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Comparative Analysis of the Financial Performance of Islamic Banking in Indonesia and Malaysia During the Covid-19 Pandemic

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ABSTRACT

This study aims to compare the financial performance of Islamic banking in Indonesia and Malaysia before and during the COVID-19 pandemic. The data analysis technique used is the independent sample t-test. The variables used include NPF (Non-Performing Financing), FDR (Financing to Deposit Ratio), ROA (Return on Assets), ROE (Return on Equity), CAR (Capital Adequacy Ratio), and BOPO (Operating Expenses to Operating Income) sourced from the Islamic banking performance reports published by the financial authorities of each country before and during the COVID-19 pandemic from 2018 to 2021. The results indicate that for Islamic banking in Indonesia, there is a significant difference in the CAR variable before and during COVID-19, with the CAR value increasing during the pandemic compared to before the pandemic. However, for the variables NPF, FDR, ROA, ROE, and BOPO, there were no significant differences before and during COVID-19. In contrast, for Islamic banking in Malaysia, there is a significant difference in the BOPO variable before and after the COVID-19 pandemic, with BOPO increasing compared to before COVID-19. Meanwhile, for the variables NPF, FDR, ROA, ROE, and CAR, there were no significant differences before and during COVID-19 in Malaysian Islamic banks. Additionally, there are significant differences in the performance of Islamic banking between Indonesia and Malaysia, except for the NPF variable, during the 2018-2021 period.

Keywords: Covid 19 Pandemic, Financial Performance, Islamic Banking, Indonesia, Malaysia

INTRODUCTION

The emergence of the COVID-19 pandemic has had significant impacts on health, leading to an increase in mortality worldwide, rising unemployment, business failures, and changes in social habits among communities. Global confirmed cases reached 537 million, with 6.3 million deaths worldwide (World Health Organization, 2022). Governments worldwide have implemented various crisis response policies to mitigate the worst economic and social impacts that may occur, including mobility restrictions and lockdowns, rapidly leading to a global economic crisis (World Bank, 2022). Almost every country has been affected by the COVID-19 pandemic. The impact of the pandemic will be more persistent and severe for developing and poorer countries. This can be seen from the ability of developed countries to recover more quickly from the global per capita income downturn in 2021 compared to developing and poorer countries (World Bank, 2022).

World economic growth showed a significant decline in 2020. The economic growth of developed countries recorded -4.6%, while developing countries experienced a contraction of -1.6% (World Bank, 2022). Indonesia's economy also contracted by -2.0% in 2020 due to the pandemic (Central Statistics Agency, 2020). The international Islamic economy has experienced significant development in recent years, especially in countries with Muslim-majority populations. One of the main drivers of the Islamic economy is the growth of the Muslim population, which is estimated to reach 2.2 billion by 2030. Additionally, other drivers include the increase in GDP per capita of Muslims, forecasted to rise to 4.3% in 2024, the growing importance of practicing religion, increasing digital connectivity, and Muslim consumers being willing to pay more for halal products (State of The Global Islamic Economic Report, 2019/2020).

Malaysia and Indonesia are Muslim-majority countries that have experienced significant growth in Islamic economics, with both being leading countries in this field. They are among the top countries in the development of the Islamic economy. Indonesia has risen to the second rank after Malaysia, having previously

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held the fifth position in 2019. The development of Indonesia's Islamic financial industry is supported by the government's Sharia financial master plan, which is backed by indicators of knowledge and awareness of Islamic economics. The increase in these indicators is driven by the provision of Islamic economics education, the production of numerous Islamic economics research, and the organization of events related to Islamic economics (Islamic Finance Development Indicator, 2020).

Indonesia and Malaysia, as two countries with Muslim-majority populations, rely heavily on the Islamic banking sector. With Muslim populations of approximately 231 million and 20.1 million people respectively (World Population Review, 2024), these two countries play a significant role in the global Muslim community. In addition to the continued growth of Islamic economics in 2020, the COVID-19 pandemic has also had a significant impact on Sharia finance. COVID-19 has led to a decrease in aggregate demand, and other negative impacts include on small and medium enterprises (SMEs) in terms of cash flow, profit decline, and short-term financing obligations that need to be met. SMEs have a larger exposure to Sharia financial institutions, especially in Asia (Finance Development Report, 2020).

Islamic banking plays a vital role in the economies of Indonesia and Malaysia by enhancing financial inclusion, promoting economic stability, and fostering sustainable growth. By providing Sharia-compliant financial services, it allows segments of the population that adhere to Islamic principles to access banking facilities. The prohibition of interest and speculative activities, along with risk-sharing mechanisms, contribute to financial stability and reduce market volatility. Islamic banking channels funds into the real sector, boosting productive investments and job creation. It also supports infrastructure development through Sharia-compliant financing methods like sukuk, enriching the financial system with diverse products. Additionally, Islamic banking emphasizes ethical practices, supporting SMEs and social projects that aim to alleviate poverty and promote inclusive economic development. Through these contributions, Islamic banking significantly enhances economic resilience and fosters trust and adherence to Sharia principles within the financial sector.

Performance is one of the measures of a company's success in conducting its business activities. Performance helps companies evaluate the efficiency and effectiveness of their operations over a specific period. Company performance can be influenced by internal and external factors. Currently, the COVID-19 pandemic, which has spread worldwide, has had a significant impact on the global economy. Research on the impact of COVID-19 on Islamic banking currently indicates that COVID-19 negatively affects several financial performance indicators of Sharia banks (Wijanan and Widnyana, 2022; Fajrin et al., 2022). Based on statistical data on Sharia banking in Indonesia during the COVID pandemic years 2019-2021, it is evident that non-performing financing (NPF) in Sharia commercial banks in Indonesia increased, with NPF recorded at a 44% increase in 2020 and a further 3% increase in 2021.

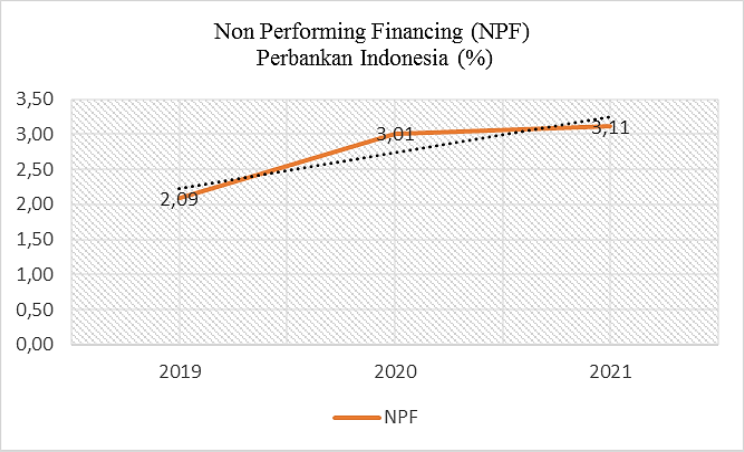

Figure 1 Graph of NPF of sharia commercial banks in Indonesia
Source: Sharia Banking Statistics (2019-2021)

The profitability performance (ROA) of Islamic banks in Indonesia from 2019 to 2021 shows fluctuating figures and indicates a declining profitability trend. In 2020, the performance of Islamic banks in generating

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profits recorded a decrease of 11% compared to 2019, but then improved in 2021 with a 3% increase in profitability.

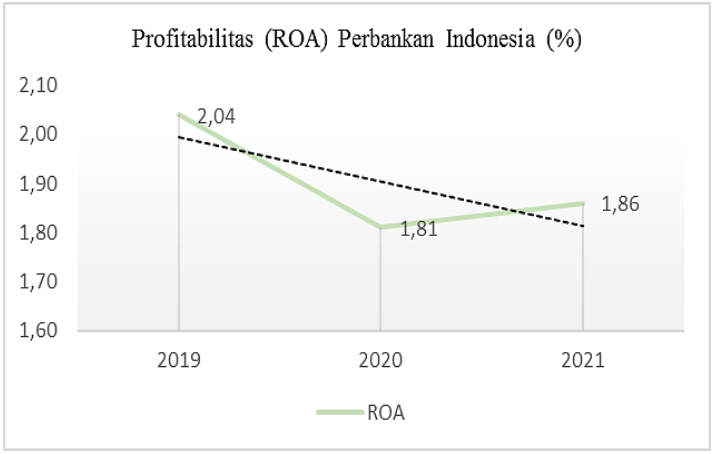

Figure 2 Profitability performance (ROA) of sharia banking in Indonesia
Source: Sharia Banking Statistics (2019-2021)

Determinants that have a positive and significant impact on bank profitability include CAR (Capital Adequacy Ratio), BOPO (Operating Expenses to Operating Income Ratio), and FDR (Loan to Deposit Ratio). Meanwhile, non-performing financing (NPF) has a significant negative impact on the profitability of Islamic banking (Ichsan et al., 2021). Consistent with the findings of Handayani et al. (2021), who analyzed the performance of Islamic banks before the COVID-19 pandemic, it was shown that CAR, BOPO, and FDR have a positive and significant impact on the Return on Assets (ROA) of Islamic banks, while NPF has a significant negative impact on the ROA of Islamic banks before COVID-19.

Research conducted by Sutrisno et al. (2020) found that COVID-19 has a significant negative impact on the profitability of Islamic banking, measured by Return on Equity (ROE). However, the financing risk measured by NPF during the COVID-19 pandemic did not show significant differences between before and during COVID-19. The findings of Fajri et al. (2022) also support this, showing that COVID-19 has a negative impact on the profitability of Islamic banks in Indonesia during the COVID-19 pandemic.

However, there are some findings suggesting that the COVID-19 pandemic has had a comparatively milder impact on Islamic banking compared to conventional banking. Wijanan and Widnyana (2022) found that while COVID-19 has impacted both conventional and Islamic banks positively, Islamic banks are perceived to be less affected than conventional banks. Other findings indicate that the COVID-19 pandemic has negatively affected liquidity, profitability, and non-performing financing (NPF) risk in Islamic banks. Meanwhile, in conventional banks, COVID-19 has negatively affected liquidity, profitability, non-performing loans, lending, and net interest margin. Research by Rashid A et al. (2017) suggests that Islamic banks are more stable during periods of panic compared to conventional banks.

According to Elhanas et al. (2021), who analyzed the impact of COVID-19 on banking in 116 countries, COVID-19 has had a negative and significant impact on the entire operational system of banking, including Islamic banking, which has also been affected negatively by the COVID-19 pandemic. In general, COVID-19 has had a negative effect on bank profitability, but this effect is much lower for Islamic banks compared to conventional banks. Similar findings were reported by Fakhri and Darmawan (2021), stating that Islamic banks are more resilient to the effects of the COVID-19 pandemic.

Findings from T.DQ. Le et al. (2021) reveal that income diversification of Islamic banks such as through sukuk can reduce the adverse impact of the COVID-19 pandemic on the profitability of Islamic banks. Shear and Ashraf (2022) also found that in the stock market, shares of Islamic banks exhibit better resilience compared to shares of conventional banks during the COVID-19 period. This is consistent with the research by Almonifi et al. (2021), which found that Islamic banks are able to mitigate financial and economic risks associated with crises. Nugroho et al. (2020) conducted stress tests on Islamic banks in Indonesia during the COVID-19 pandemic, showing that under mild and moderate economic scenario simulations, Islamic banking could still withstand the

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challenges. However, in the worst-case scenario where COVID-19 persists, and economic growth reaches 0% with a exchange rate of Rp20,000, it would negatively impact the profitability of Islamic banks and increase non-performing financing (NPF) and financing disbursements.

Previous research on the impact of COVID-19 on banking concludes that it has had a negative impact on Islamic banking. However, the extent of this impact needs further examination, especially regarding its effects on Islamic banks in Indonesia and Malaysia, which are leading countries in Islamic economics. Based on the above description, this study aims to analyze the financial performance of Islamic banks in Indonesia before and during the COVID-19 pandemic, examine the financial performance of Islamic banks in Malaysia before and during the COVID-19 pandemic, and measure the comparison of financial performance of Islamic banks between Indonesia and Malaysia.

LITERATURE REVIEW

Financial performance

Financial performance of a company is used as a tool to measure the development and growth potential of the organization. Although there are many indicators to estimate financial performance, the choice of appropriate ratios depends on the characteristics of the object being studied and the study's objectives (Kim et al., 2021). Financial performance can be measured through various financial ratio measures (Kusumawardani et al., 2021). Devi et al. (2020) explain that financial ratios are values obtained by comparing one item with another in financial statements with relevant and significant relationships. Financial ratio analysis is used to assist in evaluating the financial performance of a company. The use of ratios is considered the most effective way to measure a company's financial performance. Generally, financial performance is based on many indicators referenced in previous literature, and these indicators include:

1) Profitability Ratios

Profitability ratios measure a company's ability to generate profit or measure its efficiency. The most commonly measured profitability ratios are return on assets (ROA) and return on equity (ROE) (Devi et al., 2020).

a. Return on Assets (ROA)

ROA is an indicator used to measure the effectiveness of a company in utilizing its assets or resources. In other words, the purpose of the ROA ratio is to enable bank management to measure their ability to achieve overall profitability. The higher a bank's ROA, the greater the profit it will generate and the better its position in asset utilization (Rivai, 2013:157). This ratio is calculated based on net income after tax and total assets, thereby indicating the productivity of assets in generating profit.

b. Return on Equity (ROE)

ROE stands for Return on Equity and is a profitability ratio used to measure the rate of return on investment for shareholders (Brigham & Houston, 2016:78). ROE reflects a company's ability to generate profit by utilizing its equity. It is known as the return on equity for the company's owners. Equity represents the total net assets of the company. Therefore, ROE evaluates the company's ability to generate profits for shareholders. This ratio is favored by shareholders because high ROE is sought after, indicating that the company's equity is capable of providing net profit. Consequently, more investors are inclined to buy shares in the company (Suwardjono, 2010). According to Harahap (2015: 68), ROE explains the percentage of net profit value with owner's equity. The definition of ROE is interpreted to measure the company's ability to provide profit for its shareholders. This ratio is influenced by the amount of debt a company has, as higher debt levels lead to higher ratios. In essence, ROE functions to explain management's success in maximizing the rate of return to shareholders. The higher this ratio, the higher the rate of return offered to shareholders, and the better the outcome.

2) Capital Adequacy Ratio (CAR)

An indicator of capital adequacy is the Capital Adequacy Ratio (CAR). This ratio assesses the level of capital adequacy by comparing capital to risk-weighted assets. Another definition states that the Capital Adequacy Ratio (CAR) is a measure of capital adequacy that indicates a bank's ability to maintain sufficient capital and the bank management's ability to identify, measure, monitor, and control risks that arise and can affect the size of the bank's capital (Kuncoro and Suhardjono, 2011: 519).

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3) Financing to Deposit Ratio

Financing to Deposit Ratio (FDR) indicates the extent to which a bank can repay withdrawals made by relying on the financing provided as a source of liquidity (Ibrahim, 2019). In other words, the purpose of FDR is to measure the extent to which the provision of financing to customers can offset the bank's obligation to meet the demands of depositors who wish to withdraw funds that the bank has used to provide financing.

4) Operating Expense and Income Ratio

BOPO can be defined as the ratio between total expenses and total operational income, where the ratio is calculated per position (Artha et al., 2022). BOPO is a profitability index used to compare operational costs with operational income, and it can assess the company's ability to manage operational expenses effectively. The higher the operational costs, the poorer the company's control. According to BPS (Statistics Indonesia), if a bank's BOPO ratio decreases from the previous year, the bank's operations will be more efficient. Conversely, if a bank's BOPO ratio increases from year to year, the bank's operational efficiency will decrease.

5) Non-Performing Financing

The banking industry faces significant risks related to the financing it disburses, known as credit risk (Adusei, 2015). Chamberlain and Khokhar (2020) argue that failure to manage credit risk will impact the health of a bank, even affecting the overall health of the banking industry. Poor financing issues in the banking industry are known as non-performing financing (NPF) in Islamic banks or non-performing loans (NPL) in conventional banks. While these terms have similar meanings, NPF is commonly used in discussions of Islamic banks, whereas NPL is more familiar in conventional banks. NPF is defined as the ratio of poor financing to total financing disbursed by Islamic banks. Poor financing refers to loans/financing that have been disbursed to customers by the bank but the customers are unable to repay them, either in full or in installments, including both principal and interest payments or profit-sharing from investments made based on agreements (Ismail, 2010). Five categories of financing quality are assessed based on the customer's ability to repay or make installments. These are performing loans (timely payments), special attention (up to 90 days), substandard (90-180 days), doubtful (180-270 days), and non-performing (more than 270 days). Poor financing categories include substandard, doubtful, and non-performing financing.

Sharia Bank Performance

Financial institutions, particularly banks, play a crucial role in achieving national development goals. Therefore, effective supervision and nurturing are necessary to ensure that banking institutions in Indonesia can function well, be healthy, reasonable, efficient, and capable of channeling funds to the public for various productive sectors to achieve national development goals. According to Indonesian banking regulations stipulated in Law No. 1 of 1998 Article 1 Number 1, banking encompasses everything related to banks and institutions, business activities, and instructions or methods of conducting business activities. Meanwhile, according to Law No. 10 of 1998 Article 1 Number 2, a bank is defined as a business entity aimed at improving the living standards of society, mobilizing funds from the public in the form of deposits to subsequently redistribute them to the public in the form of deposits, loans, or other forms. Furthermore, there are two types of banks in Indonesia, namely conventional banks that operate using interest payments and Islamic banks that operate based on profit-sharing. The presence of Islamic banks alongside conventional banks has a positive influence on society. Conventional banking relies on interest payments, so with the presence of Islamic banking, society may shift towards Islamic banks. The purpose of Islamic banks is to introduce Islamic values into various financial transactions as well as the banking and business industries.

Table 1 Financial Performance of Sharia Banks in Indonesia

Years	ROA %	CAR %	NPF %	BOPO %	FDR %
2011	1,79	16,63	2,52	78,41	88,94
2012	2,14	14,13	2,22	74,97	100,00
2013	2,00	14,42	2,62	78,21	100,32
2014	0,41	16,76	3,01	80,05	86,66
2015	0,49	15,02	4,84	88,03	88,03

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2016	0,63	16,63	4,42	96,22	85,99
2017	0,63	17,91	4,76	94,91	79,61
2018	1,28	20,39	3,26	89,18	78,53
2019	1,73	20,59	3,23	84,85	77,91
2020	1,35	20,41	3,30	86,08	86,08

Source: Otoritas Jasa Keuangan

In the table above, the development of the Islamic banking industry increasingly demonstrates its superiority in strengthening the stability of the national financial system. The ROA value has been quite fluctuating over the past ten years, but in the last five years, the ROA value has continued to increase. Furthermore, the CAR value of Islamic banking has also been consistently increasing from 2016 to 2020. On the other hand, the aspect of financing quality in Islamic banking, represented by the NPF indicator, has shown an increasing trend. In other words, there has been an increase in non-performing financing in Islamic banks. For the BOPO ratio reflecting efficiency levels, Islamic banking has shown an increasingly positive trend in the last five years. The FDR indicator reflecting the ratio of financing to third-party funds is relatively stable. In the last five years, the FDR of Islamic banks has ranged from 78% to 86%. However, these values are still below the ideal threshold for Islamic banks to achieve effective returns.

Sharia Basis

Performance is the result of a work process that has been carried out with good quality considerations and appropriate quantity, so that the results obtained can be maximized. Islam's appreciation of performance is not just allegorical, but it gives tremendous appreciation for performance. Performance is inherent in a human being, as well as one of the identities of human beings, because humans are creatures of Allah who are given intellect where performance must be based on the principles of faith in the oneness of Allah, so that it not only shows nature but can also elevate one's dignity as a servant of Allah.

In the perspective of Islam, the measurement of performance has been explained in the Quran, found in Surah At-Tawbah verse 105:

وَقُلِ اعْمَلُوْا فَسَيَرَى اللّٰهُ عَمَلَكُمْ وَرَسُوْلُهٗ وَالْمُؤْمِنُوْنَۗ وَسَتُرَدُّوْنَ اِلٰى عٰلِمِ الْغَيْبِ وَالشَّهَادَةِ فَيُنَبِّئُكُمْ بِمَا كُنْتُمْ تَعْمَلُوْنَ

It means:

"And say, 'Do [as you will], for Allah will see your deeds, and [so, will] His Messenger and the believers. And you will be returned to the Knower of the unseen and the witnessed, and He will inform you of what you used to do.'"

According to Tafsir Quraish Shihab: "Say to the people, O Messenger of Allah, 'Work, and do not hesitate to do good deeds and fulfill obligations. Indeed, Allah knows all your deeds, and the Messenger of Allah and the believers will witness them. They will weigh them with the scale of faith and testify to those deeds. Then, after death, you will be returned to the Knower of your outward and inward selves, and He will reward you according to your deeds after informing you of everything, small and large, of your deeds.'" (source: www.tafsirrq.com).
In this verse, Allah commands His Messenger to warn his people to repent and cleanse themselves from sins by giving charity, paying Zakat, and performing as many righteous deeds as possible. Additionally, Allah instructs the Messenger to convey to his community that when they perform these righteous deeds, Allah, the Messenger, and the believers will see and evaluate those deeds.

Previous Research

There are several studies related to the impact of COVID-19 on the financial performance of companies, including Islamic banks. Here are the relevant studies to this research topic.

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Table 2 Previous Research

No.	Author	Research Title	Result
1.	(Muhammad & Triharyono, 2019)	*Analysis of Islamic Banking's Financial Performance Before, During and After Global Financial Crisis.*	This study aims to analyze the differences in the financial performance of Islamic banking before, during, and after the global financial crisis. The study employs the CAMEL ratio, consisting of capital, asset quality, management, earnings, and liquidity ratios. The sample comprises Islamic banks in Southeast Asia and East Asia, using secondary data from the financial reports of these Islamic banks before the 2006-2007 crisis, during 2008, and after the 2009-2010 global financial crisis. Hypotheses are tested using ANOVA (analysis of variance).
2.	(Devi et al., 2020)	*The Impact of COVID-19 Pandemic on the Financial Performance of Firms on the Indonesia Stock Exchange.*	The research aims to examine the impact of the COVID-19 pandemic on the financial performance of companies listed on the Indonesia Stock Exchange. The research sample consists of 214 companies proportionally distributed across nine sectors or 49 sub-sectors. Data analysis utilizes the Wilcoxon Signed Rank Test. The results indicate an increase in leverage ratio and short-term activity ratio but a decrease in liquidity ratio and profitability ratio of public companies during the COVID-19 pandemic.
3.	(Mahdi, 2021)	Perbandingan Kinerja Keuangan Perbankan Syariah Indonesia dengan Malaysia.	This study aims to compare the performance of Islamic banking in Indonesia and Malaysia. The variables used for comparison include asset growth, financing, third-party funds, CAR, FDR, LTA, and NPF. The sample in this study consists of aggregate nominal data on the performance of Islamic banking published by the financial authorities of each country. Statistical data analysis utilized an independent sample t-test. The research findings indicate significant differences in CAR, FDR, LTA, and NPF between Islamic banks in Indonesia and Malaysia.

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4.	(Sugiharto et al., 2021)	*Impact of The Covid-19 Pandemic on The Financial Performance of Sharia Commercial Banks: An Empirical Evidence from Indonesia.*	This study was conducted with the aim of determining the impact of economic shocks triggered by the pandemic on the financial performance of Islamic commercial banks in Indonesia. Secondary data obtained from the Financial Services Authority (OJK) were utilized for this research. Dependent sample t-tests were conducted to test the hypotheses proposed. It was revealed that the financial performance of Islamic commercial banks was not fully affected by the COVID-19 pandemic. Three out of seven measures of the bank's financial performance were not significantly affected by the pandemic.
5.	(Gaisani et al., 2021)	*The Effect of Covid-19 on The Financial Performance of Indonesia's Livestock Industry.*	This study aims to analyze the impact of COVID-19 on the financial performance of the poultry industry companies in Indonesia. The sample for this study consists of the broiler chicken farming companies of XYZ Group from September 2019 to August 2020. Financial performance is used as the dependent variable to examine the independent variables' influence on it. The independent variables in this study include leverage, liquidity, income, profitability, company size, and COVID-19. The analytical method used is descriptive analysis with a quantitative approach. In this study, z-score test, regression analysis, and company interviews support the findings. The results indicate indications of financial health issues within the company. COVID-19 does not significantly affect its financial performance, but other factors such as income, profitability, and company size do influence it.

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6.	(Almutairi, 2022)	*COVID-19 and its Impact on the Financial Performance of Kuwaiti Banks: A Comparative Study between Conventional and Islamic Banks.*	This study aims to analyze the impact of COVID-19 on the financial performance of Islamic and conventional banks. Based on this, the current study examines the financial reports of conventional and Islamic banks in Kuwait from 2019 to 2020 and compares the findings to assess the extent of the impact on conventional and Islamic banks in Kuwait during COVID-19. Financial analysis of the financial reports is used as the quantitative methodology, and variables are compared and analyzed, including liquidity ratios, profitability ratios, and financial leverage, across 14 conventional and Islamic banks in Kuwait.

Based on the data from previous research, there are several differences compared to previous studies. For instance, in the study conducted by Muhammad & Triharyono (2019), the aim was to analyze the financial performance of Islamic banking before, during, and after the global financial crisis, while this study aims to analyze financial performance before and during the COVID-19 pandemic. Muhammad & Triharyono (2019) utilized CAMEL ratios, consisting of capital, asset quality, management, earnings, and liquidity ratios, whereas this study compares the financial performance of two countries, Indonesia and Malaysia, using NPF, FDR, ROA, ROE, CAR, and BOPO ratios.

In contrast, Almutairi's study (2022) titled "COVID-19 and its Impact on the Financial Performance of Kuwaiti Banks: A Comparative Study between Conventional and Islamic Banks" aimed to analyze the impact of COVID-19 on the financial performance of Islamic and conventional banks in Kuwait. The difference with this study lies in the research object. Similarly, the study conducted by Mahdi (2021), which also compared the financial performance of Islamic banking in Indonesia and Malaysia, differs in terms of the study period. Mahdi's study only examined financial performance before the COVID-19 pandemic, using financial reports from 2016 to 2019. In contrast, this study analyzes data from 2018 to 2021, encompassing the period before and during the COVID-19 pandemic, to assess whether the pandemic has affected the financial performance of Islamic banking.

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Research Framework

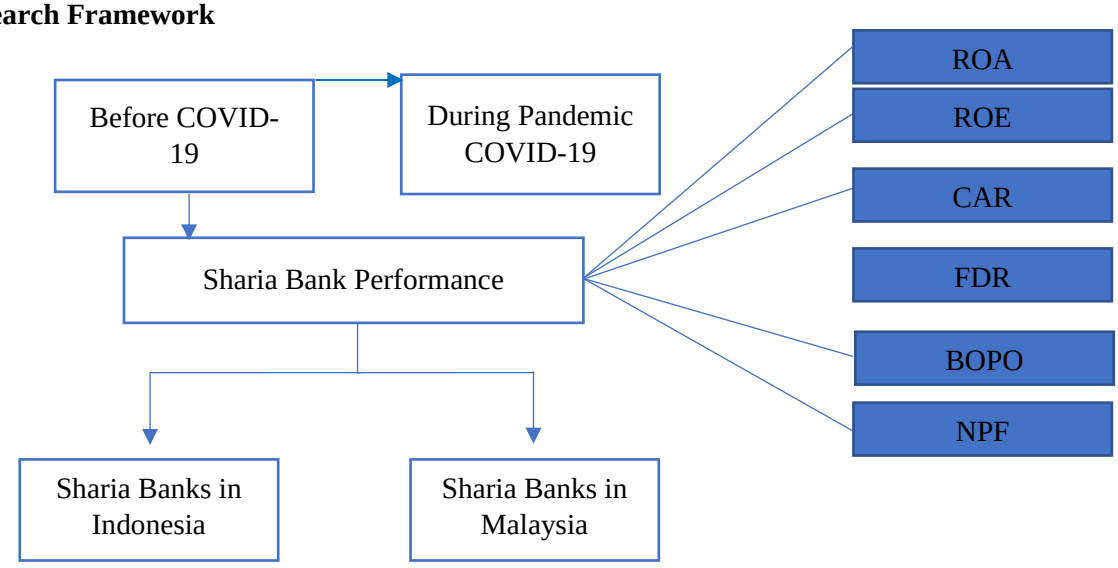

Figure 3 Research Framework

The COVID-19 pandemic has impacted the financial performance of many companies. Sharia banks, in many studies, have shown resilience during economic crises. Therefore, this study aims to examine whether there is an impact of the COVID-19 pandemic on the financial performance of Sharia banks in Indonesia and Malaysia, which are countries with the largest Sharia financial assets. The financial performance of Sharia banks is measured through five financial indicators: ROA, ROE, CAR, FDR, BOPO, and NPF. These indicators are obtained from the calculation of the company's financial statements before and during the COVID-19 pandemic.
H1: There is a significant difference in NPF of Sharia banks in Indonesia and Malaysia before and during the COVID-19 pandemic.
H2: There is a significant difference in FDR of Sharia banks in Indonesia and Malaysia before and during the COVID-19 pandemic.
H3: There is a significant difference in ROA of Sharia banks in Indonesia and Malaysia before and during the COVID-19 pandemic.
H4: There is a significant difference in ROE of Sharia banks in Indonesia and Malaysia before and during the COVID-19 pandemic.
H5: There is a significant difference in CAR of Sharia banks in Indonesia and Malaysia before and during the COVID-19 pandemic.
H6: There is a significant difference in BOPO of Sharia banks in Indonesia and Malaysia before and during the COVID-19 pandemic.

METHOD

This study employs a quantitative approach by applying a comparative method (Sugiyono, 2011). The data used in this research are secondary data in the form of performance reports of Sharia banks before and during the COVID-19 pandemic from 2018 to 2021, collected quarterly. The data source is from the respective OJK websites of each country. The sample of this study consists of 8 Indonesian Sharia banks: Bank Panin Dubai Syariah, BCA Syariah, BTPN Syariah, Bank Victoria Syariah, Bank Aceh, Bank Muamalat, Bank Jabar Banten Syariah (BJBS), Bank Mega Syariah, and 5 Malaysian Sharia banks: Al Rajhi Bank Malaysia, Bank Islam Malaysia (BIM), Bank Muamalat Malaysia, Kuwait Finance House KSC (KFH), Malaysia Building Society Berhad (MBSB). The sample selection is based on the size of the bank and the completeness of financial reports available on the respective country's authority websites. The variables used to measure bank performance are NPF (Non-Performing Financing), FDR (Financing to Deposit Ratio), ROA (Return on Assets), ROE (Return on Equity), BOPO (Operating Expenses to Operating Income), and CAR (Capital Adequacy Ratio). This research is conducted in three stages of data analysis techniques, namely normality test, Paired Sample t-test, and Wilcoxon Sign Test.

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NPF

Non-Performing Financing (NPF) is the ratio of non-performing loans faced by a bank (Adusei, 2015). The lower the NPF, the more favorable it is for the bank, and vice versa. The formula for the NPF ratio is:

NPF Ratio = (Non Performing Financing/ Total Financing)×100%

Table 3 Rank of NPF

Rank	Range	Criteria
Rank 1	NPF < 2%	Very Good
Rank 2	2% ≤ NPF < 5%	Good
Rank 3	5% ≤ NPF < 8%	Fairly good
Rank 4	8% ≤ NPF < 12%	Not very good
Rank 5	NPF ≥ 12%	Not good

Source: The Circular Letter of Bank Indonesia No.6/23/DPNP/2004

FDR

Financing to Deposits Ratio (FDR) is used to assess a bank's liquidity level by considering various factors related to its obligations, including commitment financing and the anticipation of guarantees provided by the bank (Ibrahim, 2019). The formula for FDR is as follows:

FDR = (Total Financing/ Total Deposits)×100%

Explanation:

In Islamic banking, there are no loans; hence, what is known as the Loan to Deposits Ratio (LDR) in conventional banking is referred to as the Financing to Deposits Ratio (FDR) in Islamic banks.

Table 4 Rank of LDR/FDR

Rank	Range	Criteria
Rank 1	50% < LDR ≤ 75%	Very Good
Rank 2	75% < LDR ≤ 85%	Good
Rank 3	85% < LDR ≤ 100%	Fairly good
Rank 4	100% < LDR ≤ 120%	Not very good
Rank 5	LDR > 120%	Not good

Source: The Circular Letter of Bank Indonesia No.6/23/DPNP/2004

ROA

ROA (Return on Assets) is a ratio used to measure a bank's ability to generate overall profit from its assets (Rivai, 2013). The calculation of ROA is done using the following formula:

$$ROA = \frac{Net\ Income}{Total\ assets} \times 100\%$$

Table 5 Rank of ROA

Rank	Range	Criteria
Rank 1	ROA > 1,5 %	Very Good
Rank 2	1,25% < ROA ≤ 1,5%	Good
Rank 3	0,5% < ROA ≤ 1,25%	Fairly good
Rank 4	0% < ROA ≤ 0,5%	Not very good
Rank 5	ROA ≤ 0%	Not good

Source: The Circular Letter of Bank Indonesia No. 13/24/DPNP/2011

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ROE

ROE (Return on Equity) is a measure of a bank's ability to generate profit from its equity (Suwardjono, 2010). The calculation of ROE can be done using the following formula:

$$ROE = \frac{Net\ Income}{Equity\ Capital} \times 100\%$$

Table 6 Rank of ROE

Rank	Range	Criteria
Rank 1	ROE > 15 %	Very Good
Rank 2	12,5% < ROE ≤ 15%	Good
Rank 3	5% < ROE ≤ 12,5%	Fairly good
Rank 4	0% < ROE ≤ 5%	Not very good
Rank 5	ROE ≤ 0%	Not good

Source: The Circular Letter of Bank Indonesia No. 6/23/DPNP/2004

BOPO

BOPO is a ratio used to measure the comparison between operational costs or intermediation costs with the operational income generated by a bank (Artha et al., 2022). The lower this ratio, the more efficient the operational costs incurred by the bank in question, and the smaller the likelihood that the bank will encounter problems. The calculation of BOPO can be done using the following formula:

$$BOPO = (Operating\ Expenses/Operational\ Income) \times 100\%$$

Table 7 Rank of BOPO

Rank	Range	Criteria
Rank 1	BOPO ≤ 94%	Very Good
Rank 2	94% < BOPO ≤ 95%	Good
Rank 3	95% < BOPO ≤ 96%	Fairly good
Rank 4	96% < BOPO ≤ 97%	Not very good
Rank 5	BOPO > 97%	Not good

Source: The Circular Letter of Bank Indonesia No. 6/23/DPNP/2004

CAR

CAR (Capital Adequacy Ratio) is a ratio of a bank's capital adequacy. This ratio can explain the bank's capital adequacy ratio in meeting the minimum capital provisioning obligations (Kuncoro and Suhardjono, 2011). If the CAR is higher, then the capital for financing productive assets will be higher, and the bank's expenses will be lower. The calculation of CAR can be done using the following formula:

$$CAR = (Total\ Capital/Risk\text{-}Weighted\ Assets) \times 100\%$$

Table 8 Rank of CAR

Rank	Range	Criteria
Rank 1	CAR ≥ 12 %	Very Good
Rank 2	9% ≤ CAR < 12%	Good
Rank 3	8% ≤ CAR < 9%	Fairly good
Rank 4	6% ≤ CAR < 8%	Not very good
Rank 5	CAR ≤ 6%	Not good

Source: The Circular Letter of Bank Indonesia No. 6/23.DPNP/2004

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Normality Test

The normality test is conducted using the Shapiro-Wilk test to determine if the sample data follows a normal distribution. If the significance value is greater than 0.05, the data is considered to be normally distributed. However, if the significance value is less than 0.05, the data is considered not to be normally distributed. When the sample data is normally distributed, parametric tests are used for the difference test, specifically referred to as the paired sample t-test. If the data is not normally distributed, nonparametric tests such as the Wilcoxon Sign Test are employed.

Paired Sample t-test

The paired sample t-test is used to test whether the means of two paired samples are different from each other (Santoso, 2010). The procedure for the paired sample t-test is as follows:

1) Formulate the hypothesis. If Ho: μ1 = μ2 (there is no significant difference in financial performance before and after going public). If Ha: μ1 ≠ μ2 (there is a significant difference in financial performance before and after going public).
2) Find the critical t-value using a significance level of α = 0.05 for a two-tailed test, with degrees of freedom (df) = n - 1.
3) Calculate the t-value using the formula:

$$t = \frac{d}{\frac{S_d}{\sqrt{n}}} \quad \text{dimana } S_d = \sqrt{\frac{\sum d^2 - \frac{(\sum d)^2}{n}}{n-1}}$$

Note:
D = difference between x1 and x2 n = number of samples Sd = Standard deviation.

4) Conduct a significance test by comparing the calculated t-value with the t-table.
5) Decision criteria. If sig. < 0.05, then H0 is rejected and H1 is accepted. If sig. > 0.05, then H0 is accepted and H1 is rejected.

Wilcoxon Sign Test

The non-parametric test or Wilcoxon signed-rank test is used to analyze data from related groups, including cases before and after the same subjects are observed in two different conditions (Santoso, 2010).

The steps of the Wilcoxon test are as follows:

1) Determine the hypothesis. If Ho: μ1 = μ2 (there is no difference before and after the condition). If Ha: μ1 ≠ μ2 (there is a difference before and after the condition).
2) Determine the significance level α = 5% (0.05).
3) Critical region, which is the area or region of rejecting H0.
   P value (sig) > α = H0 accepted
   P value (sig) < α = H0 rejected
4) Perform the formula test

$$Z = \frac{T - \left(\frac{1}{4N(N+1)}\right)}{\frac{1}{24N(N+1)(2N+1)}}$$

Note:

N is the number of data points that change after being subjected to different treatments. T is the sum of the ranks of positive differences (if the sum of positive differences is greater than the sum of negative differences) or the sum of ranks of negative differences (if the sum of negative differences is greater than the sum of positive differences).

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RESEARCH RESULTS AND DISCUSSION

Result

Table 9 Descriptive Statistics of Financial Performance for All Banks 2018-2021 (in percent)

		Minimum	Maximum	Median	Mean	Std. Deviation
INDONESIA	NPF_I	0.01	5.28	1.71	1.9316	1.51952
	FDR_I	38.33	111.71	81.55	82.1884	14.98148
	ROA_I	0.38	1.92	0.93	0.9908	0.41814
	ROE_I	0.32	2.36	2.63	1.4395	0.57553
	BOPO_I	0	6.46	91.35	3.0147	1.89953
	CAR_I	1.87	2.76	2.205r	2.2329	0.23071
MALAYSIA	NPF_M	0.18	1.71	0.81	0.895	0.38963
	FDR_M	0.49	11.62	6.895	8.2435	3.70119
	ROA_M	1.6	2.97	2.420	2.3427	0.41884
	ROE_M	12.09	34.5	25.14	24.4354	7.07519
	BOPO_M	12.5	64.3	37.75	35.6	15.20832
	CAR_M	10.21	17.25	14.6685	14.2591	2.08047

NPF

Based on the descriptive analysis, it is observed that the minimum value of NPF is 0.01, which is found in Bank BCA Syariah from 2020 to 2021. This indicates that Bank BCA Syariah has a lower risk value compared to others. This is possibly because Bank BCA Syariah is still affiliated with the conventional Bank BCA, resulting in fewer non-performing financing risks. This also categorizes it as very good compared to other Shariah banks available currently.

Looking at its highest value, it is known that the highest NPF value is 5.28, which is held by Bank BJB Syariah in 2020. This could be due to the acceptance of housing financing for buildings that are yet to be or are already under construction, which may not be able to fully repay the financing. Additionally, it is possible that there is a decrease in community income from before, resulting in many individuals being unable to pay on time. However, this figure still falls within the good category in terms of NPF ranking. Looking at its average, it is at 1.93, indicating a considerable range between 0.01 and 5.28. However, when compared to the standard deviation, this suggests that the data is well-distributed normally and spreads evenly.

Meanwhile, from Malaysia, it is known that the NPF values have the lowest and highest values of 0.18 and 1.71. The lowest value is found in MBSB Bank, indicating it has a very good rating. The highest value is at MBSB Bank in 2020, but this value still falls within the very good category, and it is possible that MBSB Bank was affected by COVID, resulting in a higher NPF value compared to the following years. Comparing the average value to the standard deviation, it has a smaller value, indicating that the NPF data is distributed normally and evenly.

FDR

From the FDR, it is known that the highest FDR value is 111.71 and the lowest is 38.33. The highest value is found at Bank Panin Dubai Syariah in 2020. This indicates a poor potential for non-performing loans in this bank. Meanwhile, the lowest value is obtained by Bank Muamalat in 2021, at 38.33. It can be assumed that the management of non-performing financing at Bank Muamalat in 2021 is very good. Furthermore, looking at the average value and standard deviation, the data spread in FDR is distributed normally. For the Malaysian banks, it is known that the minimum and maximum values are 0.49 and 11.62 respectively. The banks with these values are Al-Rajhi in 2021 and MBSB in 2021. It is noted that the average value is greater than the standard deviation, indicating that the FDR values are normally distributed.

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ROA

The ROA values are known to have the highest value of 1.92 and the lowest value of 0.38. The highest value is found at BTPN Syariah in 2019. This indicates the profitability obtained from the assets owned by BTPN Syariah in 2019 is ranked 1 or very good in managing its profits. On the other hand, the lowest value is achieved by Bank Muamalat in 2021. Muamalat has a less favorable ROA in asset management, thus generating less profit for the bank. Looking at the standard deviation, with an average value of 0.4, it indicates that the data is evenly distributed. In Malaysia, the highest ROA value is 2.97 and the lowest is 1.6. The bank with the lowest ROA value is MBSB in 2020, while the highest value is obtained by Al-Rajhi in 2019. The comparison of the average ROA values with the standard deviation, which is larger, indicates that the data has a normal distribution.

ROE

The ROE values have a highest value of 2.36, held by Bank BTPN Syariah from 2018 to 2019, and a lowest value of 0.32 achieved by Bank Panin Dubai in 2020. The ROE for both banks with the highest and lowest values are still in the less favorable category, indicating that the banks have not optimized their profitability from equity. The average value of the data is 0.99, while the standard deviation value indicates that the data is normally distributed because it is lower than the standard deviation value, which is 0.57. In Malaysia, the ROE values have a minimum value of 12.09 and a maximum value of 34.5. With these ROE values, it shows that the banks have very good criteria in equity management (4.9). The highest value is from Bank BIM and the lowest value is obtained from Bank MBSB. The average value is larger than the standard deviation value, indicating that the data is evenly distributed.

BOPO

The calculation of BOPO shows that the minimum value for Sharia banks in Indonesia is 0 and the maximum value is 6.46. The minimum value, observed at Bank Victoria Syariah in 2019, with a BOPO value of 97.74%, indicates a high level of expenses, suggesting that Bank Victoria Syariah has significantly lower operational efficiency than it should. On the other hand, the maximum value is obtained by BTPN Syariah in 2019 with a value of 58.07. This indicates that BTPN Syariah has very good operational efficiency, with minimal potential for internal bank problems. The average value of BOPO is 3.014, with the closest BOPO value to this being 3.33 with a BOPO value of 88.73. This indicates that the average of the existing data has very good criteria in operational efficiency. Furthermore, the standard deviation value is lower than the average value, indicating that the BOPO value is classified as normally distributed data. In Malaysia, the lowest BOPO value is 12.5 and the highest is 64.3, obtained at Bank MBSB in 2019 and Al-Rajhi in 2020, respectively. These BOPO values are considered very good as they are below 94%. When comparing the average value with the standard deviation, it shows that the data is normally distributed.

CAR

The descriptive analysis of CAR reveals a maximum value of 2.76% and a minimum value of 1.87%. The maximum value is obtained from BTPN Syariah, while the minimum value is observed at Bank Muamalat. Both the maximum and minimum values of Sharia banks rank below 5, indicating a less favorable criterion as they are below 6%. When comparing the average value with the standard deviation, the standard deviation value is smaller than the average value, indicating a normal distribution of the data. In Malaysia, the minimum and maximum CAR values are 10.21% and 17.25%, respectively. The value of 17.25% is obtained from Bank Muamalat in 2019, while the value of 10.21% is obtained by Al Rajhi in 2021. Looking at the average, it is noted that the standard deviation value is normally distributed.

Normality Test Results

The normality test was conducted using the Kolmogorov-Smirnov test due to the variables showing non-normality when using the Shapiro-Wilk test.

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Table 10 Normality Test Results

	INDONESIA	MALAYSIA
NPF	0,96	0,200
FDR	0,200	0,126
ROA	0,200	0,200
ROE	0,174	0,200
BOPO	0,200	0,200
CAR	0,08	0,200

The values for the normality test for Shariah banks in Indonesia, namely NPF, FDR, ROA, ROE, BOPO, and CAR, are 0.96, 0.200, 0.200, 0.174, 0.200, and 0.08, respectively, indicating that they exceed 0.05. Similarly, for Malaysia, the normality test results show values greater than 0.05, indicating that the variables in the data are normally distributed.

Hypothesis test

The hypothesis testing in this research uses the Wilcoxon test or Difference Test. In the Wilcoxon test, there are two stages to determine the difference between the period before the occurrence of COVID-19 and during COVID-19. The first stage involves using the Independent Sample T-test to determine whether there is a difference between the pre-COVID-19 period and the during COVID-19 period. This can be compared by examining the average values of each variable to identify any differences before and during COVID-19, indicating a decrease or increase after the phenomenon occurs. Then, the Paired Sample T-test is used to determine the comparison values for each variable. By comparing the calculated t-value with the t-table and examining the significance level of the variables being compared. The overall results of the hypothesis testing are as follows:

Table 11 Overall Hypothesis Test Results

Data	Information	Indonesia	Malaysia	Wilcoxon test statistics	P- Value
NPF	All Periode	1.4869	0.8950	0.166	1,458
	Before Covid	2.0706	0,9825		
	During Covid	1.7925	0,875		
	Wilcoxon test statistics	0.446	0.366		
	P-Value	0.782	0,967		
FDR	All Periode	89.4944	6.5625	0.000	27,822
	Before Covid	85.8869	5.4968		
	During Covid	78.49	7,628		
	Wilcoxon test statistics	0.069	0.190		
	P-Value	1,961	-1,453		
ROA	All Periode	1.0716	2.3386	0.000	-8,544
	Before Covid	0.9850	2.4145		
	During Covid	0,9970	2.2710		
	Wilcoxon test statistics	0.905	0.383		
	P-Value	0,122	0,930		
ROE	All Periode	1.4298	24.7837	0.000	-13,688
	Before Covid	1.4558	24.8555		
	During Covid	1.4207	24,0153		

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	Wilcoxon test statistics	0.464	0.611		
	P-Value	0,754	0,533		
CAR	All Periode	2.3800	14.2591	0.000	-8,291
	Before Covid	2.1498	15.0892		
	During Covid	2.3159	13.6366		
	Wilcoxon test statistics	0.000	0.413		
	P-Value	-5,639	0,8994		
BOPO	All Periode	3.3504	33.9000	0.000	-21,617
	Before Covid	3.2915	40.7500		
	During Covid	2.7552	29.7143		
	Wilcoxon test statistics	0.186	0.002		
	P-Value	-1,391	-5,510		

NPF

The average NPF values in Indonesia and Malaysia are significantly different. Looking at the averages, there is a notable difference in Indonesia, showing a significant change from before 2020 to during the COVID-19 period. Similarly, in Malaysian Islamic banks, there is also a significant difference between before and during COVID-19. However, both show a common trend of decline during COVID-19 compared to before COVID-19. The comparison between NPF in Islamic banking in Indonesia and Malaysia reveals values of 1.48 and 0.89, respectively. However, considering the significance level exceeding 0.05, it indicates no significant difference between NPF in Islamic banking in Indonesia and Malaysia from 2018 to 2021. This finding aligns with a study by Hilman (2020), which found a significant difference between Islamic banks in Indonesia and Malaysia in terms of the NPF ratio. However, it contradicts the findings of another study by Irsyad (2020), which reported a significant difference in the NPF ratio between Islamic banks in Indonesia and Malaysia.

In Indonesian Islamic banks, the average NPF values do not differ significantly between before and during COVID-19, with values of 2.070 and 1.792, respectively. Furthermore, it is observed that the calculated t-value is smaller than the critical t-value of 1.76 (at a significance level of 0.05). This indicates that the hypothesis assumption regarding NPF cannot prove the existence of a difference between before and during COVID-19. Considering the significance value of NPF in Indonesian Islamic banks at 0.446 > 0.05, it indicates that the difference in the variable is not statistically significant during COVID-19. Similar research was conducted by Pringgabayu et al. (2021), stating that there is no statistically significant difference in the NPF value of Bank Muamalat either before or during the Covid-19 pandemic. This could be due to the influence of inflation. Another similar study is by Ilhami and Thamrin (2021), explaining that the impact of Covid-19 does not significantly affect the financial performance of Islamic banking in terms of the NPF ratio.

Meanwhile, the average NPF values in Malaysian Islamic banks show minimal difference between before and during COVID-19, with values of 0.9825 and 0.875, respectively. It is observed that the calculated t-value is smaller than the critical t-value of 1.860. The calculated t-value is 0.967, indicating a difference in NPF values before and during COVID-19. Research findings consistent with this are from Sofyan (2019), but they contrast with the studies by Zulvia (2020) and Rismanty (2022).

FDR

Based on the average values before and during COVID, it is evident that the FDR values in Islamic banks in Indonesia have decreased. On the other hand, the FDR values in Malaysian Islamic banks show differences. This indicates that COVID has had a significant impact on the FDR values of Malaysian Islamic banks. The Wilcoxon test results show a significance value of 0.069. With a significant comparison in Indonesian Islamic banks of 1.76, this indicates that there is no significant difference in FDR values before and after COVID. From the average values, it is found that the average value is 85.88, while during COVID-19, there is a decrease in the average to 78.49. However, this decrease is not significant as observed from the t-table (1.76), which is greater than the calculated t-value. Moreover, the significance value greater than 0.05 indicates no difference in FDR values before and during COVID in Indonesia. Meanwhile, the average FDR values in Malaysia before and

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during COVID-19 are 5.496 and 7.628, respectively. The t-value (-1.453) is smaller than the t-table value (1.860), indicating that the assumption of the FDR hypothesis cannot confirm the difference between before COVID-19 and after COVID-19. Similar studies, such as that by Rismanty (2022), demonstrate no significant difference in FDR. Another supporting study is by Silvia (2020).

ROA

Based on the average values before and during COVID, it is observed that the ROA values remain almost the same. This indicates that the ROA values in Indonesian companies may not have changed compared to before. Similarly, although there is a decrease in the average ROA values in Malaysia, the decrease is not significant between before and during COVID-19. The significance test for ROA in Indonesia yields a significance value of 0.905, which is greater than 0.05, indicating no difference between before and during COVID-19. The average value is found to be 1.0035, while during COVID-19, there is a slight decrease to 0.9970. The calculated t-value (0.122) is greater than the t-table value (1.76), indicating no difference in the ROA variable of Islamic banks in Indonesia. Another study that supports the finding that ROA has no difference is by Pandiangan et al. (2022). Meanwhile, the average ROA values in Malaysia before and during COVID-19 are 2.4145 and 2.2710 respectively, indicating a slight decrease compared to before. The calculated t-value (0.930) is still lower than the t-table value (1.895). The significance value is 0.383, which is greater than 0.05, leading to the conclusion that there is no significant difference between during and before COVID-19 periods.

ROE

From the ROE values, it is observed that the average values in Islamic banking in Indonesia and Malaysia are relatively close percentage-wise. The comparison between the averages before and during COVID-19 shows a slight decrease, although very minimal. The decrease in the averages for both Indonesia and Malaysia indicates a similarity in experiencing a decline during COVID-19 compared to before. The testing results yield average values that are not significantly different before and during COVID-19, with values of 1.45 and 1.42 respectively. The calculated t-value is smaller than the critical t-value of 1.76 (at significance level 0.05), indicating that the hypothesis assumption for ROE cannot be proven to have differences between before and during COVID-19.

Looking at the significance value for ROE in Indonesian Islamic banks, which is 0.446, it is greater than the significance level of 0.05, indicating that differences in the variable are not proven during COVID-19. Meanwhile, the average ROE values in Malaysia before and during COVID-19 are 24.855 and 24.015 respectively. The t-value (0.533) is smaller than the critical t-value, indicating that the hypothesis assumption for ROE cannot be proven to have differences between before and during COVID-19. Based on the significance value of ROE, it is found to be 0.611, which is greater than the significance level of 0.05. This indicates that differences in the variable are not proven to occur during COVID-19. This finding is also consistent with the research conducted by Arafat et al. (2021), where no significant changes in ROE were observed in Malaysian Islamic banks.

CAR

Based on the average values before and during COVID, it is observed that the CAR values are almost the same, indicating that there may not be significant differences in CAR values for banks in Indonesia and Malaysia compared to before. However, Indonesian banks experienced an increase in CAR values, while Islamic banks in Malaysia experienced a decrease. The significance testing for CAR in Indonesia resulted in a significance value of 0.000, with a significant comparison in Indonesia of 1.761. The average value is found to be 2.1498, which increased to 2.3159 during COVID-19. This indicates a significant change during the COVID-19 period, with a significance value smaller than 0.05.

On the other hand, for CAR in Malaysia, the average values before and during COVID-19 are not significantly different, with values of 15.089 and 13.999 respectively. The t-value is greater than the t-table value (1.860) with a significance level of 0.05, indicating that the assumption of CAR hypothesis cannot be proven to have differences between before and during COVID-19. Based on the significance value of CAR at 0.413, which is greater than the significance level of 0.05, it indicates that there is no significant difference in the variable during COVID-19. This result is supported by studies conducted by Mawardi (2004), Mona Abdulillah (2009), and Wibowo, Syaichu (2013), which stated that Capital Adequacy Ratio does not affect the Return on Asset of banks.

BOPO

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Based on the BOPO values, the average values of Islamic banks in Indonesia and Malaysia are significantly different. Both show significant changes from before 2020 to during COVID-19. However, they share a similarity in experiencing an increase during COVID-19 compared to before COVID-19. For Indonesia, the average BOPO values before and during Covid-19 were 2.8432 and 3.2915, respectively. The t-value is smaller than the t-table value (1.680) with a significance of 0.05, indicating that the assumption of the BOPO hypothesis cannot prove differences between before and during COVID-19.

The significance value for BOPO is 0.186, greater than 0.05, indicating that there is no proven difference in the variable during COVID-19. This finding is supported by Pandiangan et al. (2022), stating that there is no difference in BOPO between Indonesia before and after COVID-19. Meanwhile, the average BOPO values in Malaysia before and during COVID-19 were 29.714 and 37.385, respectively. The t-value (-5.5) is smaller than the t-table value (1.860) with a significance of 0.05. This indicates that the observed difference has an opposite effect than expected. The significance value for BOPO is 0.002, indicating that COVID-19 affects the BOPO values of Islamic banks in Malaysia. This result is consistent with Marlina & Suhono (2021) and Yusuf (2020), concluding that there is no difference between BOPO before and during COVID-19.

CONCLUSION

In general, the performance of Islamic banking in Indonesia before and during COVID-19 showed no significant changes in NPF, FDR, ROA, ROE, and BOPO, and continued to operate as usual before the pandemic. However, significant changes were observed in the CAR of Islamic banks in Indonesia before and after COVID-19. Meanwhile, the performance of Islamic banking in Malaysia before and during COVID-19 showed no significant changes in NPF, FDR, ROA, ROE, and CAR, and continued to operate normally. However, significant changes were observed in the BOPO performance in Malaysia, with a significance level of 0.002, indicating significant changes in BOPO performance.

Overall, there are significant differences in financial performance between Indonesia and Malaysia. This difference is evident as indicated by a significance level of 0 in the Wilcoxon test for FDR, ROA, ROE, CAR, and BOPO. However, there was no significant difference in NPF between Indonesia and Malaysia. Therefore, neither country proved to be resilient in facing COVID-19, as changes occurred in both nations. In Indonesia, the change in CAR may be attributed to the inability of banks to recover loans during COVID-19 due to the increase in non-performing loans. In Malaysia, the change in performance was observed in BOPO, possibly due to operational costs not matching the income during COVID-19. Further research recommendations include conducting studies with broader data coverage to analyze the impact of COVID-19 on the performance of Islamic banks in Indonesia and Malaysia. This would provide Islamic banks with insights into the impact of such crises on their performance during crises.

From the research findings, it can be concluded that there are significant differences in the performance of Islamic banks in Indonesia and Malaysia. However, there are several implications that can be drawn for both Islamic banks:

For Bank Syariah Indonesia:

1. It is hoped that they can improve their performance, especially in terms of ROE, where the research results indicate a significant difference between the ROE of Bank Syariah Indonesia and Bank Syariah Malaysia. Furthermore, considering the average ROE, there is also a quite significant comparison, with Bank Syariah Indonesia's average ROE at 8.36 and Bank Syariah Malaysia's at 24.44.
2. The performance of BOPO for Bank Syariah Indonesia is also below that of Bank Syariah Malaysia, with Bank Syariah Indonesia's BOPO at 90.83 compared to Bank Syariah Malaysia's 58.75. There is a significant difference between the performance of BOPO for Bank Syariah Indonesia and Bank Syariah Malaysia. It is hoped that Bank Syariah Indonesia can improve its BOPO performance to become more efficient.

For Bank Syariah Malaysia:

1. Bank Syariah Malaysia experienced a significant decrease in CAR during COVID-19, dropping from 24.75 before COVID-19 to 13.64. This should be a critical concern for Bank Syariah Malaysia regarding the impact of COVID-19 on the CAR ratio of Bank Syariah Malaysia.

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2. Additionally, the CAR ratio for Bank Syariah Malaysia and Bank Syariah Indonesia during the research period shows a significant difference. Therefore, Bank Syariah Malaysia must anticipate a significant decrease in CAR during crises such as COVID-19.

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