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Financial Performance of Islamic Banks: A Comparison Malaysia, Saudi Arabia, and Indonesia

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ABSTRACT

Introduction: This study aims to compare the financial performance of Islamic banks in the top three countries according to the Global Islamic Economic Indicator (GIEI), namely Malaysia, Saudi Arabia, and Indonesia. This study employs a quantitative approach using the CAMEL framework, this study improves bank performance in terms of capital adequacy ratio (CAR), profitability (Return on Assets/ROA), and asset quality (Non-Performing Financing/NPF). The results showed that Bank Muamalat Indonesia has the highest CAR ratio, reflecting good capitalization capabilities. Meanwhile, Al-Rajhi Bank from Saudi Arabia showed the best performance in terms of profitability with an excellent ROA. Maybank Islamic Berhad from Malaysia, despite its consistent performance, shows a higher NPF value, signaling greater risk in financing. This research provides valuable insights for the development of Islamic banking in developing countries. In addition, the study also identifies various challenges and opportunities that each bank faces in an effort to improve their financial performance.

Kata Kunci: Perbankan Syariah, Kinerja Keuangan, CAR, ROA, NPF

ABSTRAK

Pendahuluan: Penelitian ini bertujuan untuk membandingkan kinerja keuangan bank syariah di tiga negara teratas menurut Global Islamic Economic Indicator (GIEI), yaitu Malaysia, Arab Saudi, dan Indonesia. Penelitian ini menggunakan pendekatan kuantitatif dan metode analisis CAMEL, dari segi kecukupan modal (Capital Adequacy Ratio/CAR), profitabilitas (Return on Assets/ROA), dan kualitas aset (Non-Performing Financing/NPF). Hasil penelitian menunjukkan bahwa Bank Muamalat Indonesia memiliki rasio CAR tertinggi, mencerminkan kemampuan permodalan yang baik. Sementara itu, Al-Rajhi Bank dari Arab Saudi menunjukkan kinerja terbaik dalam hal profitabilitas dengan ROA yang sangat baik. Maybank Islamic Berhad dari Malaysia, meskipun memiliki kinerja yang konsisten, menunjukkan nilai NPF yang lebih tinggi, menandakan risiko yang lebih besar dalam pembiayaan. Penelitian ini memberikan pemahaman yang signifikan bagi pengembangan

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perbankan syariah di negara-negara berkembang, serta mengidentifikasi tantangan dan peluang yang dihadapi masing-masing bank dalam upaya meningkatkan kinerja keuangan mereka.

INTRODUCTION

State Globalization is an unavoidable phenomenon that has changed the structure of the world, especially since the 1990s. This era is characterized by significant acceleration in various sectors, including the economy. Today's economic activities are no longer constrained by geographical, linguistic, cultural, or ideological factors, but rather influenced by interdependence between countries. Rapid advances in information technology have eliminated these boundaries, creating both opportunities and challenges. In this case, the development of Islamic economics, especially in the field of Islamic finance, becomes very relevant and dynamic. The challenges must be met with innovation and cooperation to maximize the potential of the Islamic economy in the midst of globalization. International initiatives and collaboration are also important to promote inclusive and sustainable economic growth in accordance with Islamic values.

In this context, banking has an important role in supporting economic growth, especially in the era of globalization because financial institutions have a close relationship and cannot be separated from the business world (Hakim 2017). Globalization is marked by the unification of countries in the world which causes the opening of international trade and advances in information technology, thus having a significant impact on the national banking sector and economic growth (Carr and Chen 2002). The financial system has a crucial role in the economy, because the success and efficiency of this system will have an impact on economic activity as a whole. In general, the economy will benefit from the existence of banks that operate effectively and efficiently (Mukaromah and Supriono 2020). Banking institutions, having a role as one of the drivers of a country's economy, are business entities that collect funds from the public in the form of deposits and then channel them back to the public in the form of credit or other forms, with the aim of improving people's welfare (Nugrahanti, Tanuatmodjo, and Purnamasari 2018).

The development of Islamic financial institutions at the global level is very fast (Ghozali, Azmi, and Nugroho 2019). This is also conveyed by EY which states that there are nine countries with the largest Islamic banking assets in the world (Ernst & Young Global Limited 2016). The nine countries have a total asset capitalization that reaches 93% of total global assets (Mahdi 2021). Furthermore, data from the Global Islamic Economic Indicator (GIEI) categorizes these countries into a ranking that can be seen in table 1:



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Table 1. Global Islamic Economy Indicator Ranking

No	Country	Skor GIEI
1	Malaysia	193,2
2	Arab Saudi	93,6
3	Indonesia	80,1
4	UAE	79,8
5	Bahrain	75,0
6	Iran	74,6
7	Turki	74,0
8	Singapura	62,7
9	Kuwait	60,2
10	Qatar	57,1

Source: State of the Global Islamic Economy Report 2023

Based on the table above, Indonesia is ranked 3rd in the criteria for global Islamic economic opportunities in the global Islamic economic map according to the Global Islamic Economic Indicator (GIEI). The rank above Indonesia is occupied by Saudi Arabia, while Malaysia is ranked first. This ranking is determined based on several criteria, including Islamic Finance, Halal food, Travel, Modest Fashion, Recreation, Pharma and Cosmetic.

According to data from the Islamic Corporation for the Development of the Private Sector (ICD) in the Islamic Finance Development Indicator (IFDI) Islamic banking in Malaysia is superior to Islamic banking in Indonesia. However, according to (Mohamed and Ahmed 2022) notes that the development of Islamic banking in Indonesia from year to year shows greater growth compared to Malaysia. Based on data from GIEI, Indonesia still lags behind Malaysia and Saudi Arabia in terms of Islamic banking growth rankings. This is a concern, given that Indonesia has the largest Muslim population among Saudi Arabia, and Malaysia, but still lags behind in the Islamic banking growth rankings. Projections from The Future of World Religions & PEW Research Center suggest that by 2050, the number of Muslims in the world will reach 2.7 billion, or 29.7% of the total global population. Interestingly, 12.7% of the total Muslims in the world are Indonesian Muslims, which means that one in ten Muslims in the world comes from Indonesia. This situation creates potential for Indonesia's Islamic finance to excel in the future (Nurdiana 2021).

The performance of the banking industry can be an indicator of a country's economic growth. If the banking industry is in good condition, the country's economic growth is also good. Banking performance can be analyzed through financial reports in the form of reports that reflect the development of banks and the banking industry (Ikatan Akuntan Indonesia 2012). Bank financial performance is an important factor that is considered by various interested parties, such as investors, creditors, customers, employees, government, and the surrounding community. With so many interested parties, the assessment of bank performance is very crucial (Umarani and Muchlish 2016). Meanwhile, (Novianti 2021) states that the financial performance of conventional

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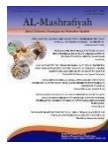
commercial banks is better than that of Islamic commercial banks. This is a challenge for Islamic banks to improve their financial performance in order to attract the attention of stakeholders.

Research on the comparison of bank financial performance between countries has been conducted by several researchers before. As has been done by (Khan, Khan, and Tahir 2017) conducted a study on the comparison between Islamic and conventional banks in Pakistan. Furthermore, (Karini and Filianti 2018) examines the financial performance of Islamic banks in Southeast Asia. (Malik et al. 2020) compared financial performance in ASEAN-5 countries, namely Indonesia, Malaysia, Singapore, Thailand, and the Philippines, and found that financial performance in these countries showed significant differences. Meanwhile, (Mahdi 2021) conducted research on the comparison of financial performance between Indonesia and Malaysia. (Gazi et al. 2022) examined the differences in financial performance between traditional banks and Islamic banks in Bangladesh. Overall, there are variations in research results among these researchers. In general, there are still differences in research results between these researchers. So on the basis of differences in results by several previous researchers in this study the aim is to determine the comparison of Islamic banking performance in the top four countries according to the GIEI indicator, namely Indonesia, Malaysia, and Malaysia. Islamic banking performance in the top four countries according to GIEI indicators, namely Indonesia, Malaysia, Saudi Arabia. The contribution of this research can be used for comparison and improving the performance of Islamic banks in Indonesia, Malaysia, Saudi Arabia and other countries. Therefore, this study aims to compare the performance of Islamic banking in the three best countries according to GIEI indicators, namely Malaysia, Saudi Arabia, and Indonesia. By analyzing in terms of capital adequacy, profitability, asset quality in Islamic banks in each country. The contribution of this research expected to be used as a reference for comparison and improvement of the performance of Islamic banks in Malaysia, Saudi Arabia, and Indonesia.

LITERATURE REVIEW

There According to stakeholder theory, a company must try to improve its reputation among key stakeholders who have the most influence on financial performance growth (Kosasih, Rahman, and Prastiwi 2021). One of the problems in Indonesia is the development of Islamic banks. The growth of Islamic banks in Indonesia is not as fast as conventional banks. The problems faced by Islamic banks can also be seen from the development of figures in it (Cliff and Aba 2022). To improve the efficiency of bank management, banks can publish financial data or other indicators (Susilawati and Dewi 2022).

CAMEL indicators can measure Capital Adequacy, Asset Quality, Management Quality, Earning ability, and Liquidity in general can be used to evaluate the financial performance of banks (Akber and Dey 2020). Research on the evaluation of the performance of Islamic and conventional banks still requires further analysis, because there are inconsistencies in the results of bank performance studies in Indonesia. Some studies show that the financial performance of Islamic banks is better than conventional banks. But on the other hand, other studies show that traditional banks have superior financial performance (Akramunnas and Kara 2019).



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In this study, financial performance is evaluated from various aspects, namely asset quality, liquidity, profitability, and capital adequacy. These aspects were chosen due to their significant relevance to the banking sector. Asset quality and liquidity are risk-related factors that must be considered by banks (Afkar 2017). The capital adequacy aspect is related to the continuity of the banking business (Setiawati, Rois, and Aini 2017). This relates to research (Hilman 2020), (Mahdi 2021), and (Isman, Rusanti, and Makatita 2023) which do not consider both aspects, namely management quality and sensitivity to market risk, because these two aspects are more qualitative and require research in the field. There is a strong relationship between banking and public trust in bank services. If the banking condition is not healthy, then the public loses trust, this will weaken the state of the bank (Silitonga and Manda 2022).

The impact of the customer trust factor is very significant on the development of the banking business. The role of banks is very important in supporting the country's economy, making the analysis of bank financial performance very important to assess the level of seriousness (Komalasari and Wirman 2021).

RESEARCH METHODS

This research uses quantitative research with a comparative approach. Quantitative research is a research method applied to analyze a specific population or sample. Data analysis is quantitative or statistical, with the aim of testing predetermined hypotheses (Sugiyono 2009). The population studied includes Islamic banks in Malaysia, Saudi Arabia and Indonesia in 2021-2023. The sample of this study consists of Islamic banks located in countries that are ranked in the top three in the Global Islamic Economy Indicator (GIEI) 2023. The sample selection method in this study uses purposive sampling, the researcher has made a special assessment to select data sources that meet the following criteria:

1. Islamic banks that are not categorized as conventional banks, whether they are publicly, privately or foreign-owned.
2. Banks with the highest total assets in each country.
3. Banks that provide complete financial reports for 2021-2023.

Table 2. Research Sample

No	Bank Name	Country
1	Bank Muamalat Indonesia (BMI)	Indonesia
2	Maybank Islamic Berhad	Malaysia
3	Al-Rajhi Bank	Saudi Arabia

This study uses the following variables:

1. Risk Profile is measured by the Non Performing Financing (NPF) ratio.
2. Earnings are measured by the Return on Assets (ROA) ratio.
3. Capital is measured by the Capital Adequacy Ratio (CAR).

The data in this study were obtained from secondary sources. Secondary data is data obtained from indirect sources, such as financial reports published on the internet, information from book libraries, and publicly available records. One of the advantages of secondary data is that the time and cost required to collect it is less than that of primary data. The data used is the financial



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statements (annual reports) of each bank. The data analysis techniques used in this study include descriptive statistical tests and One Sample t-test. Data analysis was carried out using SPSS.

RESULT

Descriptive Statistics of CAR

CAR is an indicator that shows the bank's ability to cover the decline in its assets due to losses caused by risky assets. It can be assumed that if a bank's profit increases, the bank's capital will also increase, provided that the profit is reinvested into the bank's capital as retained earnings (Fatimah 2013). Capital Adequacy Ratio (CAR) is a ratio that shows the extent to which all risky bank assets (such as loans, investments, securities, and bills to other banks) are financed by the bank's own capital, apart from funds obtained from external sources, such as public funds, loans, and others (Wardiantika 2014).

Table 3. Descriptive Statistical Results of CAR

	N	Minimum	Maximum	Mean	Std. Deviation
Bank Muamalat Indonesia	3	23.76	32.70	28.6267	4.52249
Maybank Islamic Berhad	3	17.82	20.77	18.8100	1.69744
Al-Rajhi Bank	3	17.60	21.50	20.1667	2.22336
Valid N (listwise)	3				

Source: data processed, 2024

From the results of the data above, it can be seen that the three banks from each country are considered healthy or good based on the standards of the Bank for International Settlements (BIS), with the provision of a minimum CAR ratio of 8%. Of the three banks above, Bank Muamalat Indonesia has the highest average CAR value reaching 28.6% and is categorized as very good because it exceeds 12%. Followed by Al-Rajhi Bank from Saudi Arabia with a CAR of 20.1%, also included in the very good category. Maybank Islamic Berhad from Malaysia with a CAR value of 18.8% is also categorized as very good because it exceeds 12%. These results show that all of these banks pay attention to the capital adequacy aspect in their financial performance, which is measured through the CAR value. This CAR ratio reflects the bank's ability to deal with risks that may arise in the decline of assets, so that customer funds in the bank can be protected and public confidence is increasing (Setyarini, Fasa, and Suharto 2021). Bank Muamalat Indonesia's CAR ratio is higher than banks in Malaysia and Saudi Arabia, this shows that Bank Muamalat Indonesia has an advantage in capital.

Descriptive Statistics of ROA

Table 4. Results of Descriptive Statistics of ROA

	N	Minimum	Maximum	Mean	Std. Deviation
Bank Muamalat Indonesia	3	.02	.09	.0433	.04041
Maybank Islamic Berhad	3	1.37	2.44	1.7567	.59349
Al-Rajhi Bank	3	2.12	2.70	2.4267	.29143
Valid N (listwise)	3				

Source: data processed, 2024



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From the results of the data above, it can be seen that Al-Rajhi Bank from Saudi Arabia and Maybank Islamic Berhad from Malaysia have a very good average ROA, because the ROA value of the two banks exceeds 1.5%. While Bank Muamalat Indonesia is categorized as less good because it has an average ROA between 0%-0.05%. These results indicate that Al-Rajhi Bank of Saudi Arabia has a good ability to generate profits compared to other banks. ROA is an indicator of the bank's ability to generate profits, so that those with high ROA values indicate that Al-Rajhi Bank has a very good ability to generate profits compared to other banks.

NPF Descriptive Statistics

Table 5. Results of NPF Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Bank Muamalat Indonesia	3	.08	.86	.5333	.40513
Maybank Islamic Berhad	3	1.13	1.21	1.1700	.04000
Al-Rajhi Bank	3	.54	.71	.6333	.08622
Valid N (listwise)	3				

Source: data processed, 2024

From the results above, the average NPF value of the three banks above shows in rank 1, namely the NPF value of less than 2%. This shows that the performance of each bank is categorized as very good. Of the three banks, the results of Maybank Islamic Berhad Malaysia have a greater NPF value compared to Bank Muamalat Indonesia and Al-Rajhi Bank Saudi Arabia, so it needs to be careful in providing financing to its customers.

Normality Test

Table 6. Normality Test

One-Sample Kolmogorov-Smirnov Test		CAR	ROA	NPF
N		9	9	9
Normal Parameters ^{a,b}	Mean	22.5344	1.4089	.7789
	Std. Deviation	5.31900	1.11480	.36223
Most Extreme Differences	Absolute	.244	.215	.167
	Positive	.244	.215	.131
	Negative	-.177	-.183	-.167
Test Statistic		.244	.215	.167
Asymp. Sig. (2-tailed)		.131 ^c	.200 ^{c,d}	.200 ^{c,d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: data processed, 2024

Based on the normality test results displayed in the table above, the value obtained is Asymp. Sig. 2 for each CAR, ROA and NPF variable is greater than 0.05. This indicates that all variables are normally distributed, so they can proceed to the independent sample t-test.



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One Sample t Test

Table 7. One Sample t test

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
CAR	9	22.5344	5.31900	1.77300
ROA	9	1.4089	1.11480	.37160
NPF	9	.7789	.36223	.12074

One-Sample Test					
Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference Lower Upper
CAR	12.710	8	.000	22.53444	18.4459 26.6230
ROA	3.791	8	.005	1.40889	.5520 2.2658
NPF	6.451	8	.000	.77889	.5005 1.0573

Source: data processed, 2024

Based on the results of the table above, it can be seen that the CAR variable has a sig. 2 of $0.000 < 0.05$, which means there is a significant difference between all banks in Malaysia, Saudi Arabia, and Indonesia. This finding supports research conducted by Karina (2018) which found differences in financial performance seen from the CAR perspective.

The sig value. 2 obtained in the ROA variable is 0.005. This shows a value of $0.000 < 0.05$, which means that each bank in Malaysia, Saudi Arabia, and Indonesia has a significantly different ROA ratio. The findings of this study contradict the statement of Lizein (2020) which states that there is no difference in ROA in the health level of banks between Bank Syariah Mandiri and CIMB Islamic Berhad.

The value of sig. 2 variable NPF of $0.000 < 0.05$, this indicates that there is a significant difference in the NPF ratio between banks in Malaysia, Saudi Arabia, and Indonesia. This finding is in line with research conducted by Karina (2018) which also found differences in financial performance in terms of NPF.

The difference in financial performance measured through CAR, ROA, and NPF ratios between Islamic banks in Malaysia, Saudi Arabia, and Indonesia shows that each bank has its own weaknesses and strengths. Islamic banks in Malaysia, namely Maybank Islamic Berhad, appear to be superior compared to other countries, this bank also shows consistent and stable performance, this supports the position of Maybank Islamic Berhad Malaysia as the first rank in the Global Islamic Economy.



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DISCUSSION

Measurement of the financial performance of Islamic banks is carried out using CAMEL method, which was later developed by involving the element of risk (Suyono 2005). Performance measurement can be done by observing the results that have been achieved by the bank in accordance by the bank in accordance with the standards set by Bank Indonesia, or based on the average calculation. The results of the average calculation. Some financial ratios that can be used to measuring performance include: Profitability, Earning Assets, Liquidity, Business Risk and Efficiency (Siamat 1996). Financial benchmarks are also called financial ratios (financial ratios) can be used to determine the success or failure of the bank's banking performance in achieving comprehensive business performance (Sutojo 2004). In this study using several financial ratios, namely:

Capital Adequacy Ratio (CAR)

CAR is measured by comparing the ratio between own capital and Risk Weighted Assets (RWA) (Laurence 2002). Capital is one of the indicators of financial performance and the level of banking health, both conventional and sharia. Given the important role of capital, besides being used for expansion purposes, capital also serves as a "buffer" to accommodate losses from business activities (Mahardian 2008). One of the measurement tools to analyze banking capital is solvency, also known as capital adequacy analysis.

This ratio is used to assess how much capital the bank has to run its operations adequately. Adequate capital indicates the bank's ability to deal with the risk of losses that may occur. This ratio can also show the wealth of the bank which reflects the wealth of the shareholders, both in large and small amounts. Teguh Pujo Mulyono (in Wisnu Mawardi) states that to assess the ability of bank capital, several ratios can be used including primary ratio, capital ratio, and capital adequacy ratio (Mawardi 2004).

The capital adequacy ratio also serves to cover the risk of loss from the activities carried out and can assess the bank's ability to finance its operational activities (Idroes 2011). Banks with adequate capital tend to have higher profitability. This means that the greater the capital invested in the bank, the higher the level of profitability that can be achieved (Hayat 2008).

Profitability Ratio (ROA)

Profitability is the ability of a company to generate profit (profit) in a certain period. Profit is income earned after reducing production costs. The profit results obtained reflect the company's performance in carrying out its business activities. In addition, profitability can also be used to evaluate the efficiency of company management, because efficiency can be measured by comparing the profit generated with the assets used to generate that profit (Muhaemin and Wiliasih 2016).

Bank profitability should be kept stable and, if possible, increased. To measure the profitability of a bank, Return on Asset (ROA) is used. Return on Asset is a measure of the bank's ability to generate profits from the total assets used. ROA is used to assess the effectiveness of banks in generating profits by utilizing their total assets (Cristina and Artini 2018). Return on Asset (ROA) is an indicator to assess the financial performance of banks because ROA is used to measure how effective the company is in generating profits by utilizing its assets. Return on Asset



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(ROA) is a ratio that measures profit before tax against total assets (Isman 2024). The higher the ROA value, the better the financial performance shown, because it shows a greater rate of return. If ROA has increased, this indicates that the company's profitability has also increased, which in turn has an impact on increasing the profits received by shareholders. The profitability ratio serves as a tool to measure the bank's ability to generate net income from operational activities over a certain period, for example one year. From this ratio, bank profitability can be identified (Meythi 2005). It can be concluded that Return on Asset (ROA) reflects the company's ability to generate profits. ROA shows how efficient the company is in managing all its assets to generate revenue.

Among various types of financial ratios, profitability is the most relevant indicator to assess the performance of a bank. The ratio in question is Return on Asset (ROA), because ROA suppresses the company's ability to generate income by utilizing all the assets it manages. Therefore, ROA is used as a measure of banking performance. In addition, ROA also reflects the ability of bank management to manage assets effectively (Sutojo 2004). Thus, the higher the ROA ratio, the better or healthier the bank's performance. An increase in ROA indicates an increase in the profitability of the company, which will have a positive impact on stakeholders, including shareholders.

Productive Asset Quality Ratio (NPL/NPF)

Businesses in various fields, including banking, basically always face risks. Generally, these risks are calculated with a quantitative approach. According to Bank Indonesia Regulation number 5 of 2003, one of the risks faced by banks is credit risk, which is often referred to as Non Performing Loan (NPL). This risk arises from the failure of the party trying to fulfill its obligations. NPL can also be defined as a loan that has difficulty in repayment, which is often known as bad credit in banks (Riyadi 2006).

This situation can occur because the core of business banking is to provide loans, which are at risk of failure from customers in making repayments. This repayment failure can be caused by external factors that cannot be predicted and controlled, but can also arise from deliberate actions by the customers themselves. The inability of the customer to fulfill their obligations to the bank results in a loss for the bank, as previously expected revenue cannot be received. Therefore, credit management is very important for companies that operate in lending, because the greater the amount of credit, the greater the risk (Bank Indonesia Regulation, 2003). Therefore, it is important to anticipate possible risks that may arise in running a business. Management needs to minimize the risks that may occur in the management of production factors, sources of funds, and other resources.

Risk measurement is closely related to return measurement, as banks face risks that may arise in an effort to obtain certain returns. Thus, the higher the level of NPLs, the more it shows that the bank is less professional in managing its credit, which can result in credit congestion and ultimately result in losses for the bank (Rahim and Yuma 2003). The NPF/NPL ratio reflects the ability of bank management to manage non-performing loans. Therefore, the higher this ratio, the worse the credit quality of the bank, which results in the number of non-performing loans increasing, so the possibility of the bank being in a problematic condition is also greater. In this



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context, loans are loans granted to third parties, excluding loans granted to other banks. Non performing loans are loans that have substandard, doubtful, and loss qualities. It also illustrates the relationship between non-performing financing and total financing, and reflects the level of non-performing financing in Islamic banks.

CONCLUSION

Each Islamic bank in Malaysia, Saudi Arabia, and Indonesia has its own advantages and disadvantages. From the results obtained, Bank Muamalat Indonesia has a higher CAR ratio than Maybank Islamic Berhad Malaysia and Al-Rajhi Bank Saudi Arabia. The high CAR reflects the bank's ability to bear the risks that may arise and shows its ability to anticipate asset decline, so that customer funds are protected and public confidence increases. In addition, a high CAR, which indicates adequate capitalization, can increase assets and expand financing with a low level of risk. All this will have a positive impact on bank profitability (ROA). This shows that Bank Muamalat Indonesia has an advantage in capital

While Al-Rajhi Bank has an advantage in the ROA ratio is an indicator of the bank's ability to generate profits, so this bank has a very good ability to generate profits compared to other banks. Banks can effectively utilize their assets to generate as much profit as possible. The profit earned is then stored in the retained earnings account. This retained earnings will then be used to increase the capital owned by banks.

Maybank Islamic Berhad has very good and consistent scores in all aspects of the ratio, but has a larger NPF value compared to other banks. Banks tend to provide high financing, even though debtors are unable to fulfill their obligations. The lack of selectivity of Islamic commercial banks in providing financing to customers is one of the main factors. As a result, the Non-Performing Financing (NPF) ratio in banks is high. If a bank has a high NPF ratio, then the bank will reserve its capital to cover problematic financing. Thus, the higher the NPF ratio, the greater the bank's anticipation of the problem by having a high Capital Adequacy Ratio (CAR) ratio.

There are limitations in this study, namely the use of ratios that are not too many and only involve 3 banks, namely one bank from each country. Suggestions for future researchers are to increase the variety of ratios used and the number of bank samples studied.

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