

ABSTRACT

The purpose of this study is to examine the effect of capital structure, internal and external characteristics on Islamic Bank's performance. As newcomers, Islamic banks are facing a trade off between use high capital ratios or depend on deposits and Islamic bonds (Sukuk)

The population in this study is the entire Islamic banks that are in Indonesia and Malaysia in 2011-2014. The total amount of data in this study was 84. After going through the stage of data processing, there are no outliers of data that should be excluded from the study, so the proper amount of the final sample is observed still 84.

The empirical result of this study show that capital structure, fund source management, fund use management, capital risk, GDP growth and financial market structure have a significant effect on performance of Islamic Banks. And another independent variables such as operational efficiency, size, inflation, taxation and local market effect have no effect on performance of Islamic Banks

Keyword: performance, capital structure, internal characteristics, external characteristics