 2023); (Saleh & Paz, 2023); (Widarjono, 2018) has no effect on return on assets (ROA). (Islam & Rana, 2017); (Widarjono, 2018); (Puspitasari et al., 2021); (Karamoy & Tulung, 2020) states that Operating Expenses to Operating Income (BOPO) has a positive effect on return on assets (ROA), whereas according to (Ali et al., 2023); (Herciu & Șerban, 2018) has no influence on return on assets (ROA). According to (Islam & Rana, 2017); (Priyadi et al., 2021) non performing financing (NPF) has an effect on return on assets, whereas according to (Ali et al., 2023); (Widarjono, 2018) has no effect on return on assets. The following is a visualization of the research model used in this study:
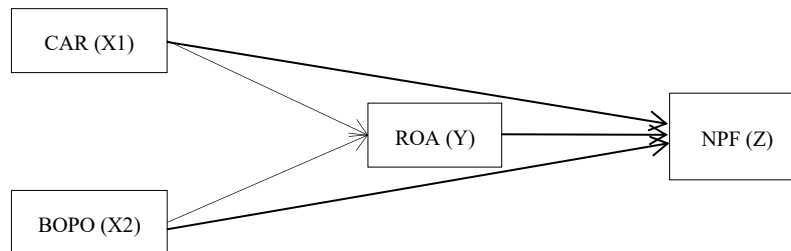

Figure 2. Framework of Thought

RESEARCH METHODS

This study is a quantitative study that examines the performance of Islamic Commercial Banks post-covid. The information for this study was obtained from secondary data, namely financial report data from Islamic Commercial Banks in Indonesia. There are 13 Islamic Commercial Banks in Indonesia from the period 2021 to the period 2023. The analysis method used in this study is panel data regression with the help of software, namely Microsoft Excel and Eviews. Data processing carried out includes: 1) model selection, namely the Chow test is carried out to select the general effect model (CEM) or fixed effect model (FEM), the Hausman test is carried out to select the fixed effect model (FEM) or random effect model (REM), and the Legrange Multiplier test is carried out to select the general effect model (CEM) or random effect model (REM). In panel data regression based on Ordinary Least Squares (OLS), the general effect model (CEM) and the fixed effect model (FEM) are used, so it is necessary to carry out a classical assumption test. On the other hand, if the regression equation is more suitable using a random effects model (REM), then there is no need to test the classical assumptions, because the random effects model (REM) uses the General Least Squares (GLS) approach in its estimation technique (Baltagi & Baltagi, 2008). 2) hypothesis testing, namely substructure hypothesis testing I and substructure hypothesis testing II consisting of: t test, F test, and R Square. 3) Sobel test from 2 categories, namely z mediates x1 to y, and z mediates x2 to y.

2. RESULTS & DISCUSSION

Model selection is done to determine the model to be selected, model selection testing in eviews

is divided into 3, namely: a) Chow test: based on the test carried out, if the prob. value is 0.000 <0.05, then the fixed effect model (FEM) is selected. b) Hausman test: based on the test carried out, if the prob. value is 0.00 > 0.05 then the fixed effect model (REM) is selected. c) Lagrange multiplier test: Based on the test carried out, if 0.00 <0.05 then the REM is selected. This model selection test will be carried out on sub-structure I and sub-structure II.

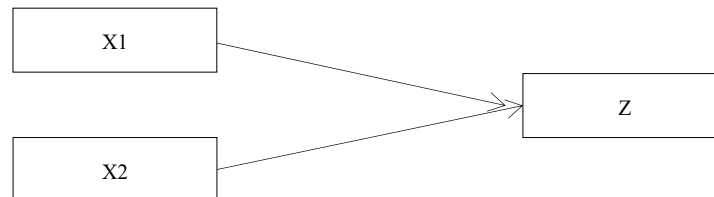**Selection of substructure model I**

Figure 3. Sub-structural Framework I

The following is a model selection carried out to determine the model to be selected, this study uses a panel data regression method consisting of three models: Common Effect (CEM), Fixed Effect (FEM), and Random Effect (REM). Before that, the model The most accurate way to assess the impact of independent factors on dependent variables related to financial performance should be determined using the Chow, Hausman, and Lagrange Multiplier tests as in table 1, table 2 and table 3.

Table 1. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section Chi-square	43.267362	12	0.0000

Source: Output Eviews (2025)

Based on the tests carried out in table 1, the prab. value is 0.000, this shows that $0.00 < 0.05$, so the selected test model is (FEM).

Table 2. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.000000	2	1.0000

Source: Output Eviews (2025)

Based on the tests conducted in table 2, the value obtained is 1.000, this shows that Prob. 1.00 > 0.05, so the selected test model is the random effect model (REM).

Table 3. Lagrange Multiplier Test

	Cross-section	Time	Both
Breusch-Pagan	9.900987	1.122857	11.02384
	(0.0017)	(0.2893)	(0.0009)

Source: Output Eviews (2025)

Based on the tests carried out in table 3, the prab value was obtained. 0.0017, this shows that

the test model carried out in the LM test is 0.00 < 0.05, so the selected test model is the random effect model (REM).
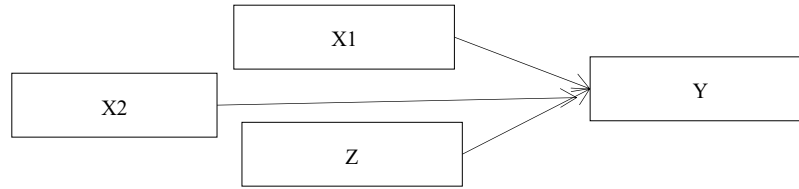
Substructural II

Figure 4. Sub-structural Framework II

The following is a sub-structure II test that aims to analyze the relationship between independent variables and dependent variables in the second part of the research model. The first step in this test is to determine the most appropriate regression model using three evaluation methods, namely the Chow test, the Hausman test, and the Lagrange Multiplier test as in table 4, table 5 and table 6.

Table 4. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.202068	(12,23)	0.0015

Source: Output Eviews (2025)

In substructure II, model selection is carried out in the chow test, based on table 4, the probability value is 0.000. This can be explained that if the probability is 0.00 <0.05, then the model selected in the chow test is the fixed effect model (FEM).

Table 5. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.000000	3	1.0000

Source: Output Eviews (2025)

Based on the test conducted in table 5, the prob. value is 1,000. This can be explained that if Prob. 1,000 > 0.05, then the selected test model in the Hausman test is the fixed effect model (FEM).

Table 6. Lagrange Multiplier Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	9.474693	0.875836	10.35053
	(0.0021)	(0.3493)	(0.0013)

Source: Output Eviews (2025)

The LM test that has been carried out in table 4 then obtained a prob. value of 0.0021. This can be explained that if Prob. 0.00 < 0.05 then the model selected in this test is the random effect model (REM).

Hypothesis Testing. In sub-structural I, the selected model is the random effect model (REM). The selection of the Random Effect (REM) model is based on the results of the LM test which shows that REM is more appropriate than the Fixed Effect Model (FEM) for the data used. This model is considered more efficient because it is able to accommodate variations between individuals and take into account unobserved random effects in the data. Thus, REM can provide a more accurate estimate of the relationship between the independent variables and the dependent variables in sub-structural I.

Table 7. t Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	904.5171	540.9190	1.672186	0.1032
BOPO	-0.010548	0.006896	-1.529553	0.1349
CAR	-0.446122	0.267531	-1.667551	0.1041

Source: Output Eviews (2025)

Based on table 7 shows the CAR prob. value of 0.1041 > 0.05, it can be explained that CAR does not affect ROA. Then from the test obtained the BOPO prob. value of 0.1349 > 0.05, it can be concluded that BOPO does not affect ROA. can be seen in table 8 below:.

Table 8. F Test

R-squared	0.137558
Adjusted R-squared	0.089645
S.E. of regression	1.341417
F-statistic	2.870968
Prob(F-statistic)	0.069685

Source: Output Eviews (2025)

In the f table test conducted in table 8 shows the Prob. value of 0.06 > 0.05, it can be concluded that CAR and BOPO together do not affect ROA. Based on the table above, it can be explained that R Square for the CAR and BOPO variables is able to explain the ROA variable by 0.08 or only 8%. The rest is by other variables that are not in this study. In Substructure II, the selected model is FEM, so the t table test can be seen in table 9 below.

Table 9. t Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	42771.31	21765.37	1.965109	0.0574
CAR	-21.11621	10.76263	-1.961994	0.0578
BOPO	0.877824	0.283806	3.093047	0.0039

ROA	0.451573	6.621415	0.068199	0.9460

Source: Output Eviews (2025)

The test conducted in table 9 shows the CAR prob. value of 0.06 > 0.05. So it can be concluded that CAR does not affect NPF, then from the test the BOPO value is obtained 0.003 < 0.05 so BOPO affects NPF, and the ROA value is obtained 0.95 > 0.05 then it can be explained that ROA does not affect NPF.

Tabel 10. F Test

R-squared	0.278185
Adjusted R-squared	0.216316
S.E. of regression	52.18038
F-statistic	4.496303
Prob(F-statistic)	0.009027

Source: Output Eviews (2025)

Table 10 shows that the Prob. value in the f table test is 0.009 <0.05, so it jointly affects NPF. Based on the table above, the R Square value shows that the CAR, BOPO and ROA variables are able to explain NPF by 0.70 or 70%, the rest is explained by other variables that are not in this study.

Sobel Test

$$t = \frac{ab}{\sqrt{(b^2 SEa^2) + (a^2 SEb^2)}}$$

Information:
a = Path of the independent variable towards the intervening variable
b = Path of the intervening variable to the dependent variable
SE = Standar error

Intervening Test
NPF mediates CAR on ROA

$$t = \frac{-0.446 \times 0.4515}{\sqrt{(0.4515^2 x - 0.446^2) + (-0.446^2 \times 6.621^2)}}$$

$$t = \frac{-0,198}{12,70}$$

$$t = -0,0155$$

t table is 1,985
So the calculated t value is -0.0155 < 1.985 (t table), so it can be interpreted that CAR does not have an effect on non-performing financing through return on assets.

NPF mediates BOPO against ROA

$$t = \frac{-0.0105 \times 0.4515}{\sqrt{(0.4515^2 x - 0.0105^2) + (-0.0105^2 \times 6.621^2)}}$$

$$t = \frac{-0,198}{13,400}$$

$$t = -0,014$$

t table is 1,985

So the calculated t value is -0.014 < 1.985 (t table), so it can be interpreted that BOPO has no effect on non-performing financing through return on assets.

***Capital Adequacy Ratio* (CAR) to *Return on Asset* (ROA).** Based on the calculation results, it shows that CAR has no effect on ROA. The results of this study are in line with the results of previous studies, namely (Ali et al., 2023); (Sugiono et al., 2023); (Saleh & Paz, 2023); (Widarjono, 2018). CAR is used to measure the adequacy of a bank's capital in bearing risk, while ROA measures the company's effectiveness in generating profits from its assets. When CAR does not have a significant effect on ROA, this is due to (1) Stable Capital Structure: if the Bank has a stable and adequate capital structure so that fluctuations in CAR do not have a major impact on profitability as reflected in ROA. In other words, higher or lower capital is not always directly related to the ability to generate profits from existing assets. (2) Asset Quality: ROA is highly dependent on the quality of the bank's assets, such as the quality of the loans provided. If a bank has a good CAR ratio but poor asset quality (e.g. high non-performing loans), then ROA can remain low. Thus, even though CAR is high, the profitability of the assets may not be maximized. (3) Risk Management: High CAR indicates that the bank has sufficient capital to cover risks, but it does not necessarily mean that the bank can utilize its assets efficiently to increase profits. Overly conservative risk management may reduce the return on assets held, so it is not reflected in a high ROA. (4) External Factors: ROA can be influenced by external factors, such as macroeconomic conditions, interest rates, and government regulations, which are not directly related to the capital ratio. In other words, even if CAR is high, if economic conditions are bad or interest rates are not supportive, ROA can remain low.

The relationship between CAR and ROA after the pandemic tends to weaken as the banking focus shifts to stability and risk management rather than optimizing profitability. This shows that even though banks have high CAR, various internal factors such as asset quality and risk management strategies and external factors such as macroeconomic conditions are still obstacles to increasing ROA. The pandemic has changed banking priorities, from profit orientation to sustainability orientation and resilience to risk.

Operating Expenses to Operating Income (BOPO) to Return on Assets (ROA) . Based on the calculations carried out, it can be explained that BOPO does not affect ROA. The results of this study are in line with (Ali et al., 2023); (Herciu & Șerban, 2018). This can be explained because, (1) Difference in Measurement Focus, BOPO focuses on operational efficiency, namely how the company manages operational costs compared to the income earned. Meanwhile, ROA focuses on profitability, namely how well the company uses assets to generate

profits. (2) Asset Factors Not Involved in BOPO, BOPO does not consider the company's total assets in its calculations. While ROA actually measures profit relative to assets. Therefore, high operational efficiency (for example, low BOPO) does not always mean that the company's assets are used optimally to generate high profits. (3) Profit Factors and Other Income Sources, ROA is influenced by various profit components, including income from sources outside of operations, such as investment income, which is not included in the BOPO calculation. Therefore, although BOPO can affect operational cost efficiency, there is no guarantee that this will directly impact ROA, because ROA is also influenced by asset management and income from various sources.

Post covid-19 pandemic, the relationship between BOPO (Operating Cost to Operating Income) and ROA (Return on Assets) has become increasingly clear due to major changes in bank operations and profitability. Although low BOPO reflects operational cost efficiency, this does not always translate into increased ROA, especially in the challenging post-pandemic economic conditions due to differences in post covid-19 contexts, profit factors and other sources of income, and post-covid-19 environmental effects.

***Capital Adequacy Ratio* (CAR) to *Non Performing Financing* (NPF).** Based on the calculation results, it can be explained that CAR does not affect NPF. The results of this study are contrary to the results of the study (Hernawati et al., 2021); (Priyadi et al., 2021) which states that CAR has an effect on NPF. This can be explained by the following reasons: (1) CAR is a measure of the bank's capital adequacy to protect itself from credit risk and other risks. This ratio is more related to the bank's ability to absorb potential losses from their business activities, but does not directly affect the quality of credit or financing provided. (2) NPF focuses on the quality of credit distributed by the bank. NPF is more related to the financing risk received by customers, the customer's ability to pay obligations, and the bank's risk management policies. Therefore, CAR does not have a direct effect on NPF because CAR focuses more on the bank's capital adequacy to face risks, while NPF reflects more on the quality of credit distributed. Credit quality is influenced by other factors such as risk management, market conditions, and bank financing policies.

Post-pandemic, many banks increased CAR as a protective measure in the face of high potential financing risks. However, the increase in CAR is more functional to ensure that banks have sufficient capital reserves to absorb losses due to problematic financing. Therefore, even though CAR has increased, this does not reduce the NPF ratio because the quality of financing depends on the ability of customers affected by the pandemic to meet their obligations. During the pandemic, the government and regulators provided financing restructuring policies to help customers and prevent a spike in NPF. When the pandemic ended, some financing became problematic again, so that NPF remained high even though the bank's CAR was adequate.

Beban Operasional terhadap Pendapatan Operasional (BOPO) to *Non Performing Financing* (NPF). The calculation results show that BOPO has a relationship with NPF. The

results of this study are in line with (Jusni et al., 2019). BOPO affects NPF through: 1) Operational and Credit Risk Management Efficiency, 2) Credit Supervision Management Capability, 3) Service Quality, 4) Decrease in Operational Income. In other words, BOPO can affect NPF through bank operational efficiency and credit risk management. If BOPO is high, this may indicate that the bank is inefficient in its operations, which can be reflected in the lack of financing supervision and poor risk management. This condition can lead to an increase in the number of problematic financing, which is reflected in a higher NPF ratio. Conversely, if BOPO is low, this indicates that the bank is more efficient in its operations, which has the potential to maintain credit quality and pressing NPF.

During the pandemic, many banks faced increased operating costs due to credit restructuring, implementation of digital technology, and health protocols. Post-pandemic, banks that failed to reduce operating costs tended to have high BOPO. This situation can reduce the focus on financing risk management, thereby increasing the NPF ratio. After the pandemic, operational efficiency reflected in BOPO becomes one of the main factors in maintaining the stability of bank financing quality. Banks that are able to reduce BOPO tend to be better prepared to face financing risks and maintain a low NPF ratio.

Return on Assets (ROA) to Non Performing Financing (NPF). The results of the study indicate that ROA has no effect on NPF. The results of this study are in line with the results of the study (Ali et al., 2023); (Widarjono, 2018) has no effect on return on assets. ROA and NPF measure different aspects of bank performance. ROA measures the efficiency of asset use in generating profits, but does not consider credit quality or financing risk. On the other hand, NPF focuses more on credit risk and the quality of financing provided by the bank, which are more influenced by credit policies, economic conditions, and risk management. Therefore, even though ROA is high, this does not necessarily indicate that the bank has a healthy credit portfolio, so ROA does not always affect NPF.

Pos covid-19 pandemic shows that the relationship between return on assets (ROA) and non-performing financing (NPF) does not have a significant disconnection. This is due to major changes that occurred in the dynamics of bank operations and financing risks during and after the pandemic. During the pandemic, a spike in bad financing occurred due to the inability of customers to meet their obligations. Post-pandemic, although bank ROA increased along with economic recovery, NPF remains a challenge because the impact of the pandemic on the business sector has not fully recovered.

Non Performing financing (NPF) Mediate Capital Adequacy Ratio (CAR) to Return on Asset (ROA). Based on the tests that have been conducted, it can be concluded that non-performing financing is not able to mediate the effect of capital adequacy ratio on return on assets. Non-performing is problematic financing, if problematic financing increases, banks tend to stop distributing financing to customers, this is the existence of a capital adequacy ratio that measures the adequacy of capital that functions to accommodate the risk of losses that may be faced by the bank. The higher the capital adequacy ratio, the better the bank's ability to bear the risk of each credit/productive asset that is at risk. So that bank performance can be maintained

properly.

The inability of non-performing financing (NPF) to mediate the effect of capital adequacy ratio (CAR) on return on assets (ROA) is increasingly relevant to understand in the context of operational changes and risks faced by banks post-pandemic. This can be explained by the fact that the NPF ratio increased due to the inability of customers to fulfill their obligations. Although the bank's CAR was strengthened, the high NPF level due to the pandemic still hampers banks in optimizing profits.

***Non Performing financing* (NPF) Mediate Beban Operasional to Pendapatan Operasional (BOPO) terhadap *Return on Asset* (ROA).** Based on the tests that have been conducted, it can be concluded that non-performing financing is not able to mediate the effect of Operating Expenses on Operating Income (BOPO) on return on assets. Increasing or decreasing non-performing financing is not the main factor in improving bank performance. This is controlled by the ratio used to measure a bank's performance when generating profit. The smaller the value of Operating Expenses to Operating Income, the more efficient the bank is in carrying out its activities.

The inability of NPF to mediate the effect of BOPO on ROA after the pandemic reflects that operational efficiency (BOPO) and financing quality (NPF) have their own dynamics that are not fully reflected in profitability (ROA), this is because low BOPO indicates that banks are more focused on managing operational costs and income, but this efficiency does not automatically affect credit quality (NPF) or profitability (ROA) at Islamic Commercial Banks..

3. CONCLUSION AND SUGGESTIONS

Based on the introduction, test results and discussion, it can be explained that the relationship between operating expenses to operating income (BOPO), return on assets (ROA), and non-performing financing (NPF) post-covid-19 shows complex dynamics, this is because ROA is unable to mediate the effect of BOPO on NPF because each indicator measures different dimensions of bank performance besides operational efficiency reflected in low BOPO does not automatically reduce NPF. Financing quality depends more on credit risk management and bank financing policies. Although high ROA indicates good profitability, this does not always mean that the bank has healthy financing quality or a low NPF ratio.

The following are some suggestions that can be conveyed, namely: a) Banks need to strengthen financing risk mitigation policies to reduce the NPF ratio, especially by paying attention to economic conditions that have not fully recovered post-pandemic and optimizing supervision of financing portfolios and utilizing analytical data to mitigate potential financing risks, b) Investing in operational digitalization to reduce operating costs (BOPO) and improve efficiency, especially in the credit management process and customer evaluation, c) Banks do not only focus on reducing BOPO, but also ensure operational efficiency supports financing quality and financing risk management.

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