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Effect of Financing to Deposit Ratio, Net Operating Margin, and Current Ratio on Financial Performance of Sharia Commercial Bank in Indonesia and Malaysia Listed on The Stock Exchange in 2018–2023

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Abstract

This study aims to examine whether there is an effect of Financing to Deposit Ratio, Net Operating Margin and Curret Ratio on Financial Performance. The population in this study is Sharia commercial banks in Indonesia and Malaysia. The number of samples in this study as many as 30 samples. Sampling technique using purposive sampling method. The research method used is quantitative with data sources in the form of secondary data. Data analysis method using multiple linear regression analysis with Eviews 10. The results of this study provide empirical evidence that partially variable Financing to Deposit Ratio and Net Operating Margin affect Financial Performance. However, the variable Curret Ratio has no effect on Financial Performance. The results of this study give the implication that to improve a financial performance in Islamic commercial banks is Financing to Deposit Ratio and Net Operating Margin.

Keywords:
Financial performance; Financing to Deposit Rasio; Net Operating Margin; Current Ratio

Abstrak

Penelitian ini bertujuan untuk menguji apakah terdapat pengaruh *Financing to Deposit Ratio*, *Net Operating Margin* dan *Curret Ratio* Terhadap *Financial Performance*. Populasi dalam penelitian ini adalah bank umum syariah yang ada di Indonesia dan Malaysia. Jumlah sampel dalam penelitian ini sebanyak 30 sampel. Teknik pengambilan sampel menggunakan metode purposive sampling. Metode penelitian yang digunakan yaitu kuantitatif dengan sumber data berupa data sekunder. Metode analisis data menggunakan analisis regresi linear berganda dengan Eviews 10. Hasil dari penelitian ini memberikan bukti secara empiris bahwa secara parsial variabel *Financing to Deposit Ratio* dan *Net Operating Margin* berpengaruh terhadap *Financial Performance*. Namun variabel *Curret Ratio* tidak memliki pengaruh terhadap *Financial Performance*. Hasil penelitian ini memberikan implikasi bahwa untuk meningkatkan sebuah kinerja keuangan pada bank umum syariah adalah *Financing to Deposit Ratio* dan *Net Operating Margin*.

Kata Kunci:
Kinerja Keuangan; Financing to Deposit Ratio; Net Operating Margin; Current Ratio

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1. Introduction

The global Islamic finance industry is undergoing tremendous development. This is in accordance with 2016 data from the Islamic Financial Services Board (IFSB) which shows that the assets of the global Islamic finance industry have grown from $150 billion in the 1990s to $2 trillion by the end of 2015 (Lestari, 2020). This increase reflects the number of countries in the world participating in the development of its own sharia-based financial industry, both in countries with a majority Muslim population and in countries with a majority non-Muslim population, which is motivated by the increasing number of people in the country (al-Syariah, 2022).

The Islamic Development Bank was established in 1975 to encourage the establishment of Islamic banks in several countries, including Indonesia and Malaysia (Wardana & Abdani, 2023). Indonesia and Malaysia are countries that adhere to the existing banking system, a dual banking system that recognizes the traditional banking system and the Sharia system. The development of Islamic banking in these two Southeast Asian countries is relatively rapid, as evidenced by Islamic banking institutions, third-party financing, total loans, and total assets. With the start of the ASEAN Economic Community (AEC) era, Islamic banks face new competitive challenges in 2015 (Sirajuddin, 2018). Islamic banking must be prepared to face increasingly fierce competition between banks in Asia. Islamic banks must strive to improve cost efficiency so that their businesses can grow and exceed their goals.

Indonesia and Malaysia are two countries in Southeast Asia that are encouraging the development of Islamic banking and financial systems. As an Islamic financial institution, Islamic banks have a higher moral responsibility than other conventional organizations. Because, social values and justice values that must be met by Islamic banks are the foundation of its existence, Indonesia has the largest Muslim population in the ASEAN region of 237.6 million people, while Malaysia has a Muslim population of 19.8 million people (Fauziyah & Wardana, 2022). The Muslim population in Indonesia amounts to 86.7% of the total population of Indonesia, and in Malaysia it reaches 61.3% of the total population of Malaysia. Based on existing data, there is a significant difference between the population of Indonesia and Malaysia.

Although the value of the development of Indonesia's Islamic finance industry is lower than Malaysia, but the value of Indonesia's development continues to increase from 2016 to 2020, this shows the positive development of Indonesia's Islamic finance industry. In the meantime (Hilman, 2020) stated that bank syariah Malaysia is on the verge of increasing assets by 40% in 2020. Indonesia can now be said to be able to compete with Malaysia by leading the Southeast Asian Islamic banking market which has been dominated by Malaysia. However, the growth of products and capital in Indonesia is much slower than the Islamic banking sector in Malaysia. This is because Indonesia is a large country with a population of more than 270 million people, of which about 90% of them are Muslims, while Malaysia with a population of about 30 million people, only 60% of them are Muslims (Natalina & Zunaidi, 2021).

There are several factors that can affect the level of efficiency of Islamic banks, such as financial performance. Financial performance is the most appropriate indicator to measure the performance of a bank (Biasmara & Srijayanti, 2021). Generally, the level of financial performance of a bank is measured by the level of its profitability.One of the measurement indicators is the return on assets (ROA) which is commonly used in the business management of a company as an assessment of its ability to generate profits (Mokoagow & Fuady, 2015). The ROA ratio was chosen as a profitability indicator because it measures the company's ability to generate profits from its assets.The importance of the ROA value is to maintain business continuity, and an increase in the ROA value means that bank financial management becomes more efficient (al-Syariah, 2022).

Financial management in banking is considered to have a very important and important role because it not only has an impact on the sustainability and sustainability of business activities, but also has an impact on all individuals who are in the business. Financial managers are expected to be able to carry out financial functions properly so that the company can run the company's operational activities more effectively and efficiently (Yunus et al., 2022). In addition, financial statement analysis is also needed to determine the ability of a company to overcome financial problems and make quick and appropriate decisions. Given the importance of Financial Statement Analysis, a separate study is needed on how to measure the success and performance in managing the financial sector of a company (Noordiatmoko & Tribuana, 2020).

The financial condition of Islamic banks can be declared good or bad and can be judged from the liquidity of the bank (Muarif et al., 2021). Liquidity is an indicator that can show the ability of an Islamic bank to meet its short-term obligations at maturity.In addition to liquidity, profitability is equally important when assessing the situation of a bank. Profitability is one important factor that is always considered in running a business (Munandar, 2020). To obtain margin from customers, banks need to understand issues related to banking activities in terms of managing financial resources channeled to customers (Munandar, 2020).

Generally Islamic banks follow the same concept in measuring liquidity. In other words, we use the funding to deposit ratio (FDR). Funds-to-deposit Ratio (FDR), which is how much third party funds (DPK) in Islamic banks used for financing (M. S. M. Utami & Muslikhati, 2019). FDR is a ratio that measures the composition of the amount of loans granted compared to the amount of public funds and equity capital deployed (Cahya et al., 2020). The higher the FDR ratio, the better the ability of the bank, which means that the bank can perform its intermediate function optimally. However, if this ratio is low, it means that the bank cannot perform its intermediate function optimally. However, it is clear that the higher this ratio, the more funds are available for lending and the less liquidity the bank has. The lower this ratio, the higher the liquidity of the bank (Somantri & Sukmana, 2019).

Net operating profit margin (NOM) can represent the extent to which a bank can manage all of its productive assets to generate a higher net profit (Saputra & Angriani, 2023). Net operating profit Margin (NOM) is linear with bank margin income (Hellen et al., 2019). The more margin income earned by a bank, the higher the ratio of the bank or NOM. This means that banks work efficiently to obtain higher profits (Munandar, 2020). If this ratio is high, the bank will be easier to avoid various banking problems.

Next is the current ratio (CR). The current ratio is a comparison of current assets and current liabilities.This means that the CR level shows the company's ability to repay short-term debts from its current assets. A company is considered liquid if it is able to pay its short-term debts. And if a company is unable to pay its short-term debt then it is said to be in an illiquid state (Ningsih & Utiyati, 2020).

Many studies on factors affecting financial performance use the ROA metric.Previous research conducted by (Rahmadi, 2017) and (Mutmainnah & Wirman, 2022) found that FDR had a significant positive effect on ROA. While research conducted (Lemiyana & Litriani, 2016) and (Anam, 2019) states that FDR had no effect on the ROA. Previous research on net operating profit margin (Fabiolla & Kornitasari, 2024) and (Aulia & Anwar, 2021) shows that the operating profit of Islamic banks as measured by net operating profit margin (NOM) positive and positive effect on the profitability of banks proved to have a significant impact. But in some previous studies conducted

(Pravasanti, 2018) and (Rahmawati et al., 2021) does not give a significant effect on the ROA of Islamic commercial banks. It's the same with research (Kurniawati, 2022) the results showed that the Current Ratio has a significant influence on financial performance (ROA). On the other hand, research conducted (Daryanto et al., 2018) indicates that the current ratio has no significant effect on financial performance (ROA).

Based on previous research and the background, the formulation of the problem in this study is whether the Financing to Deposit Ratio, Net Operating Margin and Curret Ratio affect the Financial Performance of Sharia commercial banks in Indonesia and Malaysia listed on the Stock Exchange in 2019-2023. The purpose of this study is to determine whether the formulation of the problem can be answered. Because there are differences in research results, research results are inconsistent so that there is a research gap (research gap). Therefore, further research is needed on the effect of Financing to Deposit Ratio, Net Operating Margin and Curret Ratio on Financial Performance. Based on the phenomena that have been presented in the background and identification of problems and research gaps above, the purpose of this study is to know the picture and know the effect of Financing to Deposit Ratio, Net Operating Margin and Curret Ratio on Financial Performance at Sharia commercial banks in Indonesia and Malaysia listed on the Stock Exchange in 2019-2023.

2. Literature Review

Agency Theory

Agency Theory deals with the performance of banks.The achievement of the objectives and performance of a banking company can not be separated from the management of the bank. Therefore, the shareholder (principal) has a relationship with the manager (agent) (Ekadjaja & Ekadjaja, 2020). This is in accordance with the agency theory which explains the relationship between two or more parties. According to (Meckling & Jensen, 1976) agency theory defines an agency relationship as a relationship in which one or more parties (the client) enter into a contract with another party (the agent) to perform some service on behalf of the client. It is described as a contract. The parties are interconnected because they are bound by an agreement that defines the powers and responsibilities of the parties. In their capacity as principals, shareholders empower managers (agents) to manage the company and use the resources necessary to achieve objectives and take decisions that benefit shareholders. In this connection, the manager is responsible for reporting the results of his work to shareholders or owners.

Financial performance

Financial performance is the result of the operational activities of a company and is expressed in the form of financial figures. The success of a company can be measured from its performance (Wibisana & Nila Saadati, 2022). In the context of financial performance, financial statements are often used as the basis for performance evaluation. While one type of report that is used as a basis or reference to measure the success of a company in a period of time is the income statement (Lase et al., 2022). Financial performance measurement is a formal measure used to evaluate the efficiency and effectiveness of a company in achieving a certain profit and liquidity position. Measuring this financial performance shows that the company's financial growth and development prospects depend on the resources it has (S. S. Putri & Sungkono, 2023).

Which in this case the financial Performance indicators using the formula of ROA:

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$$

Financing to Deposit Ratio (FDR)

Financing to Deposit Ratio (FDR) is a comparison between funds provided by the bank and third party funds successfully mobilized by the bank (Somantri & Sukmana, 2019). The higher this ratio, the lower the bank's liquidity ability for depositors to withdraw their money, and the more likely it is to fail. This will also affect the decision of the Depositor regarding where to collect his funds. The FDR ratio is a ratio used to measure a bank's liquidity level, which corresponds to a traditional bank's loan to deposit ratio (LDR) and indicates the bank's ability to meet loan demand using its total assets (Lubis et al., 2024). FDR's regulatory standard for banks in Indonesia is between 80% and 100% (Somantri & Sukmana, 2019).

The formula of FDR is as follows (Anam, 2019):

$$FDR = \frac{Total\ Financing}{Total\ third\ party\ funds} \times 100\%$$

Net Operating Margin (NOM)

Net Operating Margin (NOM) is a financial ratio that measures the efficiency of a company generating revenue from its core business (Ailiyah, 2020). In the context of banking, NOM measures a bank's ability to generate operating income (such as fee-based income) after deducting operating expenses (such as employee salaries, rent, and administrative expenses) (Budianto & Dewi, 2023a). NOM is calculated by dividing net operating income by total assets (Cahya et al., 2020). The higher the NOM, the more efficient the bank is in generating revenue from its operations, and the more likely it is to achieve good profitability (Budianto & Dewi, 2023b). However, it is important to note that the NOM does not provide an overview of the bank's asset quality or the funding risks it faces. Therefore, it is important to evaluate other financial indicators in order to get a more complete picture of the financial state of a bank (Budianto & Dewi, 2023a).

Net Operating Margin can be viewed from two perspectives. Viewed from the first point of view, namely from the aspect of bank competitiveness and profitability, a small margin indicates low intermediation costs and a competitive banking system, but from the aspect of profitability, a high margin indicates that the banking system is basically stable. The percentage of banks that can maintain high profit margins adds to profitability and capital to protect against risk (Kismawadi & Hisan, 2021). The nom formula is as follows (Munandar, 2020):

$$Net\ Operating\ Margin = \frac{(\mathrm{PO} - \mathrm{DBH}) - \mathrm{BO}}{\text{Average AP}}$$

Current Ratio (CR)

Current Ratio (CR) is a ratio to measure the company's ability to pay short-term obligations or debts that are immediately due when collected as a whole. In other words, how much current assets are available to cover short-term liabilities or debts that are due soon (P. Utami & Welas, 2019). Current Ratio is a ratio that shows the company's ability to meet its short-term obligations using current assets owned (Sanjaya & Sipahutar, 2019). The benchmark of this ratio is the financial performance can be said to be healthy if this ratio ranges from 1.5 to 3 (Arista Putri et al., 2023). If the company has a current ratio of less than 1 then the company is considered to have liquidity problems or difficulty meeting its short-term obligations. Meanwhile, if this ratio has a value above 3, it means that the company has not been able to streamline its assets or is not able to manage its capital properly (S. A. Putri et al., 2023). The formula for finding the current ratio or current ratio can be used as follows (Noeridha, 2023):

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Debt} \times 100\%$$

3. Method

This study is a type of quantitative research with a descriptive approach. The Data used is the financial statements of Sharia commercial banks in Indonesia and Malaysia in 2018 to 2023. The study population consisted of all Sharia commercial banks in Indonesia and Malaysia and used purposive sampling technique for sample selection. By using the criteria of Sharia commercial banks listed on the national exchange or stock exchange, there are five Sharia commercial banks in Indonesia and Malaysia that were used as research samples. Among them are Bank Syariah Indonesia, Bank Syariah Aladdin and BTPN. Bank Syariah, Bank Syariah Panin Dubai, Bank Islam Malaysia Berhad. Secondary data collection techniques were used for data collection through indirect observation through financial statements on the website of each Sharia commercial bank that was sampled. Variables in this study are divided into two independent variables, namely cash-to-deposit ratio (X1), net operating profit margin (X2), and current ratio (X3), as well as the dependent variable: financial performance (Y).

4. Result and Discussion

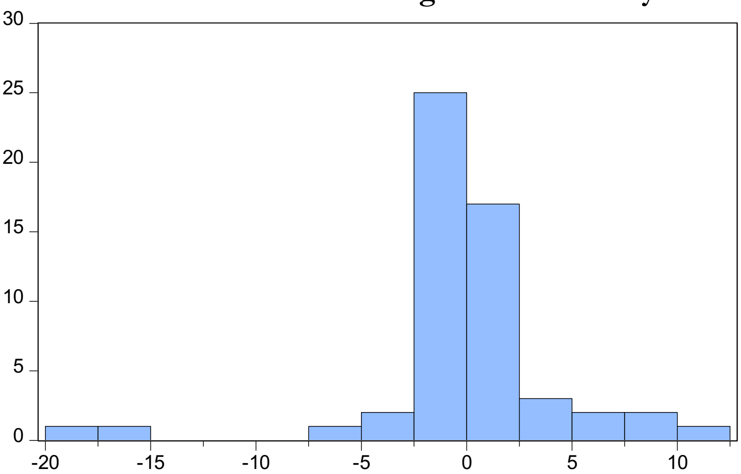
Analysis Results

To test the right or wrong of a regression model used in the study, it must be tested classical assumptions on normality, multicollinearity and heteroscedasticity.

Normality Test

Normality test is done to test the data of variable X (free) and variable Y (bound) in the regression equation, whether the equation is normally distributed or not normally distributed. A regression equation is said to be good if it has independent variables and dependent variable data that is distributed close to normal or normal distribution.

Figure 1. Normality Test



Series: Standardized Residuals
Sample 2019 2023
Observations 55

Mean	-2.00e-16
Median	-0.161999
Maximum	12.16814
Minimum	-17.74045
Std. Dev.	4.405363
Skewness	-1.238218
Kurtosis	9.575620
Jarque-Bera	113.1431
Probability	0.000000

Source*: Processed Data, 2024*

Based on the results of the figure above, it is known that the value of Jarque Bera is equal to 113.1431 greater than 0.05, so it can be concluded that the data in the test is normally distributed.

Multicollinearity Test eritas

Multicollinearity test is done by looking at the value of the correlation coefficient. Commonly used correlation coefficients are > 0.85 and < 0.85.

Table 1. Multicollinearity Test

	X1	X2	X3
X1	1.000000	-0.547462	-0.244458
X2	-0.547462	1.000000	0.077979
X3	-0.244458	0.077979	1.000000

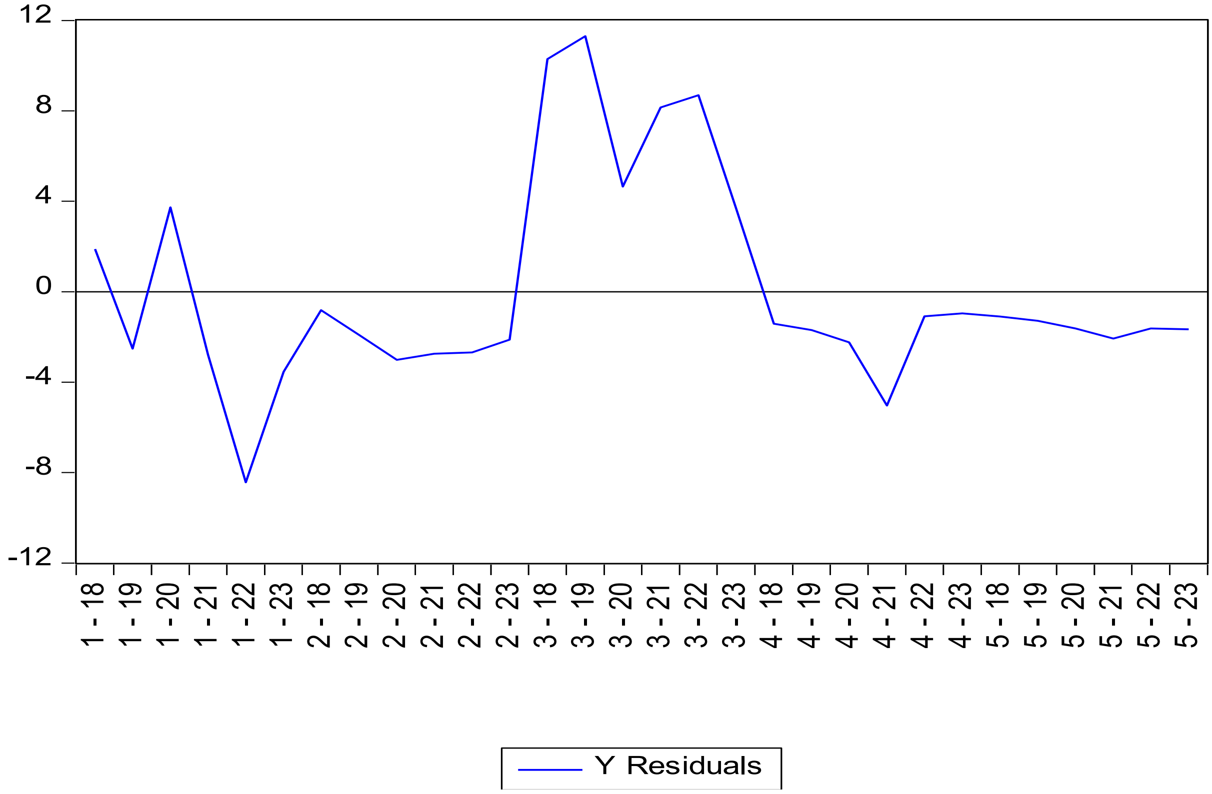
Source: *Processed Data, 2024*

Based on the results of Table 1.1, it is known that the tolerance values of variables X1 and X2, X1 and X3 and X2 and X3 obtain Tolerance values smaller than 0.85 (85.00). so it can be deduced that there is no multicollinearity in this regression or pass the multicollinearity test.

Heteroscedasticity Test

Heteroscedasticity test performed to test whether there is a deviation from the classical assumptions on linear regression, where in the regression model must be met conditions must be no heteroscedasticity.

Figure 2. Heteroscedasticity Test



Source: *Processed Data, 2024*

Based on the results in the graph above, shows the data line under the numbers 500 and -500. This means that the residual variants are the same, so it can be concluded that there is no problem of heteroscedasticity or passing the heteroscedasticity test.

Multiple Linear Regression Test

Testing the effect of promotional costs, environmental costs and net income on financial performance is intended to determine whether together the three variables affect financial performance. The following table is the result of multiple regression analysis to determine the effect of Financing to Deposit Ratio, Net Operating Margin and Curret Ratio on Financial Performance simultaneously.

Table 2. Multiple Linear Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.843030	3.814503	-0.221006	0.8268
X1	0.027842	0.006804	4.092146	0.0004
X2	0.523058	0.079782	6.556132	0.0000
X3	0.000464	0.126184	0.003674	0.9971

Source: *processed Data, 2024*

Based on the table obtained multiple linear regression equation model as follows:
Y = -0.843030 + 0.027842*X1 + 0.523058*X2 + 0.000464*X3 + [CX=F]
From the regression equation above, it can be explained that:

1) Constant (a) of -0.843030 means that if all dependent variables are considered constant (value 0), The Financial Performance increases by -0.843%.
2) Regression coefficient X1 (Financing to Deposit Ratio) of 0.027842 and marked positive, meaning that if X1 increased by 1% with the assumption that other variables remain, the Financial Performance will increase by 0.027%.
3) Regression coefficient X2 (Net Operating Margin) of 0.523058 and marked positive, meaning that if X2 increased by 1% assuming that other variables remain, the Financial Performance will increase by 0.523%.
4) Regression coefficient X3 (Curret Ratio) of 0.000464 and marked positive, meaning that if X3 increased by 1% assuming that other variables remain then the Financial Performance will increase by 0.0004%.

T test (Partial Test)

Table 3. T test (Partial Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.843030	3.814503	-0.221006	0.8268
X1	0.027842	0.006804	4.092146	0.0004
X2	0.523058	0.079782	6.556132	0.0000
X3	0.000464	0.126184	0.003674	0.9971

Source: *Processed Data, 2024*

Basic hypothesis in the t-test is:

- H0 is accepted If t count < t table and significant value > 0.05
- H0 is rejected If t count > t table and significant value < 0.05

By using the significance value of 0.05 and Degree of Freedom (n-k-1) = 26 obtained t Table of 1.70562.

1) T test between Financing to Deposit Ratio (X1) and Financial Performance

Based on the results of table 1.3, the results of the calculation using Eviews 10 can be seen that the value of t count 4.0922146 so that t count > t table (0.317978 > 1.70562) and the probability value of 0.0004 < significant ③ = 0.05; then the results of this test declared H0 rejected so it can be said Ha accepted which means that partially Financing to Deposit Ratio 2018-2023.

2) T-test between Net Operating Margin (X2) and Financial Performance

Based on the results of table 1.3, the results of the calculation using Eviews 10 can be seen that the value of t count 6.556132 so that t count > t table (6.556132 > 1.70562) and the probability value of 0.0000 < significant ③ = 0.05; then the results of this test declared H0 rejected so it can be said that Ha is accepted which means that partially Net Operating Margin has a significant effect on Financial Performance at Sharia commercial banks in Indonesia and Malaysia listed on the Stock Exchange in 2018-2023.

3) T test between Current Ratio (X3) and financial performance

Based on the results of table 1.3, the results of the calculation using Eviews 10 can be seen that the value of t count 0.003674 so that t count < t table (0.003674 < 1.70562) and the probability value of 0.9971 > is significant ③ = 0.05; then the results of this test are declared H0 accepted so that it can be said that Ha is rejected, which means that the partial Curret Ratio does not significantly affect the Financial Performance of Sharia commercial banks in Indonesia and Malaysia listed on the Stock Exchange in 2018-2023.

F Test (Simultaneous Test)

Tabel 4. F Test (Simultaneous Test)

R-squared	0.667919	Mean dependent var	0.344916
Adjusted R-squared	0.629602	S.D. dependent var	4.165932
S.E. of regression	2.535401	Sum squared resid	167.1347
F-statistic	17.43137	Durbin-Watson stat	1.838760
Prob(F-statistic)	0.000002		

Source*: Processed Data, 2024*

Based on the table above, it is known that the calculated F value is 25.22853 by using 5% significance (③=0.05) and the degree of freedom by calculating df1 and df2, the resulting F table value is 3.35. The value of F count in Table 17.43137 so that f count is greater than F table (17.43137 > 2.79). Probability value 0.000 (sig. < 0,05). This shows that together the independent variables (Financing to Deposit Ratio, Net Operating Margin and Curret Ratio) have a significant effect on the dependent variable (Financial Performance).

Discussion

Effect of financing to deposit ratio on financial performance

Based on the calculation results using Eviews 10, it can be seen that the t count value is 4.0922146 so that t count > t table (0.317978 > 1.70562) and the probability value is 0.0004 < significant α = 0.05; then the results of this test are declared H0 rejected so that it can be said that Ha is accepted, which means that partially Financing to Deposit Ratio has a significant effect on Financial Performance at Sharia commercial banks in Indonesia and Malaysia listed on the Stock Exchange in 2018-2023.

The findings of this study reinforce then (Made et al., 2024), which found that the higher the FDR of a bank, the greater the financing disbursed, which will increase the bank's interest income and will lead to an increase in financial performance, so that the LDR has a positive influence on the ROA. FDR is a ratio that describes the comparison between the financing issued by the bank with the total third-party funds raised by the bank. The amount of third party funds raised by the bank is directly proportional to the amount of financing issued, meaning that the more third party funds, the more financing issued.

Effect Of Net Operating Margin On Financial Performance

Based on the calculation results using Eviews 10, it can be seen that the value of t count is 6.556132 so that t count > t table (6.556132 > 1.70562) and a probability value of 0.0000 < significant $\alpha = 0.05$; then the results of this test are declared H0 rejected so that it can be said that Ha is accepted, which means that partially the Net Operating Margin has a significant effect on the Financial Performance of Sharia commercial banks in Indonesia and Malaysia listed on the Stock Exchange in 2019-2023.

The results of this study in accordance with research that has been done by (Aulia & Anwar, 2021) and (Hellen et al., 2019). NOM is the level of profitability in Islamic banks to see the expertise of productive assets in obtaining profits. The greater the NOM in a bank, the higher the net income of a bank derived from its productive assets, so that bank profits increase. NOM proves that banks are able to exploit the potential of allocating available funds, so as to provide optimal profits. With the quality of fund management maintained, the bank's business activities have been on the right track. The purpose of all business activities is to obtain large profits and of course must be supported by competence in regulating and supervising any activities that require capital derived from bank assets (Afrianty et al., 2019).

Effect Of Current Ratio On Financial Performance

Based on the calculation results using Eviews 10, it can be seen that the t count value is 0.003674 so that the t count < t table (0.003674 < 1.70562) and the probability value of 0.9971 > is significant $\alpha = 0.05$; then the results of this test are declared H0 accepted so that it can be said that Ha is rejected, which means that partially the Curret Ratio does not significantly affect the Financial Performance of Sharia commercial banks in Indonesia and Malaysia listed on the Stock Exchange in 2018-2023.

In this case in line with previous research conducted (Fudsyi & Agil, 2020) and (Anggraeni & Kusumawati, 2022) which also shows the results that the Curret Ratio has no effect on Financial Performance. Indicates that if the Current Ratio has increased, then it can not guarantee improving the company's financial performance. This is because the proportion or distribution of current assets is unfavorable, for example, the amount of inventory is relatively high compared to the estimated level of future sales so that the low inventory turnover rate indicates an over-investment in the inventory or the presence of a large balance of receivables that may be difficult to collect. Seeing this makes the company's financial performance decline.

5. Conclusion

Based on the results of research and discussions that have been carried out on Sharia commercial banks in Indonesia, it can be concluded that the Financing to Deposit Ratio has a significant effect on Financial Performance, Net Operating Margin has a significant effect on Financial Performance, the Curret Ratio does not have a significant effect on the Financial Performance of Sharia commercial banks in Indonesia and Malaysia listed on the Stock Exchange in 2019-2023 with a probability value of 0.9971. And simultaneously Financing to Deposit Ratio, Net Operating Margin and Curret Ratio significantly affect Financial Performance.

The results of this study give the implication that to improve a financial performance in Islamic commercial banks is Financing to Deposit Ratio and Net Operating Margin. This suggests that the bank must have a small liquidity of capital, so the higher the risk because the funds to finance credit the greater the amount that will affect the amount of bank profits.

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