
THE IMPACT OF FINANCIAL PERFORMANCE ON THE MARKET SHARE OF ISLAMIC COMMERCIAL BANKS IN INDONESIA

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Abstract

Financial performance is a key element in assessing the quality of Islamic banks and is a crucial factor influencing people's decisions to save or use Islamic banking services. This study aims to demonstrate the effect of financial performance on the market share of Islamic Commercial Banks (BUS) in Indonesia registered with the Financial Services Authority (OJK). The financial performance in question is measured using financial ratios, namely the Capital Adequacy Ratio (CAR), Operating Expenses to Operating Income (BOPO), Non-Performing Financing (NPF), Financial to Deposit Ratio (FDR), and Third-Party Funds (DPK). The objects of this study were Islamic Commercial Banks registered with the OJK in 2022-2024. The research sample was selected using a purposive sampling technique. Based on the criteria, the sample used in this study was 13 BUS. Secondary data collected were financial reports from each BUS's website. The data were processed using a multiple regression model statistical test. The results of this study demonstrate that CAR, NPF, and DPK have no effect on BUS market share. Meanwhile, BOPO has a positive effect on BUS market share. Furthermore, FDR negatively impacts the market share of Islamic banks. Simultaneously, CAR, BOPO, NPF, FDR, and DPK influence the market share of Islamic banks.

Keywords: Market Share, CAR, BOPO, NPF, FDR, DPK

Abstrak

Kinerja keuangan merupakan elemen utama dalam menilai kualitas bank syariah dan menjadi faktor krusial yang mempengaruhi keputusan masyarakat untuk menabung atau menggunakan layanan bank syariah. Penelitian ini bertujuan untuk membuktikan pengaruh kinerja keuangan terhadap *market share* Bank Umum Syariah (BUS) di Indonesia yang terdaftar di OJK. Kinerja keuangan yang dimaksud adalah kinerja keuangan yang diukur menggunakan rasio-rasio keuangan yaitu *Capital Adequacy Ratio* (CAR), *Beban Operasional Pendapatan Operasional* (BOPO), *Non-Performing Financing* (NPF), *Financial to Deposit Ratio* (FDR), dan *Dana Pihak Ketiga* (DPK). Objek penelitian ini adalah Bank Umum Syariah yang terdaftar di OJK pada tahun 2022-2024. Sampel penelitian dipilih menggunakan teknik *purposive*

sampling. Berdasarkan kriteria, sampel yang digunakan dalam penelitian ini adalah 13 BUS. Data sekunder yang dikumpulkan adalah laporan keuangan dari website masing-masing BUS. Data tersebut diolah menggunakan uji statistik model regresi berganda. Hasil penelitian ini membuktikan bahwa CAR, NPF, DPK tidak berpengaruh terhadap *market share* BUS. Di sisi lain, BOPO berpengaruh positif terhadap *market share* BUS. Serta FDR berpengaruh negatif terhadap *market share* BUS. Secara simultan CAR, BOPO, NPF, FDR, DPK berpengaruh terhadap *market share* BUS.

Kata-kata Kunci: Market Share, CAR, BOPO, NPF, FDR, DPK

INTRODUCTION

The Islamic banking sector in Indonesia is experiencing rapid growth, marked by an increase in the number of Islamic Commercial Banks (BUS) to 14 by 2024 (OJK, 2025). According to Law No. 21 of 2008, Islamic banks are financial institutions that operate all their business activities based on Islamic legal principles (UU NO 21 Tentang Perbankan Syariah, 2008). This growth reflects a rising demand for Sharia-compliant financial products among Indonesia's predominantly Muslim population.

Banks, as financial intermediaries, help customers and investors transfer funds efficiently. This process encourages investment across various industries, making banks vital to market expansion, economic development, job creation, and business support. For a country's long-term economic growth, a healthy and financially sustainable banking sector is essential (Faizulayev, 2025). The sustainability of Islamic banks depends on the level of public trust, which is a key factor in their business development. Trust is a crucial element influencing the decision-making process and customer perceptions, and determining the success and sustainability of service providers (Petzer, 2025).

In the competitive banking market, some banks dominate the sector. Therefore, market players must strive to win. Market share is a crucial measure for a product or service in a competitive market. A higher market share than competitors indicates the product or service's position in the market. The market share percentage indicates the strength of the product or service's position in the market (Haris et al., 2022).

Market share is defined as the percentage of total market sales volume controlled by a company (Srisusilawati et al., 2023). In the context of Islamic banks, market share can be analyzed through the number of financing customers and Third Party Funds (DPK), as DPK reflects the amount of funds a bank has collected from the public. Therefore, DPK can indicate the level of public trust in the bank and the expansion of its market share. Market share plays a role in the sustainability and

decision-making of bank management (Victory et al., 2025).

According to OJK data, the number of financing customers and third party funds (DPK) at Islamic commercial banks continues to grow, from 33,758,718 in 2022, 36,243,056 in 2023, and 38,390,898 in 2024. This indicates increased public adoption of Islamic banking services. As the country with the largest Muslim population internationally, Indonesia has approximately 236 million Muslims (84.35% of the total population). This presents significant potential for the Islamic banking industry (Salim, 2024).

Despite the continued increase in the number of third party funds (DPK), the market share of Islamic commercial banks remains relatively small. Data shows that in 2024, Islamic banking only had a 7.72% market share, significantly lower than the dominant 92.28% share of conventional banking. In the previous year, Islamic banking market share reached 7.44% in 2023 and 7.09% in 2022. Although it has increased annually, this figure remains stagnant at <10%. Less than half of Indonesia's total population is Muslim.

As a financial institution, financial performance is a key element in assessing the quality of Islamic banks and a crucial factor influencing people's decisions to save or utilize Islamic banking services. Optimal financial performance is an indicator of a bank's well-managed and productive performance. According to Callahan, as cited by Rahayu, financial performance reflects a company's monetary achievements and can be analyzed by reviewing financial reports such as balance sheets, income statements, and cash flow statements (Rahayu, 2021).

Financial performance evaluation aims to assess the effectiveness of resource management and the company's level of compliance with applicable economic principles (Hutabarat, 2021). Therefore, with optimal financial performance, Islamic banks can maintain competitiveness and increase market share. Financial performance is measured as a consideration in formulating policies and evaluating past policies, which are then used as a basis for determining future policies. Stakeholder theory states that organizations are surrounded by various stakeholders, including shareholders, employees, investors, customers, suppliers, the community, and regulatory bodies (Prasad & Mondal, 2025). Therefore, this performance information is crucial for stakeholders to use in informed decision-making (Wahyuni et al., 2023).

Developing financial performance is a challenge for banks. Financial performance demonstrates the bank's overall success and effectiveness, which can be achieved through establishing strategic objectives with a unified vision, where all bank management must work together to achieve predetermined targets. Furthermore, maintaining a competitive position requires providing superior service

and responding quickly to customer needs. Finally, efficient resource utilization requires banks to manage capital, assets, and resources wisely to maximize profits (Doghan et al., 2025).

Sharia banks need to build stronger competitiveness to compete with conventional banks and expand their market share. One key strategy is to improve financial performance and enhance management effectiveness. Healthy financial performance is reflected in a bank's ability to generate profits from collected funds, sustainably cover costs, and manage various risks without harming society and the environment (Faizulayev, 2025). Effective management involves systematic operational planning and the achievement of established company targets. In this regard, collaboration and cooperation among employees within a bank are crucial to ensuring operational success and achieving strategic goals.

Previous studies found that CAR, Third Party Funds (DPK), and Non-Performing Loan (NPF) significantly influence Islamic banking market share, while the BOPO ratio has no significant impact on market share (Melina et al., 2022). Meanwhile, another study found that CAR and NPF have no effect on Islamic banking market share, while Third Party Funds (DPK) do (Astuti, 2023).

This research expands on previous studies to further understand the relationship between financial performance and market share of Islamic banks in Indonesia. Research innovations include the addition of the FDR as a new variable, the use of updated data, and the verification of previous findings regarding the influence of financial performance.

LITERATUR REVIEW

Signaling Theory

Spence's (1973) signaling theory explains that information transmission is a process by which an informed party transmits relevant indicators to the recipient of the information. The recipient then responds by taking action based on their interpretation of the received signal.

In the context of this research, signaling theory is applied to analyze how Islamic banks' financial performance serves as a quality indicator for customers, which ultimately influences the institution's market share. Thus, signaling theory not only explains the information transmission mechanism between banks and customers but also provides guidance for banks in increasing market attractiveness through effective management and communication of financial performance.

Financial reports can provide both positive and negative signals. With good financial performance, it can be assumed that a bank is managing and conducting its operational activities effectively, thus providing a positive signal to potential

customers, convincing them to deposit their funds or use the bank's services. This can, in turn, increase the bank's market share.

Market Share

Market share is a measure of a bank's existence because it reveals how much of the bank dominates the Indonesian banking market. Market share is the market dominance of a company (Srisusilawati et al., 2023). On the other hand, Law Number 5 of 1999 concerning the Prohibition of Monopolistic Practices defines market share as the percentage of market dominance achieved by a business within a year.

Based on various existing definitions, it can be concluded that market share is the percentage of market control a company achieves over a specific period. A company with a high market share is said to be successfully competing with its competitors and dominating the market.

Similar to market competition in general, banking market competition is also assessed by the extent to which a bank dominates the market. In the Indonesian banking industry, the market share of Islamic banks reflects their ability to compete with conventional banks, which can be measured by the percentage of assets, financing, or number of customers reported in financial statements. Total assets reveal the bank's profitability from its operational activities, such as collecting and distributing funds to the public and providing banking services.

Market share can provide investors and the public with an overview of the significance and potential of the Islamic financial industry in Indonesia. It also serves as a strategic basis for bank management to continuously improve performance and potentially achieve greater market share. Therefore, Islamic commercial banks must optimize their performance to compete with conventional banks and dominate the banking sector in Indonesia.

Financial Performance

As a financial institution, Islamic commercial banks (BUS) utilize financial performance as a primary indicator in assessing the health and success of their operations. According to Callahan, as cited by Rahayu, financial performance refers to a company's achievements, measured quantitatively in monetary terms and presented in financial statements. This analysis aims to evaluate the company's level of compliance with sound and standardized financial management principles (Rahayu, 2021). Therefore, it can be concluded that financial performance is a crucial indicator that reflects a company's achievements in monetary terms, as seen in the company's financial statements.

Capital Adequacy Ratio

The ratio used to measure a bank's capital adequacy in facing various financial risks is called the Capital Adequacy Ratio (CAR) (Ludiman & Mutmainah, 2020). This ratio plays a crucial role in ensuring banks can absorb potential losses and meet their business expansion needs. According to Financial Services Authority (OJK) Regulation No. 21/POJK.03/2014, Islamic Commercial Banks are required to maintain a minimum capital of 8% of risk-weighted assets. A CAR below this requirement can signal financial distress, which could lead to a decline in public confidence.

In addition to measuring financial stability, the CAR also serves to assess the effectiveness of a bank's capital management strategy. Banks with a high CAR tend to be better able to weather economic challenges such as recessions or reduced liquidity. Conversely, a low CAR can cause banks to struggle to meet their financial obligations, potentially disrupting operations and reducing competitiveness in the banking industry.

Operating Expenses to Operating Income (BOPO)

The BOPO ratio serves as an indicator of banking operational efficiency by comparing total operating costs with operating income derived from financing and fundraising activities. High efficiency tends to influence bank management to increase financing to achieve maximum profitability (Sudarsono & Ash Shiddiqi, 2022). A low BOPO value indicates efficient cost control, potentially increasing net profit. Conversely, a high ratio reflects operational inefficiencies that can depress profit margins. In the Islamic banking industry, efficient BOPO management is crucial because banks must ensure that all costs incurred remain in line with Sharia principles, without burdening customers or compromising service quality.

Non-Performing Financing

The indicator used to assess the quality of financing provided by banks to customers is called Non-Performing Financing (NPF). This ratio reflects the level of non-performing financing in Islamic banks, which can impact the bank's financial stability (Suhel et al., 2022). The higher the NPF value, the greater the risk the bank faces in managing financing, as this high ratio indicates a high level of default among customers. Conversely, a low NPF indicates that the bank has an effective financing policy in controlling credit risk, thereby increasing public trust in the institution. Based on Bank Indonesia Regulation No. 23/2/PBI/2021, the tolerance limit for a healthy NPF is below 5% of total disbursed financing.

Financing to Deposit Ratio

The Financing to Deposit Ratio (FDR) is a measure to evaluate a bank's ability to allocate public funds to its financing portfolio. As a liquidity indicator, an excessively high FDR indicates a lack of liquid funds due to the dominance of financing allocations, while a ratio that is too low reflects inefficient fund utilization. Research by Fitriana et al (2024) found that the optimal FDR range is 85-110%, allowing banks to disburse financing up to 10% in excess of their collected third-party funds.

A high FDR indicates that a significant portion of the bank's funds have been channeled in the form of financing, resulting in a decline in the bank's liquidity. Therefore, banks must maintain liquid funds to maintain customer loyalty and trust.

Third Party Funds

In carrying out their intermediary function, Islamic banks manage public funds through a collection and redistribution mechanism in the form of financing. Third Party Funds (DPK) from customers constitute a dominant portion of Islamic banking assets. A bank's growth rate depends heavily on its ability to collect funds from the public (Ningsih, 2021). This indicates that the public has placed their trust in the bank to hold and manage their funds.

The growth of third-party funds is crucial for developing the real sector of the economy, by providing financing and financing to customers, thereby increasing total assets, profitability, and ultimately market share. Third Party Funds are calculated by summing savings, current accounts, and time deposits of Islamic banks. The results of the DPK calculation are also used in the Financial to Deposit Ratio (FDR), a ratio that measures a bank's liquidity level.

RESEARCH METHOD

Type of Research

This research is a quantitative-research with a correlational approach. The correlational approach is used to identify the extent of the relationship between two or more variables, as well as to determine the direction and strength of the relationship (Selviana et al., 2024). This research uses quantitative methods. Quantitative methods are the science related to the procedures for data collection, data analysis, and interpretation of the results of the analysis to obtain information for drawing conclusions and making decisions (Santoso & Madiistriyatno, 2021). Categorized as quantitative research because the data used in this research is in the form of numbers or numerical data that can be measured and analyzed statistically.

Data Source

The data used in this study comes from original sources, such as institutions, agencies, and others. This data can also be referred to as secondary data. The data used in this study comes from the annual financial reports of each Islamic Commercial Bank for the 2022-2024 period, Islamic financial development reports, and Islamic banking statistics published by the Financial Services Authority (OJK).

Data Analysis Techniques

This study uses statistical analysis techniques to process the data. Multiple linear regression analysis is used to determine the effect of financial performance on the market share of Islamic Commercial Banks in Indonesia, which is displayed in a regression equation model. The data processing process uses IBM SPSS Statistics software version 23 with the assistance of Microsoft Excel software as a supporting tool. Before conducting the hypothesis test, a classical assumption test was conducted consisting of a normality test, a multicollinearity test, an autocorrelation test, and a heteroscedasticity test. Good data is data that does not show a relationship between independent variables. Then the test can be continued. The hypothesis test consists of a correlation coefficient test, a determination coefficient test, an F test, and a t test. The following regression equation model was used in this study:

$$MS = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where:

MS: Market Share

X_1 : CAR

X_2 : BOPO

X_3 : NPF

X_4 : FDR

X_5 : DPK

α : Constanta

$\beta_1 \beta_2 \beta_3 \beta_4 \beta_5$: Regression Coefficient

ε : Error Term

RESULTS

Statistical measures such as the mean, maximum, minimum, and standard deviation for each variable can be interpreted through descriptive statistical analysis. The following is a table of descriptive statistics from the results of this research:

Table 1. Descriptive Statistic

Variable	Minimum	Maximum	Mean	Standard Deviation	N
CAR	18,70	189,28	38,0797	35,25200	39
BOPO	58,12	345,75	94,1162	47,66227	39
NPF	0,00	4,43	0,9626	1,10533	39
FDR	40,08	173,27	85,0485	21,03307	39
DPK	15,00	33,42	25,7478	5,22167	39
Market Share	11,20	75,00	28,1923	19,13938	39

Source: Author Estimation (2025)

Based on the data processing presented in the table above, this study utilized a total of 39 data sets sourced from annual financial reports. The data were obtained from 13 Islamic commercial banks as research samples over a three-year period, 2022-2024. Based on the research results, the lowest Capital Adequacy Ratio (CAR) value was 18,70, recorded by Bank BJB Syariah in 2024. Meanwhile, the highest CAR value was 189,28, recorded by Bank Aladin Syariah in 2022. During the observation period, all CAR values in the research sample met the minimum requirement of 8% set by the Financial Services Authority (OJK). The BOPO variable had the lowest value at 58,12. This value represents the BOPO value of Bank BTPN Syariah in 2022. The highest BOPO variable was 345,75. The value of 345,75 represents Bank Aladin Syariah's BOPO value in 2022. The NPF variable has the lowest value of 0,00. A value of 0,00 represents Bank Aladin Syariah's NPF value in 2022 and 2023. The NPF variable has the highest value of 4,43. A value of 4,43 represents Bank Bukopin's NPF value in 2024. The FDR variable has the lowest value of 40,08. A value of 40,08 represents Bank Muamalat's FDR value in 2024. The FDR variable has the highest value of 173,27. A value of 173,27 represents Bank Aladin Syariah's FDR value in 2022. The DPK variable has the lowest value of 15,00. The value of 15,00 represents the third-party funds (DPK) of Bank BPD NTB Syariah in 2023. The third-party funds (DPK) variable has the highest value of 33,42. The value of 33,42 represents the third-party funds (DPK) of Bank BSI in 2024. The market share variable has the lowest value of 11,20. The value of 11,20 represents the market share of Bank BJB Syariah in 2022. The market share variable has the highest value of 75,00. The value of 75,00 represents the market share of Bank Aladin Syariah in 2024.

Classical Assumption Test

Based on the results of the classical assumption tests, which consist of the Normality Test, Multicollinearity Test, Autocorrelation Test, and Heteroscedasticity Test, these are presented briefly in the following table:

Table 2. Classical Assumption Test

	Criterion	Result	Conclusion	
Normality Test (Kolmogorov Smirnov)	Sig. > 0,05	0,154	Normal distributed data	
Multicollinearity Test	VIF < 10	X1	No multicollinearity occurs	
	Tolerance > 0,10	VIF = 0,116	No multicollinearity occurs	
		Tolerance=0,473		
		X2		
		VIF= 2,428		
Tolerance=0,412	X3	No multicollinearity occurs		
	VIF =1,433	No multicollinearity occurs		
	Tolerance=0,698			
X4				
Autocorrelation Test	Durbin Watson Test	du < dw < 4-du	2,228	unable to make a decision. (then a test is carried out using a run test) no autocorrelation occurs
		Run Test	sig. (2-tailed) >0,05	
	Heteroscedasticity Test (Glejser Test)	Sig. >0,05	X1=0,852	No heteroscedasticity occurs
			X2=0,868	
			X3=0,794	
X4=0,989				
X5=0,146				

Source: Author Estimation (2025)

Table 2, using the Kolmogorov-Smirnov test for normality, shows that the data are 39. The statistical test value is 0.154, which is greater than 0,05 (5%), thus

concluding that the data are normally distributed. Furthermore, the multicollinearity test can be seen from the tolerance and VIF values for variables X1, X2, X3, X4, and X5, which are greater than 0,10 and less than 10,0. This indicates that multicollinearity does not occur. The autocorrelation test, using a run test, yielded a sig. (2-tailed) value of 0,104, which is greater than 0,05. Therefore, it can be concluded that there is no autocorrelation. The heteroscedasticity test was performed using the Glejser test. The sig. values for all five variables are greater than 0,05, thus concluding that there are no signs of heteroscedasticity.

Test the hypothesis

Based on the results of hypothesis testing, the research is briefly presented in Table 3 below:

Table 3. Summary of Hypothesis Test

Model	Unstandardized Coefficients B	Sig.
(constant)	17.446	0.417
X1	0.020	0.849
X2	0.282	0.002
X3	5.354	0.064
X4	-0.409	0.015
X5	0.509	0.381
R	0.635	
Adjusted R Square	0.312	
Sig.	0.003	

Source: Author Estimation (2025)

Based on Table 3 above, the correlation coefficient (R) test showed a value of 0.635, indicating a strong correlation between all independent variables and the dependent variable, market share. The positive nature of the relationship confirms that an increase in the independent variables will be followed by an increase in market share.

The coefficient of determination test showed an adjusted R-square value of 0.312, indicating that the combination of the five independent variables (CAR, BOPO, NPF, FDR, and DPK) together can explain approximately 31% of the variation in market share. The remaining 69% is influenced by factors outside this research model that play a role in influencing market share.

The simultaneous (f) test has a significant value of $0.003 < 0.05$ (5%), it can

be concluded that the estimated regression model is adequate to jointly explain the influence of the independent variables (CAR, BOPO, NPF, FDR, and DPK) on the dependent variable, market share.

The partial test shows a significant value the first variable CAR (X₁) is 0.849 > 0.05, which means CAR has no effect on market share. BOPO (X₂) has a sig. value of 0.002 < 0.05, so it can be concluded that BOPO has an effect on market share. NPF (X₃) has a sig. value of 0.064 > 0.05, so it can be concluded that NPF has no effect on market share. FDR (X₄) has a sig. value of 0.015 < 0.05, so it can be concluded that FDR has an effect on market share. DPK (X₅) has a sig. value of 0.381 > 0.05, so it can be concluded that DPK has no effect on market share.

Multiple Linear Regression

Based on table 3 above, the regression equation can be arranged as follows. Market Share = 17.446 + 0.020 CAR + 0.282 BOPO + 5.354 NPF – 0.409 FDR + 0.509 DPK + 0,597. From the data in Table 3, a constant value of 17.446 is obtained. This indicates that when all independent variables (CAR, BOPO, NPF, FDR, and DPK) are zero, market share will have a constant value of 17.446. The error term in this analysis is 0.597 (obtained from 1 - 0.403). The number 0.403 is the coefficient of determination (R Square).

The table shows that the CAR coefficient is 0,020. This means that a one unit increase in CAR will result in a 0.020 increase in market share, provided that the other independent variables are held constant.

The BOPO coefficient in the table above is 0.282. This means that a one unit increase in BOPO will result in a 0.282 increase in market share, provided that the other independent variables are held constant. A positive coefficient value means a positive relationship between BOPO and market share.

The NPF coefficient in the table above is 5.354. This means that a one unit increase in NPF will result in a 5.354 increase in market share, provided that the independent variables are held constant.

The FDR coefficient value in the table above is -0.409. This means that a one unit increase in the FDR variable will result in a -0.409 decrease in market share. This indicates a negative correlation between FDR and market share. A negative coefficient value means a negative relationship between FDR and market share.

The DPK coefficient value in the table above is 0.509. This means that a one unit increase in the DPK variable will result in a 0.509 increase in market share. This is provided that the other independent variables are held constant.

DISCUSSION

The Effect of Capital Adequacy Ratio on Market Share

These findings indicate that fluctuations in the Capital Adequacy Ratio (CAR) do not affect the market share acquisition of Islamic Commercial Banks. In other words, whether a bank's CAR is high or low does not serve as a determining factor in expanding or reducing market share.

Furthermore, the research results reveal that CAR is not a primary consideration for Indonesian society when selecting Islamic banking products or services. Comfort and transaction experience factors are more dominant in influencing bank loyalty (Ludiman & Mutmainah, 2020). As long as customers feel comfortable with a bank's services, they will continue to use the banking services regardless of the CAR value maintained by the bank.

Capital ratio adjustments can enable the government to design more effective supervisory policies and interventions aimed at financial institution stability (Zancan & Moraes, 2025). Therefore, the Financial Services Authority (OJK) has set a minimum CAR requirement of 8% for banks. During the research period, the average CAR of Islamic Commercial Banks was recorded at 38%, significantly above OJK's minimum requirement. This condition indicates that Islamic banks prioritize capital adequacy more than utilizing CAR as a strategy to increase market share. Banks with high capital levels do not significantly impact bank performance due to suboptimal utilization of bank capital (Ben Abdallah & Bahloul, 2025).

The Effect of Operating Expenses to Operating Income (BOPO) on Market Share

Statistical analysis reveals that the BOPO variable has a positive and significant influence on the market share of Islamic Commercial Banks. This positive influence is evident from the BOPO regression coefficient which shows a positive value. Thus, it can be concluded that the higher the level of a bank's operational efficiency (indicated by a better BOPO ratio), the greater the market share that can be achieved by the Islamic bank. The implication of this finding is that improvements in bank operational efficiency, reflected through a decreasing BOPO ratio, contribute significantly to the market share growth of Islamic Commercial Banks. This occurs because lower operational costs indicate greater bank efficiency in controlling its operational expenses (Supriyatna et al., 2023).

This finding indicates that optimal banking operational efficiency can create constructive impacts, where the public will have greater confidence to place and invest their funds in such banks. Consequently, the bank's ability to manage operational costs optimally will strengthen its competitive position and expand its market dominance. Additionally, resource development can achieve competitive

advantage leading to sustainable banking (Rahi et al., 2025). However, research data reveals that the average BOPO value reaches 94%, indicating inefficiency in operational cost management. This condition aligns directly with the stagnant market share growth of Islamic Commercial Banks remaining below 10%, significantly lagging behind conventional banking achievements.

Efficient operational management is crucial for Islamic banks to enhance their competitiveness, as reflected in their ability to reduce BOPO ratios, which in turn positively impacts profitability and market expansion (Kusuma & Wulandari, 2024). Moreover, banks that prioritize operational efficiency are better positioned to respond to market demands and regulatory changes. This adaptability is essential for sustaining long-term growth in the dynamic financial industry.

The Effect of Non-Performing Financing on Market Share

These findings indicate that fluctuations in the Non-Performing Financing (NPF) ratio do not affect the market share acquisition of Islamic Commercial Banks. In other words, the Indonesian public does not consider the NPF level as a primary consideration when selecting Islamic banking products or services. During the research period, the average NPF ratio reached 9%, exceeding the financing quality standard of 5% set by Bank Indonesia. This condition indicates that Islamic banks still face challenges in optimally managing problematic financing. The high NPF ratio also signals potential financing risks that need to be monitored by Islamic banking institutions. This bank growth is accompanied by higher financing risk levels, large-scale excessive debt, declining loan portfolio quality, and loan losses (Omidiji et al., 2025).

NPF in banking continues to be a concern for bank managers, academics, economists, bank supervisors, and financial regulators. This is because high NPF levels in the banking sector reduce banks' capacity to distribute financing to customers, thereby hindering economic growth (Ozili, 2025). However, this research indicates that NPF does not influence market share. This phenomenon occurs due to Bank Indonesia regulations requiring banks to maintain NPF below 5% (Ludiman & Mutmainah, 2020). When all Islamic banks successfully maintain their NPF below the established maximum threshold, NPF ceases to be a differentiating factor among banks. Consequently, customers cannot compare the quality of Islamic banks based on NPF ratios.

The Effect of Financing to Deposit Ratio on Market Share

Statistical analysis reveals that the Financing to Deposit Ratio (FDR) exerts a significant negative influence on the market share of Islamic Commercial Banks.

This inverse relationship is clearly demonstrated by the negative coefficient value of the FDR regression. The findings indicate that higher FDR ratios in Islamic banks correspond to lower achieved market share. FDR is a ratio that measures the amount of financing extended by banks compared to the amount of public funds collected and capital utilized by the bank (Atahau et al., 2025).

These findings suggest that high Financing to Deposit Ratio (FDR) values reflect suboptimal banking liquidity conditions. When a bank's FDR shows a large figure, it can diminish customer confidence due to perceived inability to meet withdrawal demands, potentially leading to bank runs. Bank runs involve massive withdrawal of funds by customers that can disrupt the stability of the entire economic system (Murè et al., 2025) and may create liquidity risks. Such conditions ultimately negatively impact the respective bank's market share. Based on research data, the average FDR during the study period reached 85%, a figure that falls within the healthy category for banking liquidity standards.

Nevertheless, it is important to note that even within safe limits, FDR approaching the upper threshold still potentially affects customer perceptions of bank stability. Therefore, liquidity management must be prudent in decision-making and operational activities, enabling banks to capitalize on profitable investment opportunities and optimize the utilization of available funds (Pojanavatee & Kingshott, 2025).

The Effect of Third-Party Funds on Market Share

Statistical analysis indicates that Third-Party Funds (DPK) do not exert a significant influence on the market share of Islamic Commercial Banks. This finding demonstrates that fluctuations in the volume of DPK do not affect the market share acquisition of Islamic banks. In other words, the Indonesian public does not consider the magnitude of DPK as a primary consideration when selecting Islamic banking products or services. In Islamic banking, Third-Party Funds are accumulated through current accounts, savings, and time deposits based on *wadiah* and *mudharabah* contracts (Salman, 2023).

Islamic banks rely on Third-Party Funds collected from the public as their largest funding source for banking operations. When collected DPK increases, banks can maximize fund utilization for financing activities (Azwari & Jayanti, 2022). However, this research reveals that DPK does not influence market share. This phenomenon is attributed to suboptimal operational efficiency, preventing banks from maximizing the potential of DPK (Hidayat & Trisanty, 2024). Therefore, improving operational efficiency and developing more targeted marketing strategies become crucial for enhancing the market share of Islamic Commercial

Banks.

CONCLUSION

CAR has no effect on the Market Share of Islamic Commercial Banks in Indonesia. CAR is not a determining factor for Indonesian customers when choosing Islamic banking services. As long as customers feel comfortable, they will continue to use the bank's services regardless of its CAR level. BOPO has an effect on the Market Share of Islamic Commercial Banks in Indonesia. A bank's operational efficiency level reflects its ability to manage operational income optimally, which positively affects the bank's market share performance. NPF has no effect on the Market Share of Islamic Commercial Banks in Indonesia. This is due to Bank Indonesia's regulation requiring banks to maintain NPF below 5%. When all Islamic banks successfully keep their NPF below the maximum threshold, NPF no longer serves as a differentiating factor among banks. Therefore, customers cannot distinguish Islamic bank quality based on NPF ratios. FDR affects the Market Share of Islamic Commercial Banks in Indonesia. A bank's liquidity level directly influences its market share. A high FDR ratio indicates potential liquidity constraints, which may undermine customer confidence as the bank could be perceived as unable to meet short-term financial obligations. DPK shows no effect on the Market Share of Islamic Commercial Banks in Indonesia. This is attributed to suboptimal operational efficiency, preventing banks from fully utilizing the potential of their Third-Party Funds. CAR, BOPO, NPF, FDR, and DPK collectively have an effect on the Market Share of Islamic Commercial Banks in Indonesia. These five financial ratios jointly determine the market share performance of Islamic Commercial Banks.

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