THE INFLUENCE OF CAPITAL ADEQUACY RATIO (CAR), COMPANY SIZE, LIQUIDITY ON FINANCIAL PERFORMANCE AND QUALITY OF THE SHARIA BOARD AS MODERATION VARIABLES

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Abstract
This study aims to examine the effect of Capital Adequacy Ratio, Company Size, Liquidity on Financial Performance and moderated by the Quality of the Sharia Board. This study uses secondary data. Sampling was carried out using the purposive sampling method. The number of samples in this study was 76 banks for the period 2020 - 2022. Analysis method For testing data processing in this study using multiple regression analysis and moderated regression analysis, using STATA. The results of this study indicate that CAR has an effect on Financial Performance. Meanwhile, company size and liquidity do not affect financial performance. Furthermore, the Quality of the Sharia Board can moderate the effect of CAR on Financial Performance.
Keywords: CAR (Capital Adequacy Ratio); Company Size; Liquidity; Financial Performance; Moderate Regression Analysis;
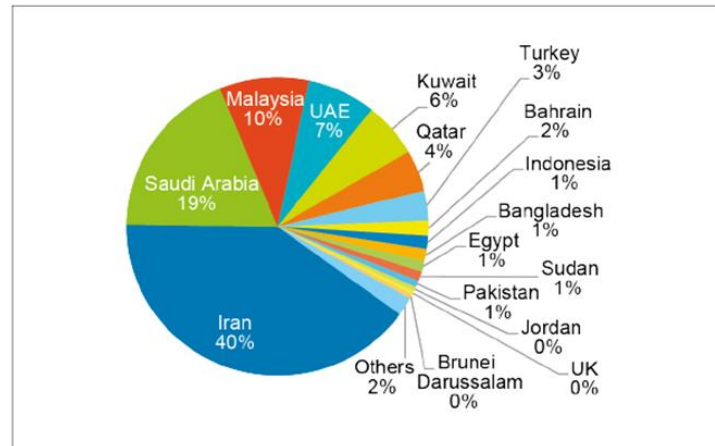
Abstrak
Penelitian ini bertujuan untuk menguji pengaruh Capital Adequacy Ratio, Ukuran Perusahaan, Likuiditas terhadap Kinerja Keuangan dan dimoderasi oleh Kualitas Dewan Syariah. Penelitian ini menggunakan data sekunder . Pengambilan contoh dilakukan dengan menggunakan metode purposive sampling. Jumlah contoh dalam penelitian ini adalah sebanyak 76 bank periode 2020 – 2022. Metode analisis Untuk uji Pengolahan data dalam penelitian ini menggunakan analisis regresi berganda dan analisis regresi moderat , dengan menggunakan STATA. Hasil penelitian ini menunjukkan bahwa CAR berpengaruh terhadap Kinerja Keuangan. Sedangkan ukuran perusahaan dan likuiditas tidak berpengaruh terhadap kinerja keuangan. Selanjutnya kualitas Dewan Syariah dapat memoderasi pengaruh CAR terhadap Kinerja Keuangan.
Kata Kunci: CAR (Rasio Kecukupan Modal); Ukuran Perusahaan; Likuiditas; Kinerja Keuangan; Analisis Regresi Moderat;

INTRODUCTION

Asia experienced a crisis in the 1990s and more recently, the worldwide economic crisis and financial crisis began in mid-2007 and included the bankruptcy of several financial institutions such as Lehman Brothers which was one of the largest banking investments (Ginena, 2014). Asian countries are the most important part of the global economy and Islamic financial system. Asian countries are the home or largest part of the country's Muslim population in the world. The majority of the population in many Asian countries are Muslim countries, including Pakistan (96.4%), Bangladesh (86.3%), Indonesia (87.2%), and Malaysia (61.4%). Apart from that, other Asian countries which have a Muslim population are a minority but are still quite large, including India, 14.2% of the population or 172 million people are Muslim. Currently Islamic banking and Sukuk dominate the Islamic financial market in Asian countries. According to the IFSB 2015 indicators the total size of the Islamic financial sector in Asia in 2014 amounted to more than $419 billion or an estimated 22.4% of global Islamic financial assets, of which 48.6% ($203.8 billion) were Islamic banking assets , 44.93% ($188.4 billion) is outstanding Sukuk, 5.5% ($23.2 billion) is Islamic funds, and 0.93% ($3.9 billion) is Takaful (Islamic insurance), which is small but growing. In Asian countries, Islamic banking and finance has experienced rapid
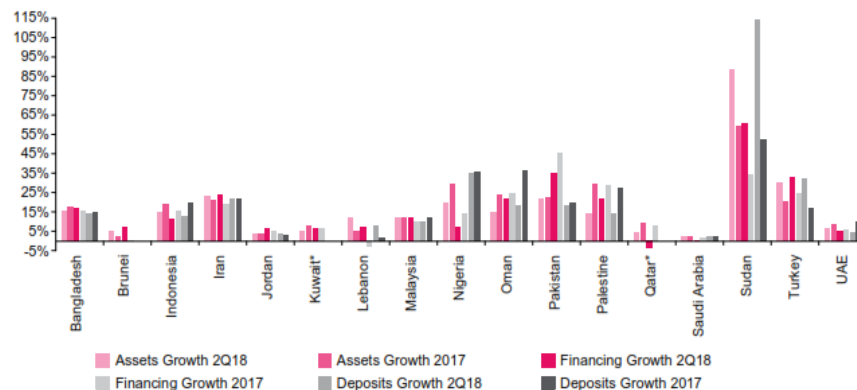
growth and development (Komijani & Taghizadeh-hesary, 2018). Based on IFSB data in 2015, Iran is at the top in terms of Islamic bank assets, controlling 40 percent of the Islamic bank market share. In fact, this financing institution is used by banks to assist them in distributing funds collected through deposits, savings and accounts. The following data in graph 1 shows the development of the financing industry since 2000.

Source: IFSB (2015).

Figure 1. Share of Global Islamic Banking Assets (2014)

Islamic fund assets based on domicile are occupied by Malaysia at the top with a percentage of 30.88 percent (IFSB, 2019).

Source: PSIFIs, IFSB Secretariat Workings

*Deposit data for Islamic banks in Brunei, Kuwait and Qatar were not available.

Source:
PSIFIs, IFSB Secretariat Workings

Figure 2. Average growth of Islamic Banks (2017-2018)

Based on the graph above, it can be concluded that the average growth of Islamic banks in 2017-2018 was seen from the financial growth side in 2017, where Sudan had the highest percentage at 115%, followed by Pakistan at 45%. Better bank management will provide benefits that can increase profitability. Profitability is an indicator to determine bank performance. The bank's ability to increase profitability can show the bank's good financial performance. On the other hand, if the profitability achieved is low, then the bank's performance in generating profits is less than optimal (Suwarno & Muthohar, 2018).

Financial performance is a description of the financial condition of a company in a certain period where this condition includes several aspects including aspects of collecting funds and aspects of distributing funds,

usually measured using capital adequacy indicators or better known as CAR (Capital Adequacy Ratio), liquidity, and profitability.

Bukhari et al. (2013) in their research shows that Islamic banking Corporate Governance lays the foundation in the relationship between spiritual and material paradigms. Based on this, this research is mainly driven by several theoretical debates and the main objective is to verify or prove the moderating impact of Sharia Board quality on the relationship between Capital Adequacy Ratio (CAR), company size , liquidity in financial performance in the case of Islamic banking system. More precisely, this is intended to assess the impact of the Capital Adequacy Ratio (CAR), company size , liquidity on Financial performance varies with various levels of SB quality. To investigate this issue, this research uses a sample of 76 Islamic Bankers during the 2020-2022 period. In this research, Financial Performance is proxied using ROA (Return On Assets). Liquidity is proxied using the current ratio . Company Size uses the log of Total Assets.

LITERATURE REVIEW
Capital Adequacy Ratio (CAR) influences Financial Performance.

According to Bank Indonesia Regulation Number 10/15/PBI/2008 article 2 paragraph 1, it is stated that banks are required to provide minimum capital of 8% of risk-weighted assets (RWA). CAR is a ratio that shows how much of all bank assets contain risk (credit), investments, securities, claims on other banks) are also financed from their own capital in addition to obtaining funds from sources outside the bank (PBI, 2008). The greater the CAR ratio, the better the capital position (Bukian & Sudiartha, 2016). So if the CAR is high then the bank's financial performance is indicated to be good. Based on this, it can be developed.
H1: Capital Adequacy Ratio (CAR) has a positive effect on Financial Performance.

Company size influences financial performance

When a company has large total assets (the size of the company gets bigger), company management can easily use the assets in the company. The easier it is for management to control its assets, the more the company's financial performance can improve. According to Yuniningsih et al. (2018), a company that has large total assets can indicate that the company has reached the maturity stage and investors assume that the company has very good long-term prospects and is able to produce relatively stable performance. Based on this, the following hypothesis can be developed:
H2: Company size has a positive effect on Financial Performance.

Liquidity influences Financial Performance

The higher the level of liquidity of a company organization, the better the company's performance. Conversely, the lower the level of liquidity of a company organization, the worse the company's performance will be. Companies that have a high level of liquidity usually have a greater chance of getting various kinds of support from external parties such as financial institutions, creditors, and also raw material suppliers. Based on this, the following hypothesis is built:
H3: Company liquidity has a positive effect on financial performance.

Sharia Board Quality can strengthen the influence of the Capital Adequacy Ratio (CAR) on Financial Performance.

One of the key CG mechanisms in the Islamic banking system is the Sharia Board. This mechanism is defined as an independent body of legal experts specialized in Islamic commercial law and experts in Islamic finance (Wahba, 2015). Interestingly, the Sharia Board is intended to ensure compliance of products and services offered to consumers and investors with the rules and principles of Islam (Misbach, 2015). In addition, the Sharia Board uses Sharia to determine the general rules according to which investment decisions are permissible (Mansour & Bhatti, 2018). The implementation of this mechanism is driven by international

regulatory institutions such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Council. The quality of the Sharia Board is expected to strengthen CAR on Financial Performance. Based on the explanation above, the following hypothesis is developed:

H4: Sharia Board Quality can strengthen the influence of the Capital Adequacy Ratio (CAR) on Financial Performance

Sharia Board Quality can strengthen the influence of company size on Financial Performance

Apart from that, it is hoped that it can strengthen the influence of the Capital Adequacy Ratio (CAR). The quality of the Sharia Board is expected to strengthen the influence of company size on Financial Performance. Based on the explanation above, the following hypothesis is developed:

H5: Sharia Board Quality can strengthen the influence of Company Size on Financial Performance.

Sharia Board Quality can strengthen the influence of liquidity on Financial Performance

In Misbach's research (2015), it was concluded that the high quality of the Shariah Board increases the transparency of the annual report. It is concluded that the relationship between financial performance depends on the quality level of the Shariah Board (SB). Based on this explanation, the following hypothesis can be developed:

H6: Sharia Board Quality can strengthen the influence of Liquidity on Financial Performance

RESEARCH METHOD
Research design

This research is quantitative research. The problem to be discussed in this research is related to financial performance, then the quality of the sharia board which moderates the influence of the Capital Adequacy Ratio (Car), company size, liquidity on financial performance in Islamic banks in Asian countries. The population of this research is the 100 largest Islamic banks in Asian countries for the period 2020 - 2022.

Operational Definition and Variable Measurement
Capital Adequacy Ratio (CAR)

Capital Adequacy Ratio is a capital ratio that shows the bank's ability to provide funds for business development purposes and accommodate possible risks of losses resulting from bank operations. Capital is the main factor for a bank to be able to develop its business growth. Fulfillment of the Bank's Minimum Capital Ratio requirement, also known as CAR, is determined by BIS (Bank for International Settlement) at 8%. The CAR ratio is obtained using the formula:

$$(Capital: RWA) \times 100\%$$

Capital consists of Core Capital (Tier 1) and Complementary Capital (Tier 2), where the amount of Complementary Capital calculated is a maximum of 100% of the amount of Core Capital. If market risk and operational risk are included, these two risks will increase RWA.

Company Size

Company size is the scale of the company as seen from the company's total assets at the end of the year. Total sales can also be used to measure the size of the company (Ali et al., 2004). Company size describes the size of the company. The size of the business is seen from the field of business carried out. Determining the size of a company can be determined based on total sales, total assets, average sales level (Borhan et al., 2014). Company Size Measurement:

$$Company\ Size\ (\ size\ ) = Ln\ (Total\ Assets)$$

Liquidity

Liquidity is the ability of a company to fulfill all financial obligations that can be disbursed as quickly as possible or that are due. Specifically, liquidity reflects the company's availability of funds to meet all

maturing debts (Bukian & Sudiartha, 2016) . A company's liquidity has its own functions and benefits for the company's operational processes. Below are several functions and benefits of liquidity, including the following:

1. As a medium for carrying out daily company business activities.
2. As a tool to anticipate urgent or sudden funding needs.
3. To make it easier for customers (for banks or financial institutions) who want to make loans or withdraw funds.
4. As a reference for the level of flexibility of a company in obtaining investment approval or other profitable businesses.
5. As a tool to trigger companies in efforts to improve performance.
6. As a tool to measure the level of a company's ability to pay short-term obligations.
7. Can help management in checking working capital efficiency.
8. Assist companies in analyzing and interpreting short-term financial positions.

Current Ratio Measurement :
Current Ratio = Current Assets/Current Liabilities

Financial Performance

Financial performance is an analysis carried out to see the extent to which a company has implemented financial implementation rules properly and correctly. Company performance is a description of the financial condition of a company which is analyzed using financial analysis tools, so that it can be known about the good and bad financial condition of a company which reflects work performance in a certain period. This is very important so that resources are used optimally in facing environmental changes (Suwarno & Muthohar, 2018). Measuring financial performance using ROA. ROA Formula:
ROA = Net Profit after Tax / Total Assets

Sharia Board Quality (Syariah Board Quality)

The Sharia Council is an institution that plays a role in ensuring Islamic finance throughout the world. In Indonesia, this role is carried out by the National Sharia Council (DSN) which was formed by the Indonesian Ulema Council (MUI) in 1998 and confirmed by MUI Leadership Council Decree No. Kep-754/MUI/II/1999 dated 10 February 1999. Sharia Board Quality Measurement (Ajili & Bouri, 2018)
SB Quality : Total Sharia Board recommended by the bank/4

Leverage

According to Bukian & Sudiartha (2016), leverage is the use of assets and sources of funds (source of funds) by a company that has fixed costs (fixed expenses) with the aim of increasing potential shareholder profits. Leverage measurement uses the ratio of total debt to total assets (Ajili & Bouri, 2018).

Profitability

Profitability (Profitability Ratio) is a ratio or comparison to determine the company's ability to obtain profits (profit) from income (earnings) related to sales, assets and equity based on certain measurement bases. The types of profitability ratios used are useful for showing how much profit or profit is obtained from a company's performance which influences the notes to financial reports which must be in accordance with applicable financial accounting standards. Profitability measurement uses ROE (Return on Equity) (Ajili & Bouri, 2018).

Return on Equity Ratio (ROE) is a profitability ratio to assess a company's ability to generate profits from the investment of the company's shareholders expressed as a percentage. ROE is calculated from the company's income against the capital invested by the company owners (common shareholders and preferred shareholders). Return on equity shows how successfully the company manages its capital (net worth), so the level of profit is measured from the investment of the company's capital owners or shareholders. ROE is the profitability of own capital or what is called business profitability. The Return On Equity formula is as follows.
ROE = Net Profit After Tax: Shareholders' Equity

Multinationality

Multinationality or PMN is a company that operates in many countries, these companies are usually very large. Companies like this have offices, factories or branch offices in many countries. Usually has a central office where the aim is to coordinate global management. Very large multinational companies have funds that pass through the funds of many countries. These companies can have a strong influence in global politics, due to their enormous economic influence as politicians, and also ample financial resources for public relations. The Multinationality measure is a dummy variable assigned 1 if the bank is a subsidiary of a multinational company and 0 otherwise as done by Louhichi et al. (2019).

Data collection

The data used in this research is secondary data in the form of annual reports of Islamic banks in Asia for the 2020-2022 period. Financial reports of Islamic banks in Asian countries are obtained from the websites of each bank.

The sampling technique in this research used purposive sampling. Purposive sampling technique is a sampling technique by looking at certain criteria. The criteria used in sample selection are:
1. Islamic Bank is included in the category of the 100 largest banks in Asia.
2. Banks publish financial reports continuously.
3. Has information related to the variables used.

Based on this, a sample of 76 banks was obtained, so the sample used in this research was 76x3 years = 228 sample companies. The data analysis method in this research uses descriptive statistics and hypothesis testing. Descriptive statistics is a data analysis method that describes data descriptively in terms of the average (mean), standard deviation, variance, maximum, minimum, sum, kurtosis range and skewness (distribution differences) (Ghozali, 2016). In study This use testing assumption classic before doing it testing hypothesis on model regression main. By Because that's it, basic analysis regression need test assumption.

Test Normality

The purpose of the normality test is to test whether in the regression model, the confounding or residual variables have a normal distribution. As is known, the t test and f test assume that mark residuals follow distribution normal. Assuming This violated so test statistics become No valid For small sample size. There are two ways to detect whether the residuals are normally distributed, namely graphical analysis and statistical analysis (Ghozali, 2016).

Normality testing in this research uses statistical analysis. Analysis statistics done For give confidence adequate regarding the results of the normality test. Because, normality tests with graphs can be misleading if you are not careful, visually it looks normal, even though statistically it could be the opposite. Statistical tests can be carried out in 2 ways, namely; a simple statistical test that can be done by looking at the kurtosis and skewness values of the residuals, and the Kolmogrov-Smirnov (KS) non-parametric statistical test . However, in this study for statistical analysis only the non-parametric Kolmogrov-Smirnov (KS) statistical test was used. The data can be said to have passed the normality test when using Asymp. Sig. >0.05 (Ghozali, 2016).

Test Hypothesis

This research has 2 stages in testing the hypothesis, the first stage is testing using multiple regression analysis, and the second stage is using moderate regression analysis (MRA), here is the explanation:

Regression Analysis Multiple and Testing with Moderate Regression Analysis (Moderated Regression Analysis - MRA)

Basically multiple regression analysis is the same the concept with simple regression analysis, but which makes a difference is number of independent variables (independent). In simple regression analysis consists of two variable (One variable dependent, And One variable independent). Whereas, on analysis regression multiple there is One dependent variable and two or more independent variables . Analysis regression multiple required For know direction connection (positive/negative) between the dependent variable and the independent variable . Matter This can be measured from the coefficient of determination (R^2), statistical test

f, test t statistics. Variable independent in study This is CAR, Company Size, and Liquidity. Then the dependent variable is Financial Performance . For testing hypotheses from variables the, so formula equality The regression used is as follows:

$$FP = \alpha + \beta_1 CAR + \beta_3 SIZE + \beta_3 LIQUIDITY + \beta_4 LEVERAGE + \beta_5 PROFITABILITY + \beta_6 MULTINATIONALITY+$$

$$FP = \alpha + \beta_1 CAR + \beta_3 SIZE + \beta_3 LIQUIDITY + \beta_4 CAR*SB + \beta_5 SIZE*SB + \beta_6 LIQUIDITY*SB + \beta_7 LEVERAGE + \beta_8 PROFITABILITY + \beta_9 MULTINATIONALITY + e$$

Information:

FP	= Financial Performance
SIZE	= Bank Size
LIQUIDITY	= Company Liquidity
LEVERAGE	= Company Leverage (total debt to total assets)
PROFITABILITY	= Company Profitability (ROE)
MULTINATIONALITY	=Value 1 if the bank is a subsidiary of a multinational company and 0 otherwise
SB	= Quality of Sharia Board
e	=Error (inner estimator study)

Determination Coefficient Test (Adjusted Test R 2)

The coefficient of determination (R^2) is used to measure how far the model is able to explain variable variations dependent. Mark coefficient determination is between zero and one. A small R^2 value indicates that the ability of the independent variables to explain the dependent variable is very limited . And if the R^2 value is close to one, it means that the independent variables have almost all the information needed to predict the dependent variable (Ghozali, 2016).

Simultaneous Significance Test (F Statistical Test)

Independent variables included in the model have a joint or simultaneous influence on the dependent variable . The f test is also useful to determine whether the model used is fit to predict the dependent variable (Y). The basis for decision making in this test is to look at the significance value F in the output of the regression results, where if the significance value obtained is <0.05 ($\alpha = 5\%$) then the regression model can be used to predict the dependent variable which indicates that all independent variables together have an effect on the dependent variable or in words other hypotheses are accepted (Ghozali, 2016).

Individual Parameter Significance Test (Statistical Test t)

Testing This used For prove its significance on the influence of individual independent variables in explaining the dependent variable. By level of significance of 5% (0.05), then the testing criteria are as follows (Ghozali, 2016):
1. If mark significance t < 0.05, so Ho will rejected, This means that there is a significant influence between all independent variables on the variable dependent.
2. If the significance value of t> 0.05, then Ho will be accepted, meaning that there is no significant influence between all independent variables on the variable dependent.

RESULT AND DISCUSSION

Table 1.
Descriptive Statistics

Variable	N	Mean	Std. Deviation	Min	Max
CAR	228	16.24	5,524	1.63	36.70
SIZE	228	18.46	3,710	11.82	28.39
LIQUIDITY	228	1,967	1.50085	0.12	7.61
F.P	228	0.010	0.0234	-0.10	0.089

Based on Table 1, it can be described that the number of samples (N) is 228 companies. For the CAR (Capital Adequacy Ratio) variable , the minimum value is 1.63, the maximum value is 36.70, with an average value of 16.24 and a standard deviation of 5,524. For the Company Size variable, the minimum value is 11.82, the maximum value is 28.39, with an average value of 18.46 and a standard deviation of 3.71. For the Liquidity Variable, the minimum value is 0.12, the maximum value is 7.61, with an average value of 1.96 and a standard deviation of 1.50. For the Financial Performance variable , the minimum value is -0.10, the maximum value is 0.089, with an average value of 0.010 and a standard deviation of 0.02.

Goodness of Fit Test

Table 2.
Coefficient of Determination Test

Model	R	R square	Adjusted R Square
1	0.321	0.103	0.079

Based on the tests carried out, it was obtained that the R square value was 10.3%, meaning that the independent variables consisting of CAR, Company Size and liquidity influenced the dependent variable, namely Financial Performance. The remaining 89.7% is influenced by other variables.

Table 3.

Model	Sum of Squares	df	Mean Square	F	Sig
1 Regression	0.013	6	0.002	4,246	0,000 [b]
Residual	0.112	221	0.001		
Total	0.125	227			

a. Dependent Variable: FP

b. Predictors: (Constant) :CAR, SIZE, LIQUIDITY, LEVERAGE, PROFITABILITY, MULTINATIONALITY

Based on the results in table , it shows that the significant value is 0.000. This shows that this research model is feasible or fit for research.

Table 4.
Individual Test

	Coefficient	p -statistic
Constant	-0.011	0.272
CAR	0.001	0.001
SIZE	0.001	0.182
LIQUIDITY	0,000	0.654
LEVERAGE	0.004	0.419
PROFITABILITY	-1,706	0.001
MULTINATIONALITY	-0.07	0.028
R^2		0.103
ΔR^2		0.079
n		228

Table 5.
Moderate Regression Analysis Test Results

	Coefficient	p -statistic
Constant	-0.043	0.201
CAR	0.003	0.005
SIZE	4.3650	0.976
LIQUIDITY	0.002	0.610
LEVERAGE	0.004	0.386
PROFITABILITY	-1.74	0.001
MULTINATIONALITY	-0.06	0.064
SB	0.047	0.346
CAR_SB	-0.03	0.044
SIZE_SB	0.001	0.729
LIQUIDITY-SB	-0.04	0.511
R^2		0.127
ΔR^2		0.086
N		228

The influence of CAR on Financial Performance

The CAR significance value is 0.05. This means 0.005 < 0.05. So hypothesis 1 is not rejected, CAR has an effect on Financial Performance. CAR, which is proxied by (Capital: RWA) x 100%, has a positive effect on financial performance. Companies that have a high CAR or sufficient funds will increase their financial performance . This research is supported by research by Suwarno et all (2018) where the CAR value has a positive coefficient value. Based on the test, it can be concluded that the higher the capital adequacy level (CAR) of a bank, the more it will be a benchmark for bank management in gaining profits and measuring the bank's financial performance.

The Influence of Company Size on Financial Performance

The significance value of Company Size is 0.976 . This means 0.976 > 0.05. So hypothesis 2 is rejected. Company size (Size) does not have a significant effect on Financial Performance .Company size as proxied by the log of Total Assets provides evidence that size does not influence financial performance . This is not in line with research by Arisandi and Mimba (2021) that the size of a manufacturing company influences the profits generated by the company. The results of this research are in line with or supported by Nugrahawati and Suwarno (2019). The research results show that the size of the company has no effect on financial performance. There is no influence of company size on financial performance because small or large companies have a tendency or will face varying external pressures so it cannot be determined that large companies have a tendency to have greater external pressures than small companies.

The Influence of Liquidity on Financial Performance

The significance value of Liquidity is 0.610 . This means 0.610 > 0.05. So hypothesis 3 is rejected. Liquidity has no effect on Financial Performance . Liquidity is proxied by the current ratio measure. This research is supported by research by Ariadi and Sundari (2024) which states that liquidity has no influence on financial performance. Companies that have large or small liquidity values will not have a big impact on the company's financial performance and the company will not necessarily experience financial problems . This research is not in line with research by Septhina (2015) and Arisandi and Mimba (2021).

The quality of the Sharia Board moderates the influence of CAR on Financial Performance

Based on the results of statistical testing, the Quality of the Sharia Board can strengthen the influence of CAR on Financial Performance with a significance value of 0.004

The quality of the Sharia Board moderates the influence of company size on financial performance

Based on the results of statistical testing, the Sharia Board Quality cannot strengthen the influence of Company Size on Financial Performance with a significance value of 0.729

The quality of the Sharia Board can moderate the influence of liquidity on financial performance

Based on the results of statistical testing, the Sharia Board Quality cannot strengthen the influence of Liquidity on Financial Performance with a significance value of 0.511

Effect of Control Variables

Meanwhile, the control variable Leverage has a significance value of 0.386. This significance value is greater than 0.05, so Leverage has no effect on Financial Performance . For the profitability control variable, it has a significance value of 0.001. The significance value is 0.001 <0.005, so it can be concluded that it has an effect on Financial Performance . The Multinationality variable has a significance value of 0.064, this value is smaller than 0.05, meaning that Multinationality has no effect on financial performance .

CONCLUSION

This study shows that Capital Adequacy Ratio (CAR) has a significant positive effect on bank financial performance, while company size and liquidity do not have a significant effect. In addition, the quality of the Sharia Board serves as a moderating variable that strengthens the effect of CAR on financial performance. These results indicate the importance of maintaining capital adequacy levels to improve bank performance, especially in the context of Islamic banking in Asia. The limitations of this study include the use of secondary data that only covers 76 banks during the 2020-2022 period, so the results may not be fully generalizable to the entire population of Islamic banks in Asia. In addition, other variables that can affect financial performance, such as macroeconomic factors and government policies, are not taken into account in this analysis. From the existing limitations, it is recommended for further research to explore other variables that may affect the financial performance of Islamic banks, such as macroeconomic factors and government policies. In addition, future research should expand the scope of the sample by including more banks from various countries and a longer time period, so that the results obtained can be more representative and provide deeper insights into the dynamics of the financial performance of Islamic banks in Asia.

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