

THE INFLUENCE OF BOPO, DPK, MUDHARABAH FINANCING ON FINANCIAL PERFORMANCE WITH CAPITAL STRUCTURE AS AN INTERVENING VARIABLE

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Abstract: *This study examines the effect of BOPO, DPK, and mudharabah financing on the financial performance of Islamic banking institutions by considering capital structure as a mediating factor. These institutions have obtained official registration from the financial service authority. This quantitative research uses the annual financial report for 2015-2020. The sample of this study consists of 5 Islamic commercial banks that are officially registered with the financial services authority. These companies were selected using purposive sampling. This study analyzes data using path analysis. The research evidence shows that BOPO, DPK, capital structure affect financial performance, but mudharabah financing does not affect financial performance. BOPO and mudharabah financing affect capital structure, but DPK does not affect capital structure. Capital structure is less able to mediate the effect of BOPO and mudharabah financing on financial performance, but capital structure is able to mediate the effect of DPK on financial performance.*

Keywords: *BOPO, DPK, Mudharabah Financing, Capital Structure, Financial Performance*

Abstrak: Tujuan penelitian ini yaitu untuk menguji pengaruh pembiayaan BOPO, DPK, dan mudharabah terhadap kinerja keuangan lembaga perbankan syariah, dengan mempertimbangkan struktur modal sebagai faktor mediasi. Lembaga-lembaga tersebut telah memperoleh registrasi resmi dari Otoritas Jasa Keuangan. Penelitian kuantitatif ini menggunakan laporan keuangan tahunan tahun 2015-2020. Sampel penelitian ini terdiri dari 5 bank umum syariah yang terdaftar resmi di Otoritas Jasa Keuangan. Perusahaan-perusahaan ini dipilih menggunakan purposive sampling. Penelitian ini menganalisis data dengan menggunakan analisis jalur. Bukti penelitian menunjukkan bahwa BOPO, DPK, struktur modal mempengaruhi kinerja keuangan, namun pembiayaan mudharabah tidak mempengaruhi kinerja keuangan. BOPO dan pembiayaan mudharabah mempengaruhi struktur modal, namun DPK tidak mempengaruhi struktur modal. Struktur modal kurang mampu memediasi pengaruh BOPO dan pembiayaan mudharabah terhadap kinerja keuangan, namun struktur modal mampu memediasi pengaruh DPK terhadap kinerja keuangan.

Kata Kunci: BOPO, DPK, Pembiayaan Mudharabah, Struktur Modal, Kinerja Keuangan

INTRODUCTION

The banking industry is currently experiencing rapid and significant progress. As a country's banking sector can be seen as an indicator of national development,

banks are often seen as the backbone of a country's economy, and citizens and governments are making greater demands on banks. The more developed a country's banking sector is, the more intense the competition between banks. Therefore, each bank must diligently increase its capital using existing resources. Elements such as capital, management, and technology must be optimized to achieve maximum efficiency and effectiveness in order to face competition effectively. In addition, each bank must improve its quality, quantity, and productivity in order to increase sales and generate more operating profit. This operating profit will be one of the factors that allow bank capital to be increased (Ferly et al., 2023).

Islamic banks are financial entities that adhere to and harmonize their operational activities with the principles outlined in the Quran and Hadith, without any contradictions. In essence, Islamic banks are financial institutions that collect and distribute cash in accordance with **Sharia** rules, with the aim of providing and receiving benefits through profit sharing (Hutagalung, 2022). Financial performance is a crucial criterion for customers or investors when partnering with a business entity or bank. The ability of a bank to carry out financial activities is needed to achieve the goals and profits desired by the bank.

Bank Panin Dubai Syariah's financial performance has ups and downs in terms of efficiency indicators with the BOPO ratio. With the BOPO ratio increasing in the third quarter of 2020 by 78,26% from 72,83% (yoy), this shows that when the BOPO ratio increases, a larger percentage of revenue must be charged to operating expenses. Meanwhile, return on assets (ROA) decreased by 17 basis points (bps) from 2,03% to 1,86%. Bank Panin Dubai Syariah's deposits grew from IDR 10,88 trillion in Q3 2022 to IDR 12,13 trillion in Q3 2023 (Bisnis.com, 2023). Based on OJK Islamic banking data, Bank Panin Dubai Syariah's BOPO experienced a significant growth of 217,40% in 2017 compared to the previous year of 96,17%. In 2017, there was a deficit of IDR 968 billion. The amount of the loss was inversely proportional to the net profit of IDR 20 billion recorded in 2016. As a result, Bank Panin Dubai Syariah's net profit continued to decline until 2020 and again experienced a loss of IDR 818 billion in 2021. Meanwhile, DPK experienced a loss of IDR 6,9 trillion in 2018, up from IDR 7,5 trillion, and fell again by IDR 7,9 trillion in 2020. The amount in the previous year was IDR 8,7 trillion (Otoritas Jasa Keuangan, 2021). In terms of financing, it has consistently experienced growth every year. Financing in the first quarter of 2022 amounted to IDR 8,58 trillion, an increase from IDR 8,38 trillion (Republika ekonomi, 2022).

Interested parties should take note of the various problems that plague and affect the development of Islamic banking in Indonesia. These problems include undercapitalization, small size, and low efficiency. Limited capital is a major factor in the slow growth of Islamic banking assets. Currently, out of 13 Islamic commercial banks, seven of them have a core capital of less than IDR 3 trillion and only two have a core capital of more than IDR 5 trillion. As a result, Islamic banking has less freedom to open new branches, develop infrastructure, and expand the service segment. In addition, the high cost of funds is an obstacle in the financing sector. The limited capital and less efficient funding structure of Islamic banking compared to conventional commercial banks's, makes the Islamic banking business model more

focused on the retail sector, such as SMEs and consumers, and less varied in financing for corporations and investments (Otoritas Jasa Keuangan, 2023).

Islamic bank profitability is measured by the bank's rate of return. Rate of return is a metric that measures the level of profitability a bank achieves and reflects the overall performance of the business. Bank performance has a direct effect on profitability, with a positive impact leading to increased profits and a negative impact resulting in decreased profits (Marisyah, 2019). In determining whether a business is profitable or not, this study uses a criterion called Return On Assets (ROA), which analyzes the capacity of a business to generate profits throughout its operational life. Operating expenses operating income (BOPO), third-party funds (DPK), musharabah financing, and capital structure can affect the profitability of Islamic banks. The debt-to-asset ratio, often known as Debt to Equity Ratio (DER), measures a company's capital structure. The debt to equity ratio, sometimes known as DER, is a measure of how effectively a company uses its equity. A higher ratio results in a greater amount of funds obtained from external sources. Conversely, as a company's capacity to fulfill its long-term commitments increases, this ratio will decrease (Sa'adah & Nur'ainui, 2020).

The BOPO ratio shows how well a bank conducts its business activities, a comparison is made between the costs incurred in operations and the income earned from operations during the last twelve months of the selected period (Widyawati, 2019). Operating expenses are bank expenses related to its main business. Labor, marketing, and operational costs are included. Investment activities such as asset trading, profit sharing, and property lease transactions generate operating income. The bank's operating expenses are more efficient with a lower percentage (S Zulaifah, 2023).

In addition to capital structure and BOPO, third party funds commonly referred to as DPK also need to be taken into account. Third party funds are deposits or investments of customers entrusted to Islamic banks in accordance with wadiah/mudharabah contracts. This agreement must be in accordance with Sharia principles, and can take the form of saving accounts, current accounts, deposits, certificates of deposit, or other similar financial instrument (Septya et al., 2019). The greater the amount of deposits, the greater the amount of financing channeled, which indicates an increase in DPK, meaning that DPK has the greatest influence on the allocation of financing.

The allocation of mudharabah financing by banks to customers/managers has a huge influence on the growth and progress of the bank itself. The correlation between increased cash distribution and higher profits earned by the bank directly contributes to the recapitalization and overall profitability of the bank. Islamic banking is based on the principle of financing transactions in the form of deposits and distribution of funds that do not bear interest, but rather on the concept of profit sharing (El et al., 2022).

Research conducted by Irma Br Hotang et al., (2021) investigated various parameters to ascertain the impact of these factors on the financial performance of the banking industry. The study includes credit allocation, operating expenses operating income (BOPO), and third party funds. BOPO has No. Effect on ROA according to the study. Kuraeni & Isnaeni (2022) evaluated how operating cost of

operating income (BOPO) affects ROA. Evaluated how operating cost of operating income (BOPO), capital capacity ratio, and musyarakah financing affect the profitability of Islamic commercial banks between 2015-2021. BOPO has been shown to have a major impact on commercial bank profitability as shown by the research findings.

According Hanum & Salman (2023), the effect of third party funds (DP3), capital adequacy ratio (CAR), and operating expenses to operating income (BOPO) on profitability at Bank Muamalat Indonesia. Evidence from the study shows that third party funds have little effect on return on assets (ROA). However, there are disparities in research results as reported by Ekawati et al (2021) on the influence of risk management, third-party-funds, and capital structure on banking sector financial performance in Indonesia and Thailand with corporate governance as moderating variable in 2015-2019 found that third-party funds have an impact on ROA.

According to research conducted by Affandy & Arinta (2022), this study examined the relationship of profitability in Islamic commercial banks with several factors such as intermediation cost, capital adequacy ratio, mudharabah financing, financing to deposit ratio, and third party funds. Mudharabah financing was shown to have an adverse impact on return on assets (ROA), according to the research findings. This research is supported by Bahri (2022) showed that mudharabah financing has a significant effect on return on assets (ROA).

In his research, Fathoni & Syarifudin (2021) regarding the effect of capital structure on profitability with company size as a moderating variable, it found that the capital structure proxied by DER has a negative effect on Return on Assets (ROA) but not statistically. However, research conducted by S Zulaifah (2023) shows that DER has no effect on ROA (Return on Assets).

This research was conducted because of the losses in 2015-2020 in several Islamic banks, one of which is Bank Panin Dubai Syariah. This study seeks to identify factors that affect the financial performance of Islamic banks, specifically operational efficiency and profitability. In addition, past investigations have produced different research findings and conflicting results, indicating research gaps. Therefore, this study underwent a comprehensive assessment by considering each variable. To distinguish this study from other studies, the authors refer to the research of Irma Br Hotang et al (2021) With the addition of mudharabah financing variables and capital structure as intervening variables based on studies in Islamic banking which have fluctuated in recent years. Based on this, researchers are interested in conducting research with the title **"The Influence of BOPO, DPK, Mudharabah Financing on Financial Performance with Capital Structure as an Intervening Variable"**.

THEORETICAL OVERVIEW

According to signal theory, financial decisions are signals that managers send to investors to reduce information asymmetry. Managers who have more information about a company tend to communicate this information to external investors who have less information to increase stock prices. Managers not only communicate information through disclosure to persuade investors but also show

that the company has better information about its performance than other companies through behavior or policies that are difficult for other companies to Imitate (Irfani, 2020).

Referring to Ross (1977) in Irfani (2020), only well performing companies dare to use large amounts of debt in their capital structure. The reason is that such a capital structure makes the company a high probability of bankruptcy. This assumption creates a condition where investors can distinguish better or worse company performance by looking at its capital structure. Investors will give a higher value to a company that has a large percentage of debt in its capital structure.

Islamic banks are banks that run their activities based on Islamic law and do not charge or pay interest to customers. The incentives received and paid by banks to customers depend on the contract and agreement between the two parties. The contract in Islamic banking must fulfill the terms and conditions of sharia. The return given by Islamic banks to customers is calculated based on profit sharing, so that it benefits both parties. In collecting deposits, if the income of Islamic banks increases, customers will receive a greater profit sharing, and vice versa if income decreases, the profit sharing given to customers will also decrease (Ismail, 2016).

The principle of income distribution determines the bank's attitude to debt. Banks are not just financial institutions, but also cooperate with the law to supervise the management of financial institutions, because the fate of banks is directly linked to the work of financial institutions. That is, banks can transfer to companies not only money, but also expertise and consulting. In other words, banks provide both money and services: management consulting, knowledge, new products, etc. In the Islamic system, banks provide services that help cooperative companies operate more efficiently. In this way, the relationship between banks and businesses will become even closer. The bank is not a user who does not have to worry about returning the loan, but a friend who has the right to receive profits and even share the losses. (Bellalah, 2014).

Financial performance is an analysis used to understand the extent to which a company performs financial performance standards accurately and precisely (Hutabarat, 2020). This analysis is important not only for the company itself but also for various parties involved in the business. For public, companies, poor performance can affect stock market perceptions and shareholder's decision to buy or sell the company's shares. The financial performance of Islamic banks can be influenced by several factors including BOPO, DPK, mudharabah financing and capital structure, so it is important to understand and manage each of these aspects effectively to improve overall financial performance.

BOPO, or efficiency ratio, is a measure of how well bank management controls operating costs against operating income. The smaller this ratio, the more efficient the bank's operating costs (S ZULAIFAH, 2023). BOPO analysis can help banks to identify areas where efficiency can be improved, with the aim of improving overall financial performance. Research conducted Kuraeni & Isnaeni, (2022) supports this, stating that BOPO has an effect on ROA.

H1 : BOPO affect financial performance

DPK is funds collected by banks from the public in the form of rupiah and other foreign currencies, including demand deposits, savings, and time deposits (Kaban & Pohan, 2023). Effective management of deposits is key to creating a stable financial foundation. Sustainable fund raising allows banks to run operations and financing more smoothly. The higher the FDR, the greater the bank's dependence on deposits. This concept is supported by research conducted Ekawati et al., (2021) stated that DPK affects ROA.

H2 : DPK affects financial performance

Mudharabah is a partnership between two parties in which the fund owner (known as shahibul maal) provides all the funds, and the manager (mudharib) manages the funds. According to the agreement, losses will only borne by the owner of the funds (Nurhayati & Wasilah, 2018). Mudharabah financing is not only about financial capital, but also involves responsibility and active involvement in managing the project or business. Mudharib can contribute more than just capital, such as skills, industry knowledge, or managerial expertise. The principle of openness and transparency is a key value, with mudharib expected to provide honest reports on the progress of the project to shahibul maal. This is supported by research conducted by Bahri, (2022) stated that mudharabah financing affects.

H3: Mudharabah financing affects financial performance

Capital structure refers to the amount of debt or equity a company uses to fund its operations and assets. Usually, the capital structure is measured by the ratio of debt to equity or the ratio of debt to equity (Komarudin & Tabroni, 2019). According to Sugiarto (2009) in Ulil Albab Al Umar et al., (2020) companies that are private only rely on their own capital and third party debt, while companies that have gone public have access to more capital because the company sells its shares to the public. Companies that have access to more liquid capital face lower costs of equity and tend to prefer to use a lot of equity and reduce debt in the capital structure (Nurlaela et al., 2019). which states that the capital structure proxied by DER has a negative effect on financial performance.

H4 : Capital structure affects financial performance

An increase in BOPO can reduce the profitability of the company, so that the company has fewer resources to invest in productive assets. This can affect the company's capital structure, reducing the company's ability to use its own capital and increasing dependence on debt to finance its operations (Anggita & Banjarnahor, 2021). If the bank manages to control its operating costs well, it can increase net profit. This profit can be used to finance operational activities or reduce dependence on debt. In other words, low BOPO can affect the sources of funds available for the capital structure (Suwanderi et al., 2020).

H5 : BOPO affects the capital structure

Third-party funds can increase the capital adequacy of the company, which means the company has more resources to develop its business. Higher capital adequacy can help the company face financial risks and improve the company's ability to manage risks (Putra & Raymond, 2019). This shows that third-party funds can help improve the company's ability to develop its business and manage financial risks, as well as increase profitability and the company's capital structure.

H6 : DPK affects the capital structure

Mudharabah financing can increase the capital adequacy of the company, which means the company has more resources to develop its business. Higher capital adequacy can help the company in facing financial risks and improve the company's ability to manage risks (Hasbi, 2022). Mudharabah financing can be asource of capital for Islamic banks that focus on sustainability and growth. The capital structure of Islamic banking reflects its participation in mudharabah funds as part of a long-term financial strategy to support the growth of Islamic banking.

H7 : Mudharabah financing affects the capital structure

High operating costs can have a negative impact on the company's financial performance, because increasing operating costs can reduce company profits (Agustian et al., 2023). High operating costs can have a negative impact on financial performance, as increasing operating costs can reduce profits. Therefore, an optimal capital structure can mediate the effect of BOPO through the efficient use of resources. Thus, an optimal capital structure helps Islamic banks improve financial performance effectively and efficiently.

H8 : Capital structure mediates BOPÓ on financial performance

Good capital structure management can improve the liquidity of Islamic banking by ensuring the availability of sufficient funds for operational needs without overburdening the company. Third-party funds, such as loans or bonds, can increase the capability of Islamic banks to grow their business and increase revenue through additional capital for investment and expansion. However, if third-party funds are not used effectively, the company may face increased operational costs and greater financial risks, especially in the event of an economic crisis (Muhammad & Azmiana, 2021). Therefore, it is important for Islamic banking management to balance the use of debt and equity and manage third-party funds wisely in order to achieve sustainable growth and financial stability.

H9 : Capital structure mediates DPK on financial performance

Mudharabah financing as a form of sharia-based financing allows investors to provide capital to entrepreneurs with profits shared according to the agreement, while losses are borne by the capital provider except in the event of negligence or violation (Nurhayati & Wasilah, 2018). The use of mudharabah financing can reduce the financial burden as there is no interest to be paid periodically, allowing more funds to be available for reinvestment or operations. In addition, as profits are shared based on business results, managers have a strong incentive to improve performance. Thus, the integration of mudharabah financing into the capital structure can help companies achieve more sustainable growth and improve overall financial performance.

H10 : Capital structure mediates mudharabah financing on financial performance

RESEARCH METHOD

This type of research is comparative causal. Comparative methods examine the relationship between two different things or how different things affect each other. The type of research used in this study is quantitative; This means that this study collected information indirectly through intermediaries. This study examines how independent variables such as BOPO, DPK and Mudharabah financing affect financial performance. In addition, in this study, the capital structure, which is the

inverse of the variable, will also be examined. SmartPLS 4.1 software was used for analysis in this study. The target group of this study is Islamic companies listed in the Financial Services Agency in the period 2015-2020. The benchmarking process in this study was used as a sample of Islamic companies listed with the Financial Services Agency in the period 2015-2020. Islamic companies that published financial statements during the study period. Islamic Trade Bank provides information on the variables used in the study. According to Islamic companies that were profitable for six consecutive years during the study period. Based on this sample, a sample of 5 Islamic commercial banks was taken from 13 Islamic commercial banks registered with OJK. According to the selection criteria that meet the criteria, many Islamic banks are accepted such as Bank Muamalat Indonesia, Bank BRI Syariah, Bank BNI Syariah, Bank Syariah Mandiri, Bank BCA Syariah.

RESULT AND DISCUSSION

Pengujian Outer Model

The Outer Model, also known as the measurement model, is a framework that establishes the relationship between indicators and latent variables. This measurement paradigm combines validity and reliability assessments. (Latipah et al., 2023).

Validity Test Result with Convergent Validity

Table 1. Outer model (outer loading)

Variabel	X1	X2	X3	Y	Z
BOPO	1,000				
DPK		1,000			
Pembiayaan Mudharabah			1,000		
Kinerja Keuangan				1,000	
Struktur Modal					1,000

Source: data processed, 2024

The convergent validity value of each variable is calculated at 1,000 as shown in Table 1. In accordance with the convergent validity criteria, all variables have factor loading values exceeding 0,50 so that they meet the significant requirements.

Validity Test Result with Discriminant Validity

Table 2. AVE Test Result

Variables	AVE	Conclusion
BOPO	1,000	Valid
DPK	1,000	Valid
Pembiayaan Mudaharabah	1,000	Valid
Kinerja Keuangan	1,000	Valid
Struktur Modal	1,000	Valid

Source: data processed, 2024

Table 2 show that the AVE of each variable is 1,000. All variables in question have factor loading value exceeding 0,50 so that they meet the validity criteria.

Reliability Test Result

Table 3. Composite Reliability Result

Variables	Composite Reliability	Cronbach's Alpa	Conclusion
BOPO	1,000	1,000	Reliable
DPK	1,000	1,000	Reliable
Pembiayaan Mudharabah	1,000	1,000	Reliable
Kinerja Keuangan	1,000	1,000	Reliable
Struktur Modal	1,000	1,000	Reliable

Source: data processed, 2024

Based on the information in Table 3, the composite reliability value of each variable is 1,000. All variables met the dependability criterion as their composite reliability values exceeded 0,7. The Cronbach's alpa coefficient of each variable is 1,000. All these variables meet the dependability criteria because their cronbach's alpa values are greater than 0,6.

Determination Coefficient Test Result

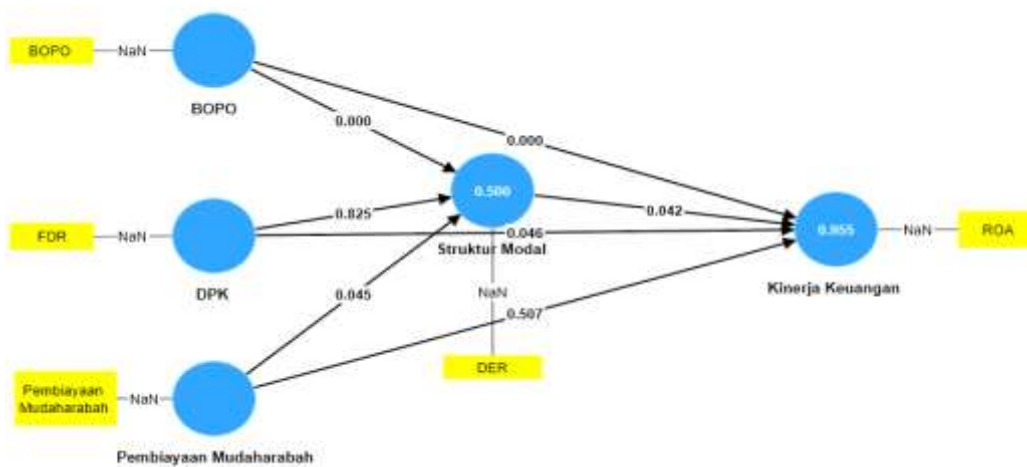
Table 4. Result of the Coefficient of Determination

Variable	R-Square	Adjusted R-Square
Kinerja Keuangan	0,955	0,948
Struktur Modal	0,500	0,443

Source: data processed, 2024

The R-squared value of the financial performance variable in the output table is 0,955. The result found that the combined effect of BOPO, DPK, mudharabah financing, and capital structure contributed 95,5% to the total effect. There is an external factor responsible for the remaining 4,5%, but this factor is not considered in our investigation. The calculated coefficient of determination of the capital structure variable is 0,500. The study shows that BOPO, DPK, and mudharabah financing combined represent 50% of the total contribution or impact. In additional, half of the cause may be due to external factors that are not considered in this analysis.

Figure 1. SmartPLS 4.1 Model Output Result



Source: data processed, 2024

Path Analysis Result

Table 5. Hypothesis Test and Path Coefficient

Description	Original Sample (O)	Sample Average (M)	Standar deviation (STDEV)	T statistics (O/STDEV)	P values
X1 → Y	-0,881	-0,885	0,055	16,022	0,000
X1 → Z	0,639	0,630	0,083	7,699	0,000
X2 → Y	0,109	0,113	0,054	1,992	0,046
X2 → Z	-0,048	-0,061	0,215	0,222	0,825
X3 → Y	0,039	0,040	0,059	0,663	0,507
X3 → Z	-0,224	0,221	0,112	2,010	0,045
Z → Y	-0,127	-0,125	0,063	2,031	0,042
X1 → Z → Y	0,029	0,028	0,021	1,378	0,168
X2 → Z → Y	-0,081	-0,079	0,041	1,975	0,048
X3 → Z → Y	0,006	0,004	0,030	0,200	0,842

Source: Data processed, 2024

Table 6 shows that capital structure, BOPO, and DPK affect financial performance with T value of 1.96 and p value <0.05. Statistics show that mudharabah financing has no effect on financial performance because the T value is below 1.96 and the p-value exceeds 0.05. BOPO and mudharabah financing affect the capital structure with T value of more than 1.96 and p-value below 0.05. DPK influences capital structure significantly (T-value below 1.96, p-value above 0.05). Capital structure does not affect the performance of BOPO or mudharabah financing. T value below 1.96 and p value above 0.05 support this conclusion. Capital structure moderates the relationship between third party funds (DPK) and financial performance, as indicated by T statistics above 1.96 and p values below 0.05.

The Effect of BOPO on Financial Performance

Research data shows that BOPO has a major impact on the performance of the financial sector. A higher BOPO means a reduced level of proficiency in overseeing the bank's operational expenses, which in turn leads to a decrease in profit margins (Syachreza & Mais, 2020). BOPO often has a tendency to reduce bank profitability. Increased operating expenses have a direct impact on reducing the bank's net operating income. Therefore, efficient and profitable administration of BOPO is essential to improve the financial performance of banks (Budianto & Dewi, 2023). Kuraeni & Isnaeni (2022) observed that BOPO affects financial performance. This is in contrast to Irma Br Hotang et al., (2021) who reported no effect of BOPO on financial performance. It can be concluded that BOPO has a big impact on financial performance. High BOPO reduces operational efficiency and reduces profitability, so efficient BOPO management is very important.

The Effect of DPK on Financial Performance

Based on data analysis, it can be concluded that DPK affects financial performance. The growth of deposits can increase the financial efficiency of Islamic banking. Islamic banking can increase its financing by attracting more deposits and community deposits, thereby increasing access to financial resources for operations. Islamic banking has the capacity to allocate these funds to several profitable enterprises, such as providing financial assistance to the community (Farassari,

2021). Ekawati et al., (2021) found that DPK affects corporate finance. Hasna et al., (2020) found no financial impact from DPK. However, this study contradicts previous research. It can be concluded that the growth of deposits can improve the financial efficiency of Islamic banking, allowing increased financing and allocation of funds to profitable sectors.

The Effect of Mudharabah Financing on Financial Performance

Based on the data analysis conducted, it can be concluded that mudharabah financing has a limited influence on financial performance. Mudharabah financing offers a versatile income framework that is determined by mutual agreement between the bank and the borrower (Fikri et al., 2023). Therefore, precisely assessing its effect on the bank's financial performance is difficult. These fluctuations in profits are due to their dependence on the success of the company and the agreements made between the parties involved, rather than being predetermined. Hartati et al., (2021) confirmed that mudharabah funding has no effect on financial performance. El et al., (2022) found that mudharabah financing has an effect on financial performance. It can be concluded that although mudharabah financing can contribute to financial performance, its effect is not always consistent and stable, thus requiring risk management and careful assessment in its implementation.

The Effect of Capital Structure on Financial Performance

Empirical studies reveal that capital structure considerations greatly influence the financial success of a company. The financial performance of a firm may be affected by a high capital structure, which is determined by a significant proportion of debt to its overall capital. This is due to the increased financial liabilities resulting from the accumulation of debt and the possible financial risks resulting from excessive reliance on debt. Excessive reliance on debt can reduce financial flexibility and increase vulnerability to changing economic circumstances (Jessica & Triyani, 2022). Fathoni & Syarifudin (2021) found that a company's capital structure affects its financial performance. This finding refutes the statement of S Zulaifah (2023) that capital structure does not affect financial performance. It can be concluded that balanced capital structure management is very important to maintain healthy and stable financial performance.

The Effect of BOPO on Capital Structure

The data shows that BOPO has a big impact on capital structure. No research has been found that specifically investigates the effect of BOPO on the composition of the company's capital structure. Consequently, a decrease in BOPO indicates that the organization can generate operating income while minimizing operating costs effectively. The company can increase its net profit by reducing operating costs (Yuyun et al., 2021). This allows the company to generate more revenue and reduce its dependence on loans. By adding equity to its capital structure, a company has the potential to mitigate the financial risks associated with debt and thus improve its financial standing.

The Effect of DPK on Capital Structure

Data analysis shows that DPK variable has no impact on capital structure. There has not been determined research that specifically discusses DPK on capital structure. Nevertheless, it can be assumed that DPK has no direct impact on capital structure since it is separate from equity and debt capital. DPK is often seen as a

more flexible source of funding and does not have a direct impact on the composition of the percentage of capital required (Apriliani & Ibnu, 2019).

The Effect of Mudharabah Financing on Capital Structure

The data shows that mudharabah financing greatly affects the capital structure. This is because mudharabah financing partially changes the level of capital required by Islamic banks. When a mudharabah contract occurs, the party who has the funds (called shahibul maal) provides funds to the person in charge of running the business (Nurhayati & Wasilah, 2018). The initial agreement states that both partners will share any profits the business makes, but the capital owner will be responsible for any losses. Islamic banks can get more share capital through mudharabah funding, which facilitates foreign direct investment (Rosalina Rosa & Aprilia, 2022). Therefore, mudharabah financing can help a business earn more money, which can change its capital structure. Other research conducted by Fadilla & Choiriyah (2022) supports the findings of this study by saying that mudharabah financing changes the capital structure. It can be concluded that mudharabah financing can strengthen the capital structure of Islamic banking by providing a more diverse and sustainable source of capital.

The Effect of BOPO through Capital Structure on Financial Performance

Statistical studies show that BOPO has no effect on financial performance when mediated by capital structure. Financial success assessed by BOPO is not influenced by the company's capital structure in the form of shares and debt. Operational and managerial quality have a greater influence on BOPO than capital structure, as revealed by Syachreza & Mais (2020). In contrast, a firm's capital structure, which includes equity and debt, relates to the way an organization obtains funding for its assets and activities. Capital structure has the capacity to affect the cost of funding, but does not directly affect BOPO. This research supports Irma Br Hotang et al., (2021) found that BOPO has no financial impact. This contradicts Kuraeni & Isnaeni (2022) who concluded that BOPO has minimal financial impact. The conclusion is that capital structure is not a factor that directly affects BOPO but rather how companies obtain funding for their assets and activities.

The Effect of DPK through Capital Structure on Financial Performance

Statistical analysis shows that DPK has a direct influence on the financial success of a company, which is also influenced by its capital structure. The utilization of third party funds can affect the composition of a company's capital, thus impacting the company's ability to manage debt efficiently. DPK provides better adaptability and does not have the same degree of immediacy as short-term debt or bonds. Therefore, with the use of DPK, Islamic banks can improve their financial management skills, thus having a positive impact on their financial performance (Shabri & Azhari, 2021). The research confirms Ekawati et al., (2021) that DPK statistically affects financial performance. However, the findings of this study provide strong evidence that challenges the statement of Hanum & Salman (2023) that DPK has no effect on financial performance. It can be concluded that how a firm organizes its capital composition, including the mix between equity and debt, also affects the extent to which DPK affects financial performance. Thus, a firm's capital structure becomes a key factor mediating the relationship between the use of deposits and financial performance.

The Effect of Mudharabah Financing through Capital Structure on Financial Performance

Statistical analysis shows that the use of capital structure in Mudharabah financing does not affect financial performance. Mudharabah financing is different from debt and equity. Mudharabah financing involves investment owners and managers sharing the profits and risks of the loan, interest-free. Therefore, mudharabah financing does not have a direct impact on the capital structure of Islamic banks as it focuses on profit sharing rather than fixed debt (Hartati et al., 2021). This supports Hartati et al., (2021) states that mudharabah financing does not affect financial performance. El et al., (2022) did not find the impact of mudharabah financing on financial performance. It can be concluded that Mudharabah financing does not directly affect the financial performance of Islamic banks through their capital. This means that the way Islamic banks finance their business does not directly affect their business.

CONCLUSIONS

Research shows that BOPO, DPK and capital structure affect financial performance. However, Mudharabah financing has no impact on financial performance. BOPO and Mudharabah financing affect capital structure but DPK does not affect financial performance. The capital-organization BOPO model does not have any impact on financial performance in the Indonesian Islamic economy. Research shows that DPK affects the financial performance of Indonesian Islamic banks. This impact is measured by the company's capital structure. The impact of Mudharabah financing on financial performance through capital structure is not significant in the context of the Indonesian Islamic banking sector.

These findings suggest that by considering key factors such as BOPO, DPK, mudharabah financing, and capital structure determined by Bank Indonesia, there is potential to improve the financial performance of Islamic banking in Indonesia. Investors evaluate the financial status of a company to ascertain which company to invest in. In addition, further research is expected to include additional variables to increase the significance and completeness of the research in terms of explaining the effect on financial performance and investigating other factors such as Minimum Capital Adequacy Requirement (CAR), Non-Performing Financing (NPF), and Net Operating Margin (NOM), as well as testing control or moderation variables.

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