

# The Effect of CAR, FDR, Board of Directors, Board of Commissioners, Sharia Supervisory Board, BOPO, and NPF on Return on Assets in Sharia Rural Bank in Indonesia in The Period 2020-2024

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## ABSTRACT

**Purpose:** This research aims to analyze the effect of Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR), Board of Directors, Board of Commissioners, Sharia Supervisory Board, Operating Costs to Operating Income (BOPO), and Non-Performing Financing (NPF) on Return on Assets (ROA) in Sharia Rural Banks (BPRS) in Indonesia during the 2020-2024 period.

**Design/methodology/approach:** This study employs a quantitative research approach using panel data obtained from 75 Islamic Rural Banks (BPRS) in Indonesia over the period 2020-2024. The data were analyzed using panel data regression with the Fixed Effect Model (FEM).

**Findings:** The results indicate that CAR has a positive and significant effect on ROA. Meanwhile, BOPO, NPF, and the Board of Directors have a negative and significant effect on ROA. In contrast, FDR, the Board of Commissioners, and the Sharia Supervisory Board do not have a significant effect on ROA. Simultaneously, all independent variables significantly influence ROA.

**Theoretical Contribution/Originality:** This research contributes to the literature on Islamic rural banking by integrating financial performance indicators and corporate governance variables within a panel data framework. It provides empirical evidence on how capital structure, liquidity management, operational efficiency, financing quality, and governance mechanisms collectively determine profitability in BPRS, particularly during the post-pandemic recovery period.

**Research limitation and implication:** The limitation of this study lies in its focus on BPRS in Indonesia during the 2020-2024 period, which may limit generalization to other types of Islamic financial institutions. Additionally, the study only examines selected financial and governance variables. Therefore, future research is recommended to include broader macroeconomic variables and longer observation periods. For practical implications, BPRS management should strengthen capital management, improve operational efficiency, control financing risk, and enhance governance effectiveness to improve profitability performance.

**Keywords:** Return on Assets, BPRS, Profitability, Fixed Effect Model

## INTRODUCTION

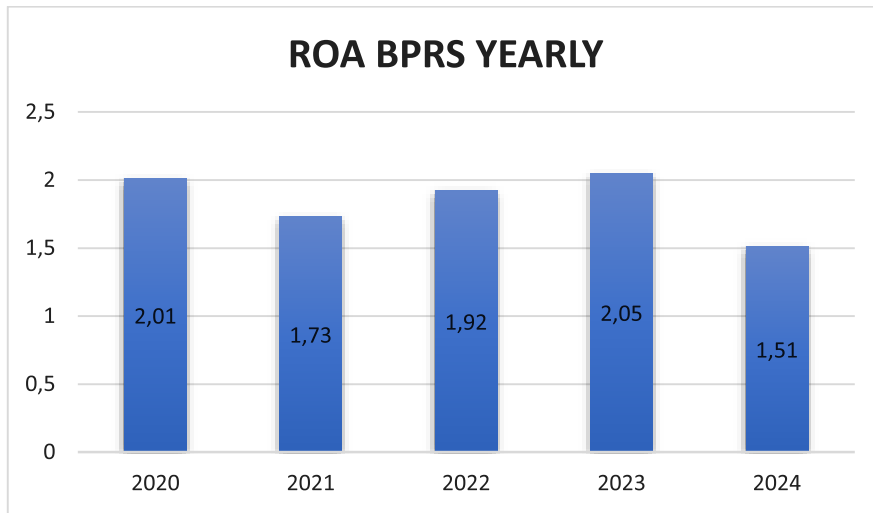
The development of Islamic microfinance institutions in Indonesia has strengthened the national financial system, particularly in supporting micro, small, and medium enterprises. One important institution in this sector is the Islamic Rural Banks (BPRS), which operates based on Islamic principles and focuses on serving local communities (Farkhani dkk., 2024). In the 2020-2024 period, BPRS faced various challenges, including post-pandemic recovery and increasing competition in the financial industry. These conditions highlight the importance of maintaining strong financial performance to ensure sustainability and competitiveness.

Profitability, commonly measured by Return on Assets (ROA), reflects how efficiently a bank manages its assets to generate income. The level of profitability in BPRS can be influenced by financial

factors such as Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR), Non-Performing Financing (NPF), and Operating Expenses to Operating Income (BOPO), as well as governance structures including the Board of Directors, Board of Commissioners, and Sharia Supervisory Board. Therefore, this study examines the effect of these financial and governance variables on ROA of BPRS in Indonesia during the 2020-2024 period to better understand the determinants of their financial performance.

**LITERATURE REVIEW**

Islamic Rural Banks (BPRS) play an important role in supporting Indonesia’s economic growth, particularly in strengthening the development of Micro, Small, and Medium Enterprises (MSMEs). As Islamic financial institutions, BPRS aim to expand access to financing while adhering to sharia principles and meeting community needs. In the Islamic economic perspective, technological advancement in banking should also reinforce sharia principles, especially in supporting sharia-compliant MSME activities (Azhar & Sanjaya, 2025). MSMEs often face difficulties in obtaining financing from conventional banks due to limited collateral and higher business risk. In contrast, BPRS provide more flexible financing schemes based on profit-sharing, murabahah, and ijarah contracts, enabling MSMEs to grow and sustain their businesses (Farkhani et al., 2024).



**Figure 1. ROA BPRS YEARLY**  
 Source : Processed by the  
 Researcher (OJK)

The performance of BPRS in driving economic activity is largely determined by their ability to generate profit, which is commonly measured by Return on Assets (ROA). ROA is a key indicator in evaluating the financial condition of banks because it reflects financial strength, stability, and long-term sustainability (Nugroho dkk., 2024). This ratio shows how efficiently BPRS utilize their assets to generate income; a higher ROA indicates more effective asset and operational management (Nugroho et al., 2024). Based on data published by the Otoritas Jasa Keuangan (OJK), the ROA of BPRS during the 2020-2024

period showed fluctuating trends. In 2020, ROA at 2.01%, then declined to 1.73% in 2021 due to the ongoing impact of the pandemic, which weakened economic activity and the repayment capacity of MSMEs as the primary financing segment. Profitability improved in 2022 to 1.92% and increased further to 2.05% in 2023, supported by relatively stable national economic growth of 5.05%, driven by the manufacturing, trade, and transportation sectors. However, in 2024 ROA sharply decreased to 1.51%, the lowest level during the observation period. This decline was influenced by deteriorating financing quality, reflected in rising Non-Performing Financing (NPF) ratios in several regions that exceeded the regulatory threshold, increased competition from lower-margin government credit programs and fintech companies, as well as the revocation of licenses of several BPRS due to fraud and weak management. These conditions indicate that ROA fluctuations are affected by both internal and external factors.

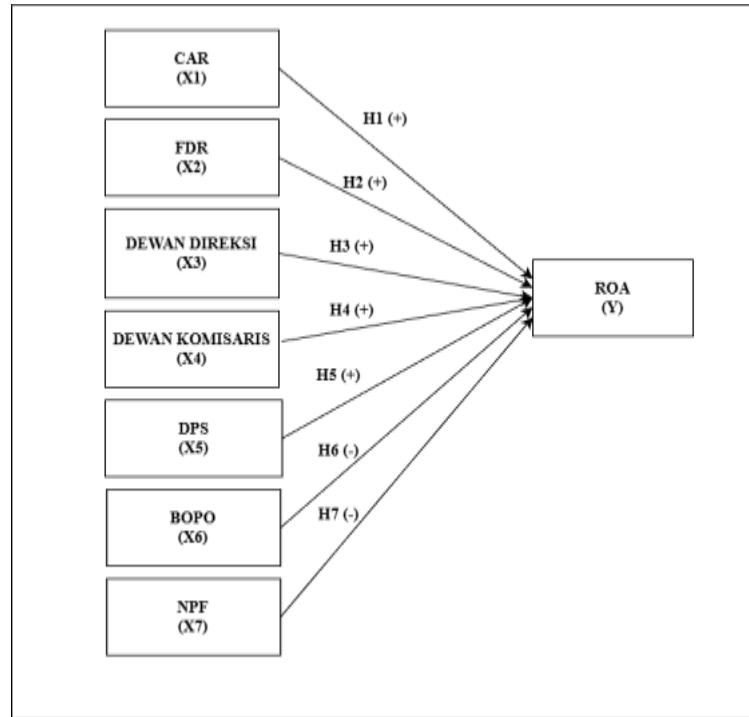
Capital adequacy is one of the fundamental determinants of profitability. Capital Adequacy Ratio (CAR) reflects the bank's capacity to absorb risks arising from operational and financing activities, there by serving as an indicator of financial stability (N. P. S. W. Putri & Dana, 2018). Insufficient Capital Adequacy Ratio may signal weak resilience against financing risk and potentially suppress profitability (Fiscal & Lusiana, 2014). On the other hand, excessively high CAR may indicate underutilized capital, limiting profit optimization. In addition, liquidity management measured by Financing to Deposit Ratio (FDR) reflects the bank's ability to channel third-party funds into productive financing (Mubarokah & Umiyati, 2020). Higher FDR generally indicates more effective fund utilization, which may enhance ROA, although excessively high levels may increase liquidity risk. Operational efficiency, measured by the Operating Expenses to Operating Income ratio (BOPO), also plays a crucial role. A high BOPO indicates inefficiency and weak cost control, which may reduce profitability and increase financing risk (Astuti, 2022). Financing risk itself is reflected in the NPF ratio, which measures problematic financing and indicates the quality of asset management (Nasution & Nasution, 2024; Safira et al., 2024). Rising NPF increases provisioning costs and reduces realized income, ultimately suppressing profitability.

Beyond financial factors, corporate governance mechanisms are also essential in determining the performance of BPRS. The Board of Directors is responsible for managing daily operations and making strategic decisions that affect the bank's direction and sustainability. The Board of Commissioners plays a supervisory role by monitoring managerial policies and ensuring that management actions are aligned with institutional objectives. In addition, the Sharia Supervisory Board ensures that all operational activities comply with Islamic principles, which is a fundamental characteristic of BPRS (Kartika & Azis, 2025). Effective governance enhances transparency, accountability, and organizational discipline, especially since BPRS generally operate with relatively limited capital and more concentrated ownership structures. Therefore, strong oversight and clear role distribution among governance bodies are necessary to minimize conflicts of interest and improve the quality of decision-making.

By integrating financial and governance perspectives, this study aims to provide a more comprehensive understanding of the determinants of profitability in BPRS. Capital strength (CAR), liquidity management (FDR), operational efficiency (BOPO), and financing risk (NPF) represent key financial indicators that directly influence performance, while governance structures shape how effectively these resources are managed. Examining these variables simultaneously allows for a broader analysis of how internal mechanisms contribute to Return on Assets (ROA). The selection of BPRS

across Indonesia during the 2020-2024 period is intended to provide a more representative national overview, considering that each institution operates under different economic conditions, levels of competition, and customer characteristics.

According to the researcher, the following conceptual framework was constructed to describe the research model:



**Figure 2. Research Framework**  
 Source : Processed by the  
 Researcher

1. The Effect of Capital Adequacy Ratio (CAR) on Return on Assets (ROA)

Capital Adequacy Ratio (CAR) reflects a bank’s ability to absorb potential losses arising from financing and operational activities that contain risk. A higher CAR indicates a stronger capital structure, enabling the bank to maintain financial stability and ensure long-term sustainability (Zaelina & Sholekhah, 2025). Adequate capital not only serves as a risk buffer but also provides greater flexibility in conducting intermediation activities prudently (Sari et al., 2021). Strong capitalization allows banks to optimize financing distribution, which may increase income and profitability. Empirical studies by Azizah (2024), Farizi (2024), and Hasan and Reswanty (2021) confirm that CAR has a positive and significant effect on ROA.

H1: Capital Adequacy Ratio has a positive and significant effect on Return on Assets.

2. The Effect of Financing to Deposit Ratio (FDR) on Return on Assets (ROA)

Financing to Deposit Ratio (FDR) measures the proportion of third-party funds channeled into financing. This ratio indicates the effectiveness of Islamic banks in transforming collected funds into productive financing (Al-Banna, 2021). A higher FDR reflects better fund management and greater potential to generate income, which may enhance profitability (Muarief et al., 2024). Subekti and Wardana (2022) state that an increase in FDR demonstrates effective fund allocation and positively impacts ROA. Empirical findings from La Difa et al. (2022) and Yuliana and Listari (2021) also show that FDR has a positive and significant effect on ROA.

H2: Financing to Deposit Ratio has a positive and significant effect on Return on Assets.

3. The Effect of the Board of Director (DD) on Return on Assets (ROA)

The Board of Directors plays a central role in corporate governance and is responsible for managing operational activities and determining company strategy. According to agency theory proposed by Jensen and Meckling (1976), directors act as agents entrusted by shareholders to manage the company efficiently. An effective board structure is expected to minimize agency conflicts and improve financial performance (Darmawan et al., 2024). In this study, the Board of Directors is measured by the number of members reported in the annual reports of BPRS during 2020-2024. A larger board is assumed to enhance managerial supervision and decision-making quality, thereby improving asset management and profitability. Empirical evidence from Rosiana and Mahardhika (2020), Yusrizal et al. (2025), and Aisah and Putra (2025) shows that the Board of Directors has a positive and significant effect on ROA.

H3: The number of Board of Directors members has a positive and significant effect on Return on Assets.

4. The Effect of the Board of Commissioners (DK) on Return on Assets (ROA)

The Board of Commissioners functions as a supervisory body that ensures management operates in accordance with prudential principles, accountability, and transparency (Yunina, 2020). Within the agency theory framework, the Board of Commissioners represents the principal in overseeing management performance and reducing potential conflicts of interest. In this research, the variable is measured by the number of commissioners disclosed in the annual reports of BPRS during 2020-2024. A larger number of commissioners is expected to strengthen oversight and improve strategic evaluation, leading to better financial performance. Empirical studies by Kurniawan and Susan (2020) and Gutawa et al. (2025) confirm that the Board of Commissioners positively affects ROA.

H4: The number of Board of Commissioners members has a positive and significant effect on Return on Assets.

5. The Effect of the Sharia Supervisory Board (DPS) on Return on Assets (ROA)

The Sharia Supervisory Board (SSB) is an independent body responsible for ensuring that all operational activities comply with Islamic principles. Conceptually, the SSB acts as a specialized authority

in fiqh muamalat, overseeing product approval and operational compliance. this study, the SSB variable is measured by the number of its members listed in the annual reports of BPRS during 2020-2024. A greater number of SSB members is expected to strengthen sharia compliance supervision and enhance public trust, which may contribute to improved financial performance. Empirical research by Firlizda et al. (2025) and Sellina et al. (2025) indicates that the number of SSB members significantly influences ROA.

H5: The number of Sharia Supervisory Board members has a positive and significant effect on Return on Assets.

#### 6. The Effect of BOPO on Return on Assets (ROA)

The Operating Expenses to Operating Income ratio (BOPO) measures operational efficiency by comparing operating expenses to operating income. A lower BOPO indicates higher efficiency, as costs are relatively smaller than income generated. Efficient cost management increases net profit and improves asset utilization, thereby enhancing ROA. Conversely, a higher BOPO reflects operational inefficiency that may reduce profitability. Previous studies by Saleh (2021), Anisa and Anwar (2021), and Yuliana and Listari (2021) show that BOPO has a negative and significant effect on ROA.

H6: BOPO has a negative and significant effect on Return on Assets.

#### 7. The Effect of Non-Performing Financing (NPF) on Return on Assets (ROA)

Non-Performing Financing (NPF) represents the level of problematic financing due to customers' inability to fulfill their obligations. A high NPF increases credit risk, reduces income, and requires higher provisioning costs, which may decrease profitability. Although some findings vary, several studies report a significant relationship between NPF and ROA. Saleh (2021) found a positive effect, while Nadratuzzaman Hosen et al. (2021) and Anisa and Anwar (2021) identified a negative effect. Halim and Buana (2021) reported no significant influence. Based on theoretical considerations, higher NPF is generally expected to reduce profitability.

H7: Non-Performing Financing has a negative and significant effect on Return on Assets.

## RESEARCH METHOD

This study adopted a quantitative approach, focusing on collecting numerical data and applying statistical analysis as tools to answer the research questions and test the formulated hypotheses. This study employed a quantitative approach with an associative research design, aiming to test the causal influence of independent variables on the dependent variable through statistical analysis (P. S. W. Putri & Anggara, 2022).

The population consisted of all BPRS operating in Indonesia, while the sample was determined using purposive sampling based on the following criteria: (1) BPRS that consistently published complete annual financial reports during 2020-2024, (2) BPRS with complete data on CAR, FDR, Board of Directors, Board of Commissioners, Sharia Supervisory Board, BOPO, NPF, and ROA, (3) BPRS that were not in merger or liquidation status during the observation period. Based on these criteria, 75 BPRS

were selected as the research sample. The following are the Islamic Rural Banks that meet the criteria and are included in the sample:

**Table 1. Research Sample**

No	Islamic Rural Banks
1	BPRS Al Salaam Amal Salman
2	BPRS Baiturridha Pusaka
3	BPRS Amanah Insani
4	BPRS Amanah Ummah
5	BPRS Botani Bina Rahmah
6	BPRS Harta Insan Karimah Insan Cita
7	BPRS Gaido Indonesia
8	BPRS PNM Mentari
9	BPRS Amanah Rabbaniah
10	BPRS Al Ihsan
11	BPRS Harta Insan Karimah Parahyangan
12	BPRS Almadinah Tasikmalaya Perseroda
13	BPRS Alhijrah Amanah
14	BPRS Al Salaam Amal Salman
15	BPRS Riyal Irsyadi
16	BPRS Harta Insan Karimah Cibitung
17	BPRS Artha Madani
18	BPRS Wakalumi
19	BPRS Muamalah Cilegon
20	BPRS Harta Insan Karim
21	BPRS Bangun Drajat Warga
22	BPRS Mitra Amal Mulia
23	BPRS Danagung Syariah
24	BPRS HIKMC Indonesia
25	BPRS Formes Sleman
26	BPRS Cahaya Hidup
27	BPRS Dana Hidayatullah
28	BPRS Mitra Harmoni Yogyakarta
29	BPRS Unisia Insan Indonesia
30	BPRS Artha Amanah Ummat
31	BPRS Asad Alif

32	BPRS Artha Mas Abadi
33	BPRS Suriyah
34	Bumi Artha Sampang
35	BPRS Meru Nusantara Mandiri
36	BPRS Ikhsanul Amal
37	BPRS Almabrur Klaten
38	BPRS Kuwera
39	BPRS Artha Surya Barokah
40	BPRS Mitra Harmoni Kota Semarang
41	BPRS Hikmah Bahari
42	BPRS Dana Amanah Surakarta
43	BPRS Amanah Sejahtera
44	BPRS Baktimakmur Indah
45	BPRS Annisa Mukti
46	BPRS Tebuireng
47	BPRS Sampang Perseroda
48	BPRS Bhakti Sumekar Perseroda
49	BPRS Bumi Rinjani Kepanjen
50	BPRS Tanmiya Artha
51	BPRS Muamalat Harkat
52	BPRS Baiturrahman
53	BPRS Hikmah Wakilah
54	BPRS Taman Indah Darussalam
55	BPRS Rahmah Hijrah Agung
56	BPRS Adeco
57	BPRS Serambi Mekah
58	BPRS Carana Kiat Andalas
59	BPRS Ampek Angkek Candung
60	BPRS Haji Miskin
61	BPRS Mentari Pasaman Saiyo
62	BPRS Gajahtongga KotoPiliang
63	BPRS Barakah Nawaitul Ikhlas
64	BPRS Al Makmur
65	BPRS Berkah Dana Fadhlillah -Perseroda
66	BPRS Hasanah

67	BPRS Al Falah
68	BPRS Vitka Central
69	BPRS Kotabumi -Perseroda
70	BPRS Rajasa Lampung Tengah -Perseroda
71	BPRS Lampung Timur -Perseroda
72	BPRS Mitra Agro Usaha
73	BPRS Barkah Gemadana
74	BPRS Bahari Berkesan
75	BPRS Bobato Lestari

Source: Processed by the Researcher

The data used in this study is secondary data, consisting of the annual financial reports of BPRS in Indonesia for the 2020-2024 period. Data were obtained from publications of the Otoritas Jasa keuangan (OJK) and the official websites of each BPRS. The dependent variable in this study is Return on Assets (ROA), which is used as an indicator of profitability and reflects a bank's ability to generate income from its total assets.

The independent variables consist of financial and governance indicators. Financial variables include the Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR), Non-Performing Financing (NPF), and Operating Expenses to Operating Income (BOPO). Furthermore, governance variables include the Board of Directors, Board of Commissioners, and Sharia Supervisory Board. The operational definitions and measurements of all variables used in this study are presented in the following table.

Table 2. Table of Operational Definition of Variables

Variable	Measurement	Scale
Dependent Variable		
Return On Assets (ROA)	$ROA = \frac{Net\ Income}{Total\ Assets} \times 100\%$	Ratio
Independent Variables		
Capital Adequacy Ratio (CAR)	$CAR = \frac{Capital}{ATMR} \times 100\%$	Ratio
Financing to Deposit Ratio (FDR)	$FDR = \frac{Total\ Financing}{Total\ Third - Party\ Funds} \times 100$	Ratio
Board of Directors (BD)	Number of Members of the Board of Directors	count
Board of Commissioners (BC)	Number of Members Board of Commissioners	count

Sharia Supervisory Board (SSB)	Number of Members of the Sharia Supervisory Board	count
Operating Expenses to Operating Income (BOPO)	$BOPO = \frac{\text{Operating Expenses}}{\text{Operating Income}} \times 100\%$	Ratio
Non Performing Financing (NPF)	$NPF = \frac{\text{Total NPF}}{\text{Total Financing Distribute}} \times 100\%$	Ratio

Source: Processed by the Researcher

## RESULTS AND DISCUSSIONS

### Selection of the Appropriate Panel Data Regression Model

#### a. Uji Chow

Table 3. Results of Regression Analysis

Nilai Prob	Results
0.0000(< 0.05)	FEM

Source: Output Stata

Based on the test results above, the probability value is  $0.000 < 0.05$ , indicating that the Fixed Effects Model (FEM) is selected. Because the probability value is smaller than the 5 percent significance level, the null hypothesis is rejected, meaning there are significant individual effects across all sections. Therefore, the Fixed Effects Model (FEM) is more appropriate to use in this study than the Common Effects Model (CEM).

#### b. Uji Hausman

Table 4. Results of Regression Analysis

Nilai Prob	Results
0.0033(< 0.05)	FEM

Source: Output Stata

Based on the Hausman test results, the probability value is  $0.0033 < 0.05$ , indicating that the null hypothesis is rejected. This indicates a significant difference between the Fixed Effects Model (FEM) and the Random Effects Model (REM). Therefore, the Fixed Effects Model (FEM) is more appropriate for this study.

### Classical Assumption Test

#### a. Uji Multikolinieritas

**Table 5. Results of Multicollinearity Test**

Variabel	VIF
CAR	1.05
FDR	1.05
BD	1.30
BC	1.26
SSB	1.04
BOPO	1.15
NPF	1.15
Mean VIF	1.14

Based on the test results presented in the table, all variables in the Islamic Rural Banks (BPRS) have VIF values below 10. Thus, it can be concluded that this research model does not experience multicollinearity problems, so that the data used is suitable and reliable for further analysis.

**b. Uji Heteroskedastisitas**

**Table 6. Results of Heteroskedastisitas Analysis**

Nilai Prob	Results
0.0000(< 0.05)	there is heteroscedasticity

Source: Output Stata

The results of a series of tests to determine the panel data regression model indicate that the most appropriate method for the entire sample of Islamic Rural Banks (BPRS) is the Fixed Effects Model (FEM). Furthermore, the results of the classical assumption test indicate heteroscedasticity, as indicated by a test probability value below 0.05. To address this issue and maintain consistent parameter estimates, the regression analysis was then adjusted using the Robust Standard Error method.

**c. Uji Robust Standar Error**

**Table 7. Results of Robust Standar Error Analysis**

Variabel	Koefisien	Std.Error	<i>t-statistik</i>	Signifikan
CAR	.0105503	.0040819	2.58	0.010
FDR	.0022421	.0025982	0.86	0.389
BD	-.3989288	.1391024	-2.87	0.004

<b>BC</b>	.0739893	.1504566	0.49	0.623
<b>SSB</b>	-.1916957	.125113	-1.53	0.126
<b>BOPO</b>	-.0912118	.0060221	-15.15	0.000
<b>NPF</b>	-.0440755	.014795	-2,98	0.003

Source: Output Stata

### Hypothesis Testing

#### a. Uji Simultan (Uji F)

Table 8. Results of F-Test

<b>F-statistic / F-hitung</b>	<b>58,88</b>
<b>Prob &gt; (F- statistic)</b>	0.0000

Source: Output Stata

The results of simultaneous testing show that the F statistic value Islamic Rural Banks is 58.58 with a probability value of Prob > F of 0.0000. This probability value is below the 5 percent significance level, so the results of the analysis indicate that all independent variables in the model have a significant effect together on Return on Assets (ROA).

#### b. Koefisien Determinasi

Table 9. Coefficient of Determination (R<sup>2</sup>) Results

<b>R-Square</b>	<b>0.6775</b>
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Source: Output Stata

The R<sup>2</sup> value of 0.6775 indicates that CAR, FDR, GCG (including the Board of Directors, Board of Commissioners, and Sharia Supervisory Board), BOPO, and NPF together explain 67.75% of the variation in ROA, while the remaining 32.25% is influenced by other factors outside the research model.

#### c. Uji Parsial (Uji t)

Table 10. Results of t-Tests

<b>Variabel</b>	<b>z-statistik</b>	<b>Probabilitas</b>
<b>CAR</b>	2.58	0.010
<b>FDR</b>	0.86	0.389
<b>BD</b>	-2.87	0.004
<b>BC</b>	0.49	0.623

<b>SSB</b>	-1.53	0.126
<b>BOPO</b>	-15.15	0.000
<b>NPF</b>	-2,98	0.003

Source: Output Stata

The partial influence of the independent variable on the dependent variable is as follows:

- 1) The t-test value for the CAR variable is 2.58, which is greater than the t-table value of 1.96 and has a significance value of  $0.010 < 0.05$ . This indicates that the CAR variable has a positive and significant effect on ROA.
- 2) The t-test value for the FDR variable is 0.86, which is less than the t-table value of 1.96 and has a significance value of  $0.389 > 0.05$ . Thus, it can be concluded that the FDR variable does not have a significant effect on ROA.
- 3) The t-test result for the BD variable shows a value of -2.87, which is absolutely greater than the t-table value of 1.96 and has a significance value of  $0.004 < 0.05$ . This indicates that the BD variable has a significant negative effect on ROA.
- 4) The t-test result for the BC variable shows a value of 0.49, which is smaller than the t-table value of 1.96 and has a significance value of  $0.623 > 0.05$ . This indicates that the BC variable does not significantly influence ROA.
- 5) The t-test result for the SSB variable shows a value of -1.53, which is smaller than the t-table value of 1.96 and has a significance value of  $0.126 > 0.05$ . This indicates that the SSB variable does not significantly influence ROA.
- 6) The t-test result for the BOPO variable is -15.15, which is greater than the t-table value of 1.96 and has a significance value of  $0.000 < 0.05$ . Therefore, it can be concluded that the BOPO variable has a negative and significant influence on ROA.
- 7) The t-test value for the NPF variable is -2.98, which is greater than the t-table value of 1.96, with a significance level of  $0.003 < 0.05$ . Therefore, it can be concluded that the NPF variable has a negative and significant influence on ROA.

## DISCUSSION

### 1. The Influence of Capital Adequacy Ratio (CAR) on ROA at Islamic Rural Banks (BPRS)

Based on the test results, the Capital Adequacy Ratio (CAR) has a positive and significant effect on the Return on Assets (ROA) of Islamic rural banks (BPRS) in Indonesia, as indicated by a probability value of 0.010, which is lower than the 5 percent significance level. This result is consistent with the pecking order theory, which explains that companies with higher profitability are generally supported by strong internal capital. Furthermore, this finding aligns with previous research by Farizi (2024), Hasan et al. (2021), Saleh (2021), and Yuliana (2021), which also found that CAR has a positive and significant effect on profitability in Islamic banking.

### 2. The Influence of Financing to Deposit Ratio (FDR) on ROA at Islamic Rural Banks (BPRS)

The partial t-test results show that the Financing to Deposit Ratio (FDR) has a t-value of 0.86, which is lower than the t-table value of 1.96, with a significance value of 0.389, which exceeds the 0.05 threshold. This indicates that FDR does not have a significant effect on Return on Assets (ROA), meaning the proposed hypothesis cannot be accepted. This finding indicates that changes in the proportion of distributed financing relative to third-party funds are insufficient to explain variations in bank profitability as measured by ROA. These results are consistent with previous research by Ichsana (2021) and Azizah (2024), which also found that FDR has no significant effect on ROA in BPRS.

### 3. **The Influence of Board of Directors (BD) on ROA at Islamic Rural Banks (BPRS)**

Based on the test results, it can be concluded that the Board of Directors has a negative and significant influence on the Return on Assets (ROA) of Islamic rural banks (BPRS) in Indonesia. This is evidenced by the t-statistic value of -2.87, which is greater in absolute value than the t-table value of 1.96, and the probability value of 0.004, which is below the 5 percent significance level ( $\alpha = 0.05$ ), indicating that the alternative hypothesis is accepted. This finding indicates that an increase in the number of Board of Directors members is associated with a decrease in ROA. This result is consistent with previous studies, such as Pratama et al. (2025), who found a negative and significant influence of the Board of Directors on profitability (ROA) with a significance value of 0.0018 ( $<0.05$ ), and Kartika and Azis (2025), who reported a similar negative and significant impact on the financial performance of Islamic banks in Indonesia during the period 2021–2023.

### 4. **The Influence of Board of Commissioners (BC) on ROA at Islamic Rural Banks (BPRS)**

Based on the test results, the Board of Commissioners variable shows a t-statistic of 0.49, which is lower than the t-table value of 1.96, and a significance level of 0.623  $> 0.05$ , indicating that this variable does not have a significant effect on Return on Assets (ROA). Therefore, the hypothesis stating that the Board of Commissioners influences ROA is rejected. This finding is consistent with previous empirical studies, such as Hasim et al. (2025), who also found no significant effect of the Board of Commissioners on profitability (ROA), and Hartati (2020), whose research results also showed that the Board of Commissioners does not significantly influence bank profitability.

### 5. **The Influence of Sharia Supervisory Board (SSB) on ROA at Islamic Rural Banks (BPRS)**

Based on the test results, it can be concluded that the Sharia Supervisory Board (BSB) does not significantly influence the Return on Assets (ROA) of Islamic rural banks (BPRS) in Indonesia. This is indicated by a t-statistic value of -1.53, which is lower than the t-table value of 1.96, and a significance value of 0.126, which is higher than the 5% significance level ( $\alpha = 0.05$ ); therefore, the alternative hypothesis is rejected. This finding indicates that the number of BSB members does not affect a bank's ability to generate profits as measured by ROA. This result is consistent with previous studies, such as Pangestu and Santoso (2021), which reported a significance value of 0.118, and Gutawa et al. (2025), both of which found that the BSB did not significantly influence financial performance.

#### 6. **The Influence of BOPO on ROA at Islamic Rural Banks (BPRS)**

The test results show that BOPO has a t-value of -15.15, which absolutely exceeds the t-table value of 1.96, with a significance level of 0.000 ( $<0.05$ ). This indicates that BOPO has a negative and significant effect on Return on Assets (ROA). Research by Destiani et al. (2023) found that BOPO had a negative and significant effect on ROA with a significance level of 0.0000, while Amalia (2022) also reported a negative and significant impact of BOPO on the profitability of Bank Bukopin Syariah during 2013–2020. Similarly, Nurmasari (2022) concluded that BOPO had a negative and significant effect on the profitability of BPRS.

#### 7. **The Influence of NPF on ROA at Islamic Rural Banks (BPRS)**

Based on the analysis, Non-Performing Financing (NPF) has a significant negative effect on Return on Assets (ROA) in Indonesian Islamic Rural Banks (BPRS), as indicated by a probability value of 0.003, which is below the 0.05 significance level. This finding implies that an increase in NPF leads to a decrease in ROA, meaning that higher non-performing financing directly reduces bank profitability. This result is consistent with previous research by Safira (2024), Azizah (2024), and Mahfudz (2021), which also found that NPF has a negative and significant effect on ROA, confirming that NPF is a key determinant of financial performance in Islamic banking, particularly in reflecting the effectiveness of productive asset management to generate profits.

### **CONCLUSION AND RECOMMENDATION**

In conclusion, Return on Assets (ROA) serves as a key indicator of profitability in rural Islamic banks, reflecting the ability of Indonesian Islamic rural banks (BPRS) to effectively manage their assets to generate profits during the 2020-2024 period. Using panel data regression with the Fixed Effects Model (FEM), selected through the Chow and Hausman test and estimated with Robust Standard Errors, this study found that the Capital Adequacy Ratio (CAR) has a positive and significant effect on ROA, while the Operating Expenses to Operating Income Ratio (BOPO), Non-Performing Financing (NPF), and the Board of Directors have a negative and significant effect. Meanwhile, the Financing to Deposits Ratio (FDR), the Board of Commissioners, and the Sharia Supervisory Board do not show a significant partial effect on ROA. Although not all variables are individually significant, the simultaneous test confirms that financial and governance factors collectively play an important role in determining BPRS profitability.

Based on the limitations of this study, several recommendations are proposed for further research. First, because this study only focused on Islamic People's Banks (BPRS) in Indonesia, further research is recommended to include Islamic commercial banks or other financial institutions to obtain broader and more generalizable findings. Second, the study period is limited to 2020–2024, so future research should consider a longer observation period to better capture long-term conditions and performance dynamics across various economic cycles. Third, this study only examined internal bank factors such as CAR, FDR, Board of Directors, Board of Commissioners, Sharia Supervisory Board, BOPO, and NPF. Therefore, future research is recommended to incorporate external variables, including macroeconomic conditions, regulatory changes, and industry competition, to provide a more comprehensive analysis of the determinants of bank performance.

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