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## MODERATION OF THE SHARIA SUPERVISORY BOARD ON THE REFORMANCE OF THE SHARIA LOCAL'S ECONOMIC BANK

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### ABSTRACT :

there is a sharp gap between financing with the principle of profit sharing (PLS) and financing with the principle of buying and selling, namely *murabahab*. It was also found that there was a gap research where some of the findings found that there were inconsistencies in the findings of the effect of profit sharing financing with NPF, ROA and BOPO. Study was to re-examine the influence of Loss Sharing Financing (PLS) on NPF and fundamental financial performance and test whether the role of the Sharia Supervisory Board (DPS) moderates the relationship. Uses a quantitative approach with 40 BPRS in Indonesia with purposive sampling techniques. The analysis techniques used are multiple linear regression, moderation regression and path analysis. Of the study found that Profit Sharing Financing had a significant effect on NPF but did not have a significant effect on ROA and BOPO. The role of DPS, represented by the Level of Control of Financial Statements, Length of Tenure, and Frequency of DPS meetings, also does not moderate the influence between Profit Sharing Financing on ROA and BOPO. NPF does not mediate the influence between Shared Financing (PLS) and ROA and BOPO.

**Key words:** *DPS Performance, Profitability, NPF, Efficiency, BPRS.*

## INTRODUCTION

The presence of Sharia Banking is expected to be a solution to the needs of economic transactions that are in line with Islamic teachings with the prohibition of usury. Sharia Banking offers a profit-sharing system as a substitute for interest in financing and fundraising. Islamic banking offers the achievement of two goals at once in business operationalization, namely *profit oriented* (financial performance) and *halal oriented* (sharia compliance & social performance). Islamic banking guarantees operationalization by preparing a Sharia Supervisory Agency (DPS) whose task is not only to ensure the implementation of sharia principles but also to conduct

financial audits to ensure the achievement of harmonious performance, both financial and social (sharia compliance)<sup>1</sup>.

The amount of profit-sharing financing (*mudharabah and musyarakah*) in Sharia Banking is currently less than financing with the principle of buying and selling through *murabahah* contracts with a margin as compensation that is almost the same as interest, even in practice the same as *riba* if you are not careful in making contracts/contracts. Among the reasons why Banking managers are considering that profit sharing financing (PLS) is considered to have considerable costs and risks which are feared to have an impact on the level of efficiency and high non-performing financing (NPF) so that it will reduce profitability<sup>2</sup>.

One of the most effective and widely used measures of financial performance to see success is the *Return On Asset* (ROA) ratio<sup>3</sup>. The level of efficiency is also considered important to describe the ability to develop and survive in the future, one of the efficiency measuring tools is the comparison between operational costs and operating income (BOPO), the higher the BOPO means that the company is considered less efficient and vice versa.

Previous research has found that the profitability of Islamic banks in Pakistan is lower compared to conventional banks.<sup>4</sup> The same results were also found in a study in an Asian country by Turki Alshammari (2017).<sup>5</sup> also Wafia Sbeiti and Ahmaed alqatan (2021).<sup>6</sup> The results of the same study in Bahrain by Sayel Ramadhan et.al also showed that the profitability level of

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<sup>1</sup> Fatwa DSN-MUI No.2 Tahun 2000 tentang wewenang dan tanggungjawab DPS

<sup>2</sup>Rihfenti Ernayani, Nadi Hernandi Moorcy, Sukimin. “*Faktor faktor yang mempengaruhi Return On Assets (studi pada bank umum syariah di Indonesia tahun 2011-2016)*,”(Jember, 2018),24

<sup>3</sup> Kasmir, *Analisis Laporan Keuangan* (Depok, PT RajaGrafindo Persada,2019). 196

<sup>4</sup> Muhammad Tariq Majeed and Abida Zainab, “A Comparative Analysis of Financial Performance of Islamic Banks Vis-à-Vis Conventional Banks: Evidence from Pakistan,” *ISRA International Journal of Islamic Finance* 13, no. 3 (2021): 331–46, <https://doi.org/10.1108/IJIF-08-2018-0093>.

<sup>5</sup> Turki Alshammari, “Performance Differences between Islamic and Conventional Banking Forms,” *Banks and Bank Systems* 12, no. 3 (2017): 237–46, [https://doi.org/10.21511/bbs.12\(3-1\).2017.08](https://doi.org/10.21511/bbs.12(3-1).2017.08).

<sup>6</sup> Arab Open University, Kuwait. et al., “Islamic Banking Performance Versus Conventional Banking,” *Review of Economics and Finance* 19 (2021): 312–25, <https://doi.org/10.55365/1923.x2021.19.32>.

Islamic banks is lower than that of conventional banks.<sup>7</sup> Even after the crisis, the financial performance of Islamic banks has increased.<sup>8</sup>

Based on the results of previous research which stated that the performance of the feasibility of Islamic banks is relatively lower when compared to conventional banks, it indicates that the amount of financing disbursed is less. Several studies on financing in Islamic banks have been conducted by Moheran Mohd Jaffar et al. (2017), where the amount of profit-sharing financing in Islamic banks has decreased, especially musharakah financing.<sup>9</sup> Financing in Islamic banks is dominated by murabahah financing with the principle of margin and not profit sharing.<sup>10</sup> Mohammad Saifuzzaman & Rosli Mahmood (2023).<sup>11</sup>

Several previous studies have shown that there is a lack of profit-sharing financing (investment) compared to buying and selling financing, namely murabahah. The low level of investment financing in Islamic banks shows the importance of stakeholders thinking about the right strategy to increase financing in general, especially financing for investment or profit sharing. The low profit-sharing financing is because the management is worried that there is a fairly high level of risk in musharakah and mudharabah financing compared to murabahah financing so that it will have an impact on the high level of NPF so that the level of profitability and efficiency is assessed as low compared to conventional banking which does not bear the risk of debtor losses. However, based on the results of research that has been carried out, it turns out that the efficiency level of Islamic banks is higher than conventional banking.<sup>12</sup>

Several studies have examined the relationship between Non-Performing Financing (NPF) and Return on Assets (ROA) in Islamic banking, along with other factors. found that NPF had a positive and significant effect in the long term on ROA. Similarly, Nurman Kholis

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<sup>7</sup> Sayel Ramadhan et al., “Financial Performance of Conventional and Islamic Banks in Bahrain: A Comparative Study,” *Banks and Bank Systems* 14, no. 4 (2019): 192–205, [https://doi.org/10.21511/bbs.14\(4\).2019.18](https://doi.org/10.21511/bbs.14(4).2019.18).

<sup>8</sup> Irma Setyawati et al., “Does Financial Performance of Islamic Banking Is Better? Panel Data Estimation,” *EUROPEAN RESEARCH STUDIES JOURNAL* XX, no. Issue 2A (2017): 592–606, <https://doi.org/10.35808/ersj/661>.

<sup>9</sup> Maheran Mohd Jaffar et al., “Diminishing Musyarakah Investment Model Based on Equity,” 2017, 020003, <https://doi.org/10.1063/1.5012143>.

<sup>10</sup> Mansor Jusoh and Norlin Khalid, “A Model of the Demand for Islamic Banks Debt-Based Financing Instrument,” 2013, 1079–85, <https://doi.org/10.1063/1.4801250>.

<sup>11</sup> Mohammad Saifuzzaman, “A Review of Challenges and Solutions in the Use of Murabaha Products in Islamic Banking,” *International Journal of Research and Innovation in Social Science* VII, no. VII (2023): 906–18, <https://doi.org/10.47772/IJRISS.2023.70770>.

<sup>12</sup> Hussam Musa et al., “Comparison of the Efficiency Measurement of the Conventional and Islamic Banks,” *Oeconomia Copernicana* 11, no. 1 (2020): 29–58, <https://doi.org/10.24136/oc.2020.002>.

& Lintang Kurniawati (2018) reported that NPF has a significant effect on ROA in Islamic banks. However, N. Bakti (2018) observed that NPF has a negative and insignificant effect on financing, which indirectly impacts ROA. Nenda Nurjanah Niode & M. Chabachib (2016) concluded that NPF has a negative and significant effect on ROA. Meanwhile, according to Taufikur Rahman and Dian Safitri, it was found that NPF did not have a significant effect on ROA.<sup>16</sup> The study also investigated other factors that affect ROA, such as GDP, interest rates, Capital Adequacy Ratio (CAR), and Operating Cost Ratio (OER). Meanwhile, the findings regarding NPF have an impact on NPF and other financial indicators to maintain the profitability of Islamic banks.

The Profitability and Efficiency performance represented by ROA and BOPO is often influenced by the level of revenue received as well as the risks that may occur. Banking performance is also influenced by the distribution of funds or nurturing issued and the possibility of the risk of delays and/or congestion in payments or what is often known as non-performing financing (NPF). Meanwhile, Financing at Bank Financial Institutions including the Sharia People's Economic Bank (BPRS) was nominated by PLS with the principle of buying sales, namely *Murabahab*, which in operation is almost the same as the interest rate although it is different because in *murabahab* financing, the compensation received is in the form of profit margin. Meanwhile, financing with the principle of profit sharing itself is still limited in the distribution of funds because it has high uncertainty and is relatively risky because the level of honesty is still difficult to measure.

The low level of financing with a sharing system (PLS) is considered to show a shift from the initial spirit of the presence of Sharia Banking with the "profit sharing" system as the core and jargo, so this study tries to conduct a study to answer whether it is true that profit sharing financing (PLS) will have a negative impact on the performance of Islamic banking, which in this case is NPF, BOPO, and ROA and whether it tests whether NPF mediates the influence of PLS financing on ROA and BOPO. Furthermore, this study also examines the performance of the Sharia Supervisory Board (DPS) whether it moderates the influence between PLS Financing and Financial Performance.

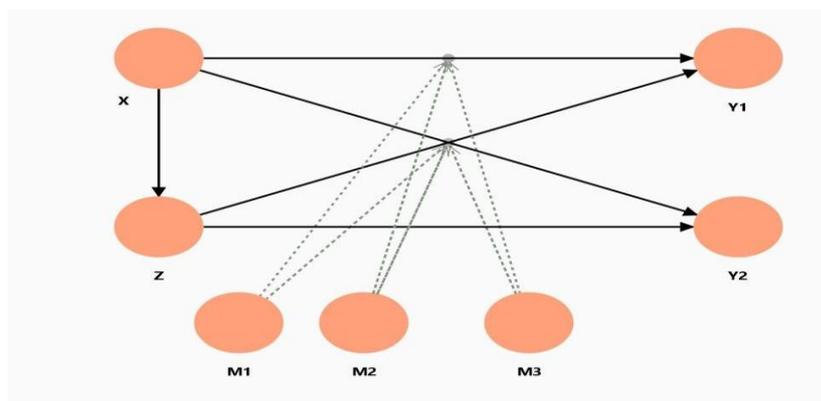
## Methods

In this study, the population is all BPRS in Indonesia as many as 172 BPRS, while the sample is part of the number and characteristics possessed by the population. Of the 172 BPRS in Indonesia using the *Purposive sampling Technique* based on the criteria determined, including those that meet the requirements for publishing their financial statements at the OJK, DPS that fill out

the research questionnaire that will be used as a sample in this study as many as 38 BPRS who fill out the research questionnaire that will be used as a sample in this study.

Technical Data collection using documentation and questionnaire techniques. Technical Documentation is a research data collection technique by taking document report data in the form of physical and documentary documents from the website. In this study, the documentation technique is by taking data from the official website of the OJK related to data on BPRS performance including ROA and NPF as well as Profit Sharing Financing (PLS). Questionnaire is a data collection technique that is carried out by giving a set of questions or written statements to respondents for them to answer.<sup>18</sup> Questionnaires are compiled using a dummy scale, namely 2 choice questions and will be scored 0 & 1 for. The use of this questionnaire is to dig up data on the role of the Sharia Supervisory Board (DPS).

Data analysis techniques to test hypotheses using multiple linear regression and moderation regression and path analysis.



Gambar 1 Hasil Tes hypotheses using multiple linier regression and moderation regression and path analysis

## Result

In this hypothesis test, a t-test was performed to determine the partial effect of independent variables on dependent variables. In this result, the value of the coefficient of each variable is also seen. Because in this study the intervening/mediation effect was also seen, the coefficient used in the analysis was a standardized coefficient.

**Tabel 1** Tabel Of Result Of Linier Regresion Analysis

Model	Variabel	Standardized Coefficients	t	Sig
1	NPF	0.249	1.076	0.291

	PLS	0.398	1.275	0.212
	DPS Mastery of Financial Statements (M1)	0.105	0.355	0.725
	DPS Term of Office (M2)	0.046	0.143	0.887
	DPS Meeting Frequency (M3)	-0.028	-0.099	0.922
	M1X	-0.296	-0.878	0.387
	M2X	0.007	0.019	0.985
	M3X	-0.147	-0.430	0.671
2	NPF	-0.098	-0.394	0.697
	PLS	-0.428	-1.273	0.213
	DPS Mastery of Financial Statements (M1)	-0.066	-0.205	0.839
	DPS Term of Office (M2)	-0.390	-1.129	0.268
	DPS Meeting Frequency (M3)	0.470	1.521	0.139
	M1X	0.159	0.436	0.666
	M2X	0.492	1.175	0.249
	M3X	-0.454	-1.230	0.228
3	<b>PLS</b>	<b>0.599</b>	<b>4.483</b>	<b>0.000</b>

**Model 1 Explanation,** Based on the results in the Table above, can be explained as follows:

- 1) The NPF variable has a value of Sig=0.291>0.05 so that NPF has a insignificant effect on ROA. The value of *standardized coefficients* in the model of 0.249 explains that the influence provided by NPF is a positive influence that is not significant on ROA. In this case, when the NPF increases by 1%, the ROA will increase by 0.249% assuming that other variables are fixed/unchanged.
- 2) The Profit Sharing Financing (PLS) variable has a value of Sig=0.212>0.05 so that PLS has a insignificant effect on ROA. The value of *standardized coefficients* in the model of 0.398 explains that the influence provided by PLS is a positive influence that is not significant on ROA. In this case, when PLS increases by 1%, the ROA will increase by 0.398% assuming

other variables are fixed/unchanged.

- 3) The M1 variable (DPS Mastery of Financial Statements) has a value of  $\text{Sig}=0.725 > 0.05$  so that M1 has an insignificant effect on ROA. A *standardized coefficient* value of 0.105 indicates that the influence given by M1 (DPS Mastery of Financial Statements) on ROA is a negative influence that is not significant. This positive value also shows that the higher the mastery of the DPS financial statements, the higher the ROA.
- 4) The variable M2 (DPS Term of Office) has a value of  $\text{Sig}=0.887 > 0.05$  so that M2 has an insignificant effect on ROA. A *standardized coefficient* value of 0.046 indicates that the influence given by M2 (DPS Term of Office) on ROA is a positive influence that is not significant. This positive value also shows that the longer the term of office of the DPS, the higher the ROA.
- 5) The variable M3 (Meeting Frequency) has a value of  $\text{Sig}=0.992 > 0.05$  so that M3 has an insignificant effect on ROA. The *standardized coefficient* value of -0.028 indicates that the effect given by M3 (Meeting Frequency) on ROA is a negative influence that is not significant. This negative value shows that the more often meetings are held, the ROA value will decrease.
- 6) The M1X variable is the interaction variable between Financial Statement Mastery (M1) and X.  $\text{Sig}=0.387 > 0.05$  results show that M1X has an insignificant effect on ROA. The *standardized coefficient* value of -0.296 indicates that M1X has a negative influence on ROA which means that Financial Statement Mastery (M1) weakens the relationship between PLS and ROA. The weakening meaning here is that the relationship between PLS and ROA becomes stronger when the Utilization of the Financial Statements DPS is low.
- 7) The M2X variable is the interaction variable between the length of office of DPS (M2) and X.  $\text{Sig}=0.985 > 0.05$  results show that M2X has an insignificant effect on ROA. A *standardized coefficient value* of 0.007 indicates that M2X has a positive effect not significantly on ROA, which means that M2 strengthens the relationship between PLS and ROA. The meaning of strengthening here is that the relationship between PLS and ROA becomes stronger as the DPS tenure gets longer.
- 8) The M3X variable is the interaction variable between the DPS Meeting Frequency (M3) and X.  $\text{Sig}=0.671 > 0.05$  results show that M3X has an insignificant effect on ROA. The *standardized coefficient* value of -0.147 indicates that M3X has a negative and not significant effect on ROA, which means that the frequency of DPS meetings (M3) weakens the relationship between PLS and ROA. The weakening here is that the relationship between PLS and ROA becomes stronger when the frequency of meetings tends to be small/small.

Based on the results of data processing and hypothesis tests, it was found that the research hypothesis that Profit Sharing Financing (PLS) has a significant effect on ROA is not fully

supported, that the findings show a positive influence but the magnitude of the influence is not significant, as well as the NPF variable.

Likewise, it was found that the existence of DPS seen from the aspect of tenure, meeting frequency and mastery of financial statements has also not been able to moderate the influence between financing on ROA, so that the research hypothesis that was built was also not supported by research data on BPRS in Indonesia.

## Model 2

- 1) The NPF variable has a value of  $\text{Sig}=0.697>0.05$  so that NPF has a insignificant effect on BOPO. The value of *standardized coefficients* in the model of -0.098 explains that the influence given by NPF is a negative influence that is not significant on BOPO. In this case, when the NPF increases by 1%, the BOPO will decrease by 0.098% assuming that other variables are fixed/unchanged.
- 2) The PLS variable has a value of  $\text{Sig}=0.213>0.05$  so that PLS has a not significant effect on BOPO. The value of *standardized coefficients* in the model of -0.428 explains that the influence given by PBH is a negative influence that is not significant on BOPO. In this case, when PLS increases by 1%, BOPO will decrease by 0.428% assuming other variables remain fixed/unchanged.
- 3) The variable M1 (Utilization of DPS Financial Statements) has a value of  $\text{Sig}=0.839>0.05$  so that M1 has a insignificant effect on BOPO. The *standardized coefficient* value of -0.066 indicates that the influence given by M1 (mastery of DPS financial statements) on BOPO is a negative influence that is not significant. This negative value also shows that the higher the control of the DPS financial statements, the lower the BOPO.
- 4) The variable M2 (Length of Tenure of DPS) has a value of  $\text{Sig}=0.268>0.05$  so that M2 has a insignificant effect on BOPO. The *standardized coefficient* value of -0.390 indicates that the influence given by M2 (Length of Tenure of DPS) on BOPO is a negative influence that is not significant. This positive value also shows that the longer the DPS position, the lower the BOPO.
- 5) The variable M3 (meeting frequency) has a value of  $\text{Sig}=0.139>0.05$  so that M3 has a insignificant effect on BOPO. The *standardized coefficient* value of 0.470 indicates that the influence given by M3 (meeting frequency) on BOPO is a positive influence that is not significant. This positive value shows that the more often meetings are held, the BOPO value increases.
- 6) The M1X variable is the interaction variable between M1 and X.  $\text{Sig}=0.666>0.05$  results show

that M1X has a insignificant effect on BOPO. The *standardized coefficient value* of 0.159 indicates that M1X has a positive effect not significantly on BOPO, which means that M1 strengthens the relationship between PLS and BOPO. The meaning of strengthening here is that the relationship between BOPO and PLS becomes stronger when the implementation of the financial statements DPS is high.

- 7) The M2X variable is the interaction variable between M2 and X. Sig=0.249>0.05 results show that M2X has a insignificant effect on BOPO. The *standardized coefficient value* of 0.492 shows that M2X has a positive effect not significantly on BOPO which means that M2 strengthens the relationship between PLS and BOPO. The meaning of strengthening here is that the relationship between BOPO and PLS becomes stronger when the DPS position is longer.
- 8) The M3X variable is the interaction variable between M3 and X. Sig=0.228>0.05 results showed that M3X had a insignificant effect on BOPO. The *standardized coefficient value* of -0.454 indicates that M3X has a negative influence not significantly on BOPO which means that M3 weakens the relationship between PLS and BOPO. The meaning of weakening here is that the relationship between BOPO and PLS becomes stronger when the frequency of meetings tends to be small/small.

Based on the results of data processing and hypothesis tests, it was found that it turned out that the research hypothesis that Profit Sharing Financing (PLS) had a significant effect on BOPO was not fully supported, that the findings showed a positive influence but the magnitude of the influence was not significant, as well as the NPF variable.

Likewise, it was found that the existence of DPS seen from the aspect of tenure, meeting frequency and mastery of financial statements has also not been able to moderate the influence between financing on BOPO, so that the research hypothesis built is also not supported by research data on BPRS in Indonesia.

### **Model 3** Testing of Intervening Effects

- a. NPF does not mediate the influence of PLS on ROA, this is based on the results of the test statistics obtained from the sobel test of 1.0409 with sig=0.294>0.05 which means that NPF does not mediate the influence of PLS on ROA. This is also strengthened by the results of the *standardized coefficient* at the direct effect, namely PLS→ROA of 0.249 higher compared to PLS→NPF→ROA of 0.149.
- b. NPF does not mediate the effect of PLS on BOPO, this is based on the results of a statistical test obtained from the sobel test of 0.392 with Sig=0.695>0.05 which means that NPF does not mediate the effect of PLS on BOPO. This is also strengthened by the results

of the standardized coefficient at the direct influence, namely PLS→BOPO which is -0.428 lower compared to PLS→NPF→BOPO of -0.059.

The PLS variable has a value of Sig=0.00<0.05 so that PLS has a significant effect on NPF. The standardized coefficients value in the model of 0.599 explains that the influence exerted by PLS is a significant positive influence on NPF. In this case, when PLs increase by 1%, the NPF will increase by 0.599% assuming the other variables are fixed/unchanged. The results of these findings support the research hypothesis (Hypothesis accepted) and support the results of previous research that has been conducted.

## Discussion

### 1. Moderation of the Sharia Supervisory Board (DPS) on the Effect of Profit Sharing Financing (PLS) and NPF on Profitability Performance represented by Return On Assets (ROA))

The findings show that both non-performing financing (NPF) and Profit Sharing Financing (PLS) represented by *mudharabah* and *musyarakah financing* turn out that although it has a positive effect on profitability performance (ROA), the effect is not significant considering that the portion of profit-sharing financing in BPRS is still very small when compared to with other types of financing, especially *murabahah*. From BPRS, the average sample of profit sharing financing (PLS) is only 0.265, which means that the amount of profit-sharing financing is only 26.5% of the total financing in BPRS, so that the value of the coefficient means the magnitude of the influence of 39.8% on ROA. This implies that if the portion of profit sharing financing is increased, it will have a significant effect on increasing the profitability of ROA in BPRS.

The existence of the Sharia Supervisory Board (DPS) both Length of Tenure, Meeting Frequency and Control of Financial Statements does not have a significant effect on the Profitability Performance (ROA) at the Sharia People's Economic Bank (BPRS). This means that the control over the DPS's financial statements needs to be improved.

Meanwhile, the longer you occupy the DPS position at the BPRS, it will strengthen the influence of profit sharing on profitability. Meanwhile, the more often DPS holds meetings, it turns out that the influence of financing on ROA is decreasing.

## **2. Moderation of the Sharia Supervisory Board (DPS) on the effect of Profit Sharing Financing (PLS) and NPF on efficiency performance (BOPO).**

The findings show that both non-performing financing (NPF) and Profit Sharing Financing (PLS) represented by *mudharabah* and *musharakah* financing turned out to have an insignificant negative effect on efficiency performance (BOPO). This implies that if NPF and Profit Sharing Financing (PLS) increase, it will decrease BOPO, which means it will be more efficient. This may happen because in profit-sharing financing, both *musharakah* and *mudharabah*, if there is a risk of decreased profits or even losses, the risk will be borne jointly by BPRS and *mudharib* customers so that the higher the Profit Sharing Financing (PLS), more efficient. Based on the results of this finding, it should eliminate the concerns of Bank and BPRS managers with the amount of alo kasi/distribution of funds with the principle of profit sharing, both *musharakah* and *mudharabah* will not result in an increase in operational costs, in fact it should reduce operational costs.

Meanwhile, for non-performing financing (NPF), although the effect is not significant, it has a negative relationship direction, which means that if non-performing financing increases, it will decrease BOPO, meaning that the high and low operational costs of BPRS are not significantly affected by the NPF of financing, the higher the NPF is likely to reduce the level of BPRS efficiency.

The existence of the Sharia Supervisory Board (DPS) both the length of tenure, as well as the mastery of financial statements does not have a significant effect on the efficiency performance (BOPO) of the Sharia People's Economic Bank (BPRS) and has a negative direction. This means that the control over the DPS's financial statements needs to be improved. Meanwhile, the frequency of DPS meetings has a negative negative effect on BOPO, the more frequent the meeting, the less efficient it will be because operational costs are higher.

Meanwhile, the longer the DPS position in the BPRS will be strengthened, the more likely it is to strengthen the influence of profit sharing on BOPO. Meanwhile, the more often DPS holds meetings, it weakens the influence of Profit Sharing Financing on BOPO.

## **3. Interverting NPF on Profit Sharing Financing Relationship (PLS) on ROA and BOPO Performance.**

Based on the results of data processing, it was found that Profit Sharing Financing (PLS) had a significant positive effect on NPF. This explains that the higher the profit-sharing financing of both *mudharabah* and *musharakah*, it will increase financing problematic (NPF\_).

So that the results of these findings will further strengthen policy makers (*stakeholders*) to limit the number of portions of profit-sharing financing or in other words will not increase profit-sharing financing.

NPF does not mediate the effect of Profit Sharing Financing (PLS) on ROA, this is based on the results of a statistical test obtained from the sobel test of 1.0409 with Sig=0.294>0.05 which means that NPF does not mediate the effect of PLS on ROA. This is also strengthened by the results of *the standardized coefficient* on the direct influence, namely PLS → ROA of 0.249 is higher than the PLS→NPF ROA of 0.149. ⇒

NPF does not mediate the influence of Financing for Hasi (PLS) to BOPO this is based on the results of the statistical test obtained from the sobel test of 0.392 with Sig=0.695>0.05 which means that NPF does not mediate the influence of PBH on BOPO. This is also strengthened by the results of *the standardized coefficient* on the direct influence, namely PLS→BOPO

by -0.428 lower than the PLS→NPF→BOPO of -0.059.

## Conclusion

This study aims to test and analyze the influence of Profit Sharing Financing (PLS) and NPF on Profitability (ROA) and Efficiency (BOPO) Performance, This study also examines the influence of Profit Sharing Financing (PLS) on NPF and tests and analyzes the moderation of the Sharia Supervisory Board on the relationship between Profit Sharing Financing and profitability and efficiency in Sharia People's Economic Banks (BPRS). It is to be expected, then based on the results of the hypothesis test and discussion analysis, the following conclusions can be drawn:

1. Profit Sharing Financing (PLS) and Non-Performing Financing (NPF) have a insignificant effect on the performance of Profitability (ROA) and efficiency (BOPO) at Sharia People's Economic Bank in Indonesia.
2. Profit Sharing Financing (PLS) has a significant positive effect on Non-Performing Financing (NPF) in BPRS in Indonesia, which means that the higher the Profit Sharing Financing, the higher the Non-Performing Financing that will occur.
3. DPS does not significantly moderate the relationship between Profit Sharing Financing with Return On Assets (ROA) and BOPO.
4. NPF does not mediate the influence of Profit Sharing Financing (PLS) on ROA and BOPO.

## **Limitations and Recommendations**

### 1. For the Managers of Sharia People's Economic Bank

BPRS should remain firm in carrying out the mandate to carry out a mechanism that makes BPRS increase the portion of profit-sharing financing because it turns out to have a pretty good influence with full dedication and high discipline while still adhering to the principle of prudence because PBH has a positive relationship with NPF.

### 2. For further research

This research is not completely perfect, there are still many shortcomings, so it is hoped that the next research will get a good research model and larger data and choose a research space from the aspect of developing theories or methods used or retesting patterns in other Islamic financial institutions.

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