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Breaking The Murabahah Trap: How Bsi's Merger, Npf, And Mudharabah Deposits Drive Profit-Sharing Financing In Indonesia

Agep Rumanto
Islamic Banking Study Program, Faculty of Islamic Economics and Business
Sunan Kudus State Islamic University
agep@uinsuku.ac.id

Syahrial Hasanuddin Pohan
Management Study Program, University of Pembangunan Panca Budi, Indonesia
syahrialpohan@dosen.pancabudi.ac.id

Abstract

This study aims to analyze the influence of Bank Syariah Indonesia (BSI) merger policies, Non-Performing Financing (NPF), and Mudharabah Deposit profit sharing rates on the distribution of profit-sharing financing in Indonesian Islamic banks. Profit-sharing financing (Mudharabah and Musyarakah) is a fundamental instrument that should be the hallmark of Islamic banks, but for more than two decades it has been consistently under the dominance of buying and selling-based financing (Murabahah). The BSI merger in February 2021 is suspected to be the catalyst for the financing paradigm shift. This study uses monthly time series data of the OJK Sharia Banking Statistics (SPS) for the period November 2014-January 2025 (119 observations) with the OLS multiple linear regression method. Dummy variables are used to quantify the impact of mergers. The results showed that (1) the BSI merger had a positive and significant effect ($\beta = 1164.14$; $p = 0.0102$), (2) NPF had a negative and significant effect ($\beta = -850.42$; $p = 0.0000$), and (3) the profit sharing rate of Mudharabah Deposits had a positive and significant effect ($\beta = 521.10$; $p = 0.0023$) on changes in profit sharing financing. The model was simultaneously significant ($F = 14.36$; $p = 0.000$) with Adjusted $R^2 = 31.17\%$. These findings confirm the relevance of the Structure-Conduct-Performance (SCP) Theory in the context of Islamic banking consolidation and affirm that NPF control is a key prerequisite for accelerating profit-sharing financing.

***Keywords**: profit-loss sharing financing, BSI merger, NPF, Mudharabah deposits, Islamic banking, SCP*

A. INTRODUCTION

Based on Sharia Banking Statistics (SPS) published by the OJK, the portion of profit-loss sharing (PLS) financing is consistently under the dominance of Murabahah financing which is debt-based with a fixed margin. This phenomenon is then called Murabaha syndrome (Mergaliyev et al., 2021; Mukhibad et al., 2023). This condition has triggered criticism from academics that Islamic banks have lost their main differentiation and are trapped in the comfort zone of debt-based financing that is substantially economically close to conventional bank interest rates (Fitria et al., 2020; Miah & Suzuki, 2020).

(Belkhaoui et al., 2020) It shows that murabahah financing directly and indirectly increases profitability and cost efficiency, so it is rationally preferred by bank management. On the other hand, equity financing such as mudharabah and musharakah is classified as high-risk products because banks have to bear the risk of losing capital and face asymmetric information problems and moral hazards that are difficult to mitigate (H. Dar & Presley, 2001).

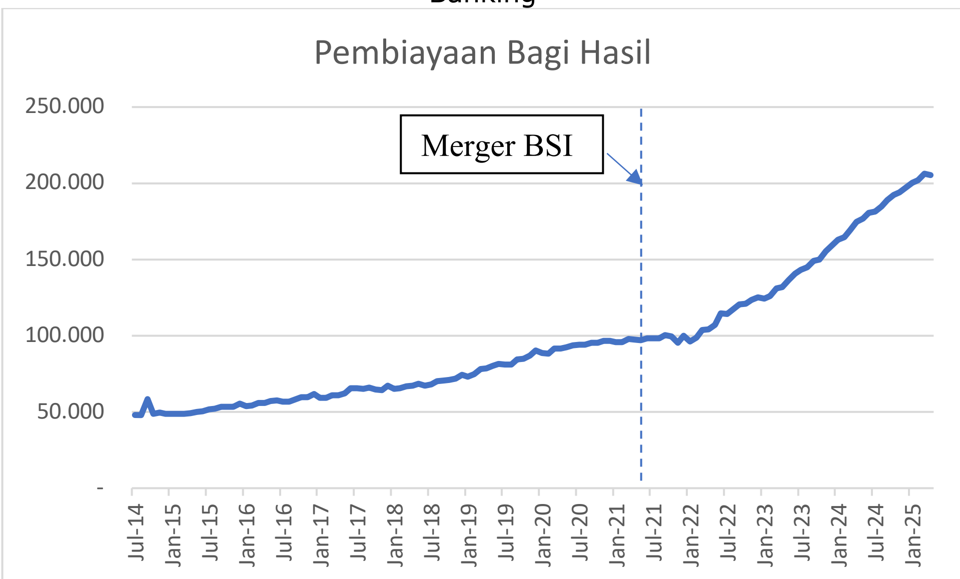
The low portion of profit-sharing financing can theoretically be explained through the framework of Agency Theory. Mudharabah and Musharakah contracts are vulnerable to information asymmetry and moral hazards, where customers as fund managers (mudharib) have more complete information about their business conditions than banks. This risk encourages Islamic banks—especially those with limited capital structures—to avoid profit-sharing instruments and opt for financing with higher certainty of return (Asmirawati & Sumarlin, 2018).

From the perspective of Islamic ethics, the dominance of murabahah is seen as a deviation from the normative purpose of Islamic finance. (Minhat & Dzolkarnaini, 2016) confirms that PLS instruments are hardly used, while murabahah dominates, especially among high-risk companies. Meanwhile, a study of the ethical performance of Islamic banking from the perspective of maqasid al-sharia shows that murabahah and ijarah based transactions dominate up to 70 percent of the portfolio, so that the social goals and wealth distribution that are the spirit of Islamic banking are increasingly marginalized (Archer & Abdel Karim, 2019 in Alhammadi et al., 2022). A recent study in Pakistan confirms that although sharia scholars generally prioritize equity contracts, the practice of Islamic banking institutions still relies on murabahah as the main instrument (Bhatti et al., 2025).

However, Indonesia's Islamic banking landscape experienced a monumental *positive shock* at the beginning of 2021. The Government of Indonesia through the Ministry of State-Owned Enterprises (BUMN) took a strategic step by merging three Islamic banks owned by Himbara, namely PT Bank Syariah Mandiri (BSM), PT Bank BNI Syariah (BNIS), and PT Bank BRI Syariah Tbk (BRIS). The merger, which was inaugurated on February 1, 2021, gave birth to a new entity called PT Bank Syariah Indonesia Tbk (BSI). This merger is not just an asset consolidation, but a leverage effort to create a giant Islamic bank that has a strong capital structure (*Book III* and heading towards *Book IV),* an extensive network, and more sophisticated risk management capabilities.

After the momentum of the merger, an interesting phenomenon emerged that was recorded in financial statistical data. Based on the financing development chart (see Chart 1.1), it can be seen that the profit-sharing financing curve is starting to show a much more aggressive and significant upward trend compared to the years before the merger (pre-2021). This increase indicates a change in the paradigm and business strategy of the merged entities, where BSI with its large capital strength began to dare to penetrate productive sectors using *the Musharakah* and *Mudharabah* schemes.

Figure 1.1 Graph of the Development of Profit Sharing Financing in Indonesian Islamic Banking



Source: OJK (data processed)

The increase in post-merger profit-sharing financing is strongly suspected to be related to the ability of the merged banks to bear greater risks and the government's mandate to contribute more to the real sector and MSMEs, which incidentally use many partnership schemes. The BSI merger is assumed to be a determinant or "catalyst" factor that breaks the stagnation of profit-sharing financing growth that has been plaguing the Islamic banking industry. By bringing together the strengths of the three banks, operational efficiency is improved (*cost of fund* decrease), so that banks have more space to distribute financing that is *high risk high return* such as revenue sharing (Brunner-Kirchmair & Burgstaller, 2025; Khasimpeera & Reddy, 2025; Maani et al., 2025).

As BSI increases its profit-sharing financing, this will trigger other banks to follow suit. This can be explained through the framework of Structure-Conduct-Performance (SCP) Theory. In theory, SCP explains that changes in the market structure—in this case, market consolidation due to the birth of a dominant entity after the merger—will directly dictate changes in the behavior of industry players in it (Bhat et al., 2025).

However, the surge in profit-sharing financing cannot necessarily be claimed as a single impact of the merger corporate action alone. In the theory of financial intermediation (financial intermediation), the decision to distribute credit or financing is greatly influenced by the internal health variables of the bank, especially credit risk which is reflected in *Non-Performing Financing* (NPF) and the structure of third-party funding sources.

Variabel *Non-Performing Financing* (NPF) is a key indicator of asset quality health. Banking risk management theory states that there is an inverse relationship between the NPF level and the disbursement of risky financing (Serrano, 2020; Tölö & Virén, 2021). When the non-performing financing (NPF) ratio is high, banks will tend to be conservative and hold back expansion on profit-sharing financing that has high uncertainty. Conversely, an improvement in asset quality (a decrease in NPF) will give banks confidence to expand. Several previous studies have shown mixed results regarding the influence of NPF on profit-sharing financing, so it needs to be reviewed in the context of BSI's post-merger.

In addition to risk factors, the passive side or source of funds also plays a vital role. A unique characteristic of Islamic banks is the compatibility between the source of funds and the distribution of funds (*matching concept*). Theoretically, profit-sharing financing is ideally funded by a source of funds that are also profit-sharing, namely Deposits *Mudharabah* (Revenue Sharing Deposit). This is because Profit Sharing Deposits are investments for a certain period of time whose risks are also borne jointly between depositor customers and banks (*investment account holders*). The increase in the volume of Profit Sharing Deposits should be positively correlated with the bank's ability to distribute Profit Sharing Financing (Iskandar & Adirestuty, 2018).

This study aims to empirically examine three questions: (1) does the BSI merger have a significant positive effect on profit-sharing financing? (2) does NPF have a significant negative effect on profit-sharing financing? and (3) does the profit-sharing rate of the Mudharabah Deposit have a significant positive effect on profit-sharing financing? The findings of the study are expected to fill the gap in the literature on the specific impact of the BSI merger on the composition of financing contracts—a topic that has not been studied quantitatively in previous studies.

B. LITERATURE REVIEW

1. Teori Structure-Conduct-Performance (SCP)

The SCP theory developed by Mason (1939) and Bain (1959) became the main theoretical foundation of this research. This theory postulates that changes in market structure will determine the behavior of industry players (conduct) which ultimately leads to market performance (performance). In the context of this study, the BSI merger represents a fundamental change in the structure of Islamic banking—from a fragmented market to a more concentrated one dominant entity. This change in structure then encourages a change in behavior for both BSI itself and competing banks, which is ultimately reflected in the performance in the form of an increase in the volume of profit-sharing financing in the industry (Bhat et al., 2025).

2. Hypothesis Development

a. The Effect of Non-Performing Financing (NPF) on Mudharabah Financing

The quality of financing reflected in the NPF ratio is an indicator of a bank's credit risk. Although some studies have shown mixed results on profitability (ROA) or profit-sharing rates, in theory, high non-performing financing (NPF) levels will force banks to be more selective and limit the disbursement of new financing, including mudharabah financing, in order to maintain bank liquidity and health.

Based on Hasian Purba's research (2022), it was found that Net NPF has a significant influence on financial performance, indicating that financing risk management is crucial for bank operations. On the other hand, Ismail Nura et al. (2023) included NPF as the main independent variable in measuring the rate of profit sharing, although in their study ROA mediation did not show a significant influence, but NPF remained a determinant of the health of banks' productive assets. Therefore, it is suspected that NPF has a negative influence on the volume of mudharabah financing distribution.

H1: Non-Performing Financing (NPF) has a negative and significant effect on Mudharabah Financing.

b. The Effect of the Merger Policy on Mudharabah Financing

Merger policies in Islamic banks, such as BSI's, aim to strengthen capital structure and operational efficiency. With larger assets, the merged bank should have a greater capacity to distribute mudharabah financing.

Research by Maria Regina et al. (2018) highlighted that the merger was carried out to overcome inefficiencies and improve the organizational structure, where good efficiency is a prerequisite for financing expansion. However, it is necessary to re-test whether the impact is directly felt on the volume of financing, considering Gilang Sekar Tadjie's research (2022) found that there was no significant difference in financial ratios (CR, ROA, ROE) immediately after the merger. This opens a research gap to prove whether specifically for the Mudharabah Financing variable there is a significant increase after the merger.

H2: The Merger Policy has a positive and significant effect on increasing Mudharabah Financing.

c. The Effect of the Mudharabah Deposit Rate on Mudharabah Financing

Basis of Argument: According to the function of the bank as an intermediary institution, Third Party Funds (DPK) are the main source of funds that will be redistributed in the form of financing. Mudharabah Deposits are long-term investment instruments that are more stable than ordinary savings, so they are the mainstay of banks in distributing long-term financing such as mudharabah.

This is strongly supported by the research of Annisa, Kholil, and Seri (2021) who found that Mudharabah Deposits had a positive and significant effect on Mudharabah Financing, in contrast to insignificant savings. This finding was reinforced by Apriani and Hasan (2023) which also concluded that Mudharabah Deposits have a real influence on increasing mudharabah financing at BPRS in Indonesia.

H3: The Mudharabah Deposit Rate has a positive and significant effect on Mudharabah Financing..

C. RESEARCH METHODS

1. Design and Data Sources

This study uses a quantitative approach with a monthly time series secondary data type. The data is sourced from Sharia Banking Statistics (SPS) published by the Financial Services Authority (OJK) and financial statements published by Bank Syariah Indonesia (BSI) and legacy banks before the merger. The observation period covers November 2014 to January 2025, resulting in 119 observations used in the model estimation after the lag adjustment and data elimination process.

2. Variable Operational Definition

Type	Variabel	Definition & Measurement	Units	Data Source
They depend	Profit Sharing Financing (D_PLS_FINANCING)	Change (first difference) in the total financing of Mudharabah +	Billion Rupiah	SPS-OJK

		Musyarakah of Indonesian Islamic banking		
Independent	Merger BSI (MERGER)	Dummy variable: 0 = period before the merger (before Feb 2021); 1 = post-merger period (Feb 2021 and above)	0 / 1	BSI & OJK
Independent	NPF (Non-Performing Financing)	Net non-performing financing ratio (collectibility 3-5) to total financing; Credit Risk Indicators	Percent (%)	SPS-OJK
Independent	Mudharabah Deposit Profit Sharing Rate (DEP_MUDH_RATE)	Equivalent to the profit sharing rate paid to Mudharabah deposit customers; proxy of the cost of funds and the attractiveness of investment deposits	Percent (%)	SPS-OJK

Source: Processed researcher (2026)

Dependent variables use first difference (D_PLS_FINANCING) to ensure the stationarity of time series data and avoid spurious regression. In the final model, the lag variable D_PLS_FINANCING(-1) was also added as an autoregressive control.

3. Data Analysis Techniques

Data analysis was carried out through two stages. First, the classical assumption test which includes the residual normality test (Jarque-Bera), the multicollinearity test (Variance Inflation Factor / VIF), the heteroscedasticity test (Breusch-Pagan-Godfrey), and the autocorrelation test (Durbin-Watson). All classical assumption tests were declared passed before the model interpretation continued. Second, multiple linear regression estimation using the Ordinary Least Squares (OLS) method using EViews software.

The estimated regression equation model is as follows:

$$D\_PLS\_FINANCINGt = \alpha + \beta_1 MERGERt + \beta_2 NPFt + \beta_3 DEP\_MUDH\_RATEt + \beta_4 D\_PLS\_FINANCING(t\text{-}1) + \varepsilon t$$

Where D_PLS_FINANCING is the change in profit-sharing financing (billion rupiah), MERGER is the dummy merger variable, NPF is the ratio of non-performing financing net (%), DEP_MUDH_RATE is the equivalent of the profit-sharing rate of Mudharabah deposits (%), D_PLS_FINANCING(-1) is the lag of one period of dependent variables, α is constant, β_1–β_4 is the regression coefficient, and ε is residual. Hypothesis testing was carried out through a partial t-test (α = 5%) and a simultaneous F-test, with a determination coefficient (Adjusted R^2) as a measure of the model's goodness of fit.

D. RESULTS AND DISCUSSION

1. Description of Research Data

This study uses monthly time series data on Indonesian Islamic banking sourced from Sharia Banking Statistics (SPS) published by the Financial Services Authority (OJK). The observation period included data from November 2014 to January 2025 (the sample period was adjusted after the process of outlier elimination and lag adjustment), resulting in 119 observations used in the final model estimate.

The dependent variable in this study is D_PLS_FINANCING, namely the first difference of the total profit and loss sharing (PLS) financing of Indonesian Islamic banking which includes Mudharabah and Musyarakah contracts, expressed in units of billions of rupiah. The use of first difference aims to ensure the stationarity of time series data so that the estimation results are not spurious (straight regression). The average value of

D_PLS_FINANCING was IDR 1,185.15 billion with a standard deviation of IDR 1,679.94 billion, reflecting the high variability of changes in profit-sharing financing between months during the observation period.

The independent variables used include: (1) MERGER, i.e. a dummy variable that is valued at 0 for the period before the BSI merger (before February 2021) and valued at 1 for the post-merger period; (2) NPF, which is the ratio of Non-Performing Financing net of Islamic banking in percentage (%); (3) DEP_MUDH_RATE, which is the equivalent rate of profit sharing of Mudharabah deposits in percentage (%) as a proxy for the cost of funds and the attraction of deposit collection; and (4) D_PLS_FINANCING(-1), which is a one-period lag of the dependent variable that is included to capture the inertia or autoregressive effect of changes in profit-sharing financing.

2. Classical Assumption Test Results

Before interpreting the regression results, a series of classical assumption tests are performed to ensure that the estimated model meets the Best Linear Unbiased Estimator (BLUE) qualification as set forth in the Gauss-Markov theorem. Based on the tests that have been carried out, all classical assumption tests are declared passed, as described below.

The residual normality test showed that the Jarque-Bera probability value was above the significance level of 0.05, so that the residual model was normally distributed and the normality assumption was met. The multicollinearity test through the calculation of the Variance Inflation Factor (VIF) value showed that all independent variables had a VIF value below 10, which means that there was no problem of multicollinearity between the explanatory variables. The heteroscedasticity test using the Breusch-Pagan-Godfrey or Glejser Test shows an insignificant chi-square probability value, so the residual variance is homoscedastic. As for the autocorrelation test, the Durbin-Watson (DW) value of 2.040401 is in the safe zone (close to 2) and is between dU and 4-dU based on the DW table at the number of observations 119 and four independent variables, so it can be concluded that there is no autocorrelation in the residual model.

3. Multiple Linear Regression Model Estimation Results

Multiple linear regression models were estimated using the Ordinary Least Squares (OLS) method with D_PLS_FINANCING dependent variables. The following table 4.1 presents the full estimated results.

Table 4.1 Multiple Linear Regression Estimation Results

Variabel	Coeficin	Std. Error	t-Statistics	Prob.
MERGER	1164.14	445.4704	2.613283	0.0102
NPF	-850.419	199.1423	-4.27041	0
DEP_MUDH_RATE	521.1034	167.3605	3.113658	0.0023
D_PLS_FINANCING(-1)	-0.1817	0.07612	-2.38706	0.0186
C (Constant)	1207.273	1030.893	1.171094	0.244

Source: Output of EViews, processed by researchers (2026)

Table 4.2 Model Feasibility Statistics

R-squared:	0.335062
Adjusted R-squared:	0.311731
F-statistics:	14.36117

Prob(F-statistic):	0.000000
Durbin-Watson stat:	2.040401

Source: Output of EViews, processed by researchers (2026)

Based on the results of the estimation in Table 4.1, the regression equations formed are as follows:

D_PLS_FINANCING = 1207,273 + 1164,140 MERGER − 850,419 NPF + 521,103 DEP_MUDH_RATE − 0,182 D_PLS_FINANCING(−1)

4. Model Feasibility Testing (F Test and Coefficient of Determination)

The F test is performed to find out whether all independent variables simultaneously have a significant effect on the dependent variables. Based on the estimated results, the F-statistical value was obtained as 14.36117 with a probability value (Prob. F-statistic) of 0.000000. Because this probability value is far below the significance level of 0.05 (α = 5%), H0 is rejected and it can be concluded that the variables MERGER, NPF, DEP_MUDH_RATE, and D_PLS_FINANCING(-1) together (simultaneously) have a significant effect on changes in Indonesian Islamic banking's profit-sharing financing. Thus, the regression model built in this study was declared fit to be used.

The R-squared value (R^2) of 0.335062 indicates that about 33.51% of the variation in the D_PLS_FINANCING variable can be explained by all four independent variables in the model. The Adjusted R-squared value of 0.311731 adjusts R^2 by considering the number of variables and observations, thus providing a more conservative picture of the model's explanatory ability. This R^2 value is moderate for macroprudential time series data, which is understandable considering that changes in revenue sharing financing on a monthly basis are influenced by many macroeconomic and sectoral factors that are not fully covered in this model, such as Bank Indonesia's benchmark interest rate, business cycle conditions, and OJK regulations.

5. Partial Hypothesis Testing (t-Test)

a. The Effect of the BSI Merger on Profit Sharing Financing (H2)

The estimation results show that the MERGER variable has a coefficient of 1164.140 with a t-statistical value of 2.613283 and a probability of 0.0102. Because the probability value is 0.0102 < 0.05, the MERGER variable has a positive and significant effect on changes in profit-sharing financing at a confidence level of 95%. Thus, Hypothesis 2 (H2) which states that the merger policy has a positive and significant effect on profit-sharing financing is accepted.

The positive coefficient of 1164.140 means that, in the post-merger period of BSI (February 2021 and above), there was an increase in the average change in profit-sharing financing of IDR 1,164.14 billion per month, higher than in the pre-merger period, after controlling for the influence of NPF, deposit profit-sharing rate, and financing inertia in the previous period.

These findings are in line with and strengthen the theoretical foundation used in this study, namely the Structure-Conduct-Performance (SCP) Theory developed by Bain (1959). The BSI merger that unites three state-owned Islamic banks—Bank Syariah Mandiri, BNI Syariah, and BRI Syariah—has fundamentally changed the structure of Indonesia's Islamic banking market. The birth of dominant entities with combined assets that are categorized as Books III-IV creates changes in the behavior of all industry players. BSI with a stronger capital structure is able to take on greater risk, making its expansion into the profit-sharing financing segment—which requires higher risk management and loss absorption capabilities—more financially feasible.

Practically, these findings are consistent with empirical data that shows the acceleration of BSI Musharakah and Mudharabah financing post-2021 as reflected in the BSI Annual Report (2022). With the government's mandate to strengthen BSI's contribution to the real sector and MSMEs through partnership schemes, it is evident that mergers are not just administrative restructuring, but a real catalyst that drives a shift in the financing paradigm from Murabahah dominance to the strengthening of profit-sharing contracts. The spillover effect of BSI's presence also encourages other Islamic banks to increase the portion of profit-sharing financing as a competitive differentiation strategy, in accordance with the prediction of SCP theory.

The results of this study also answer the gap identified from Tadjie's (2022) study which did not find a significant difference in the general financial ratio (ROA, ROE) immediately after the merger. The findings of this study show that the positive impact of the BSI merger is indeed more significant in terms of financing composition, especially the acceleration of profit-sharing financing, not only in short-term profitability indicators.

b. The Effect of Non-Performing Financing (NPF) on Profit Sharing Financing (H1)

The NPF variable showed a coefficient of -850.4193 with a t-statistical value of -4.270410 and a probability of 0.0000. Because the probability value of 0.0000 is well below the significance level of 0.01, NPF has been shown to have a negative and significant effect on changes in profit-sharing financing at a 99% confidence level. Thus, Hypothesis 1 (H1) which states that NPF has a negative and significant effect on profit-sharing financing is accepted.

A negative coefficient of -850.4193 means that any increase in the NPF ratio of 1 percent, ceteris paribus, will be followed by a decrease in changes in average profit-sharing financing of IDR 850.42 billion per month. It is the variable with the most dominant and most significant influence in the model, as indicated by its probability value close to zero (0.0000).

These findings are fully consistent with banking risk management theory and agency theory. Profit-sharing financing, both Mudharabah and Musyarakah, is an instrument that inherently has a higher risk profile than fixed-margin financing (Murabahah), because banks bear fluctuating profit-sharing risks and are vulnerable to information asymmetry and moral hazard from customers. When the NPF ratio increases—indicating deteriorating asset quality and the potential for greater losses—Islamic bank management will respond rationally by implementing tighter credit policies. Expansion in high-risk financing segments such as profit sharing will be on hold, and liquidity allocation will be more directed towards financing with more guaranteed return certainty to protect the health of banks' balance sheets.

These findings strengthen the research results of Setiawan et al. (2022) and Siswanti et al. (2023) which emphasized the crucial management of NPF in maintaining the health of Islamic banks' productive assets. Moreover, the magnitude of the NPF coefficient (-850.42) compared to other variables in the model shows that the credit risk factor is the biggest binding constraint that hinders the expansion of profit-sharing financing. The implication is clear: the main agenda that must be completed by BSI management and the Islamic banking industry as a whole before being able to accelerate profit-sharing financing is to ensure healthy asset quality and a controlled NPF ratio below the OJK regulatory threshold (5%).

c. The Effect of Mudharabah Deposit Profit Sharing Rate on Profit Sharing Financing (H3)

The DEP_MUDH_RATE variable has a coefficient of 521.1034 with a t-statistical value of 3.113658 and a probability of 0.0023. The probability value of 0.0023 < 0.05 indicates that the profit-sharing rate of Mudharabah deposits has a positive and significant effect on changes in profit-sharing financing. Thus, Hypothesis 3 (H3) which states that the level of Mudharabah deposits has a positive and significant effect on profit-sharing financing is accepted.

A positive coefficient of 521.1034 means that any 1 percent increase in the equivalent rate of profit sharing of Mudharabah deposits, assuming other variables are constant, will increase the change in average profit sharing financing by Rp521.10 billion per month. Although the magnitude of the influence is smaller than the MERGER and NPF variables, the significance level remains strong at the level of 1%.

This result can be explained through two complementary theoretical mechanisms. First, from the perspective of the theory of Asset and Liability Management (ALMA), especially the concept of matching maturity proposed by Arifin (2009), the increase in the profit sharing rate of Mudharabah deposits indicates a stable growth in the volume of long-term Third Party Funds (DPK). Deposit funds that have a certain tenor (1, 3, 6, or 12 months) provide a suitable source of funds to be distributed into medium-long-term financing instruments such as Musyarakah, so that the risk of liquidity mismatch can be managed properly.

Second, from the perspective of profitability incentives, a higher deposit profit sharing rate means an increased cost of fund banks. To maintain an optimal net margin, banks are encouraged to channel these funds to financing instruments with higher yield potential. In accordance with the principle of high risk high return, profit-sharing-based financing theoretically offers greater revenue potential than fixed-margin-based financing. Thus, the high rate of deposit profit sharing creates pressure for bank management to optimize the placement of funds in the profit-sharing financing segment to maintain profitability.

These findings are consistent and reinforce the research results of Annisa, Kholil, and Seri (2021) and Apriani and Hasan (2023) who both found a significant positive influence of Mudharabah deposits on Mudharabah financing. This also supports the argument of Saputri (2019) regarding the role of Third Party Funds and the level of profit sharing in encouraging Mudharabah financing. Overall, these findings confirm the fundamental principle of Islamic bank intermediation that investment-based fund raising (profit sharing) has a close functional relationship with the distribution of profit-sharing-based financing as well.

d. The Effect of Profit Sharing Financing Lag on Changes in Profit Sharing Financing

Variable D_PLS_FINANCING(-1), which is a one-period lag of the dependent variable, shows a coefficient of -0.181703 with a t-statistic of -2.387062 and a probability of 0.0186. This variable has a negative and significant effect, indicating the effect of inertial correction or mean-reversion in the growth dynamics of profit-sharing financing. Economically, this negative coefficient means that a huge surge in profit-sharing financing in the previous month is likely to be followed by more moderate growth in the following month—common in time-series financial data that has a limit on distribution capacity. The presence of this lag variable also serves as an autoregressive control that ensures the model does not contain autocorrelation problems, as confirmed by the Durbin-Watson value of 2.040401.

4.6 Summary of Hypothesis Testing Results

Table 4.3 Summary of Hypothesis Test Results

H	Hipotesis	Variabel	Prob.	Verdict
H1	NPF has a negative and significant effect on profit-sharing financing	NPF → D_PLS_FINANCING	0.0000	Accepted ✓
H2	The BSI merger has a positive and significant effect on profit-sharing financing	MERGER→D_PLS_FINANCING	0.0102	Accepted ✓

H3	Mudharabah deposits have a positive and significant effect on profit-sharing financing	DEP_MUDH_RATE→ D_PLS_FINANCING	0.0023	Accepted ✓

Source: Processed researcher (2026)

Based on the summary in Table 4.3, the three research hypotheses formulated are all statistically supported. These results show that changes in Indonesia's Islamic banking profit-sharing financing are significantly influenced by the BSI merger event (as a positive structural shock), the quality of assets proxied by NPF (as a inhibiting factor), and the attractiveness of Mudharabah deposit collections proxied by the profit-sharing rate (as a motivating factor from the passive side).

Overall, the findings of this study provide strong empirical evidence that the structural transformation of the Islamic banking industry through merger policies—in this case BSI mergers—has a real and positive impact that goes beyond just balance sheet consolidation. The merger has proven to be a catalyst for a paradigm shift in financing that has driven the strengthening of the role of profit-sharing contracts in the national Islamic banking financing portfolio, an agenda that for more than two decades has remained an unsolvable challenge in the history of Indonesian Islamic banking.

5. CONCLUSION

This study aims to analyze the influence of Bank Syariah Indonesia (BSI) merger policies, Non-Performing Financing (NPF), and Mudharabah Deposit profit sharing rates on the distribution of profit-sharing financing in Indonesian Islamic banks for the period November 2014-January 2025 (119 observations) using the OLS multiple linear regression method. Based on the results of model estimation and hypothesis testing, there are three main conclusions that can be drawn.

First, the BSI merger has proven to have a positive and significant effect on increasing profit-sharing financing. This confirms that the merger is not just an administrative consolidation, but a real catalyst for the shift in the paradigm of sharia financing from Murabahah dominance to the strengthening of profit-sharing-based contracts. These findings are consistent with the predictions of Structure-Conduct-Performance (SCP) Theory, where changes in market structure characterized by the birth of a post-merger dominant entity drive industry-wide behavioral changes.

Second, NPF has been shown to have a negative and significant effect on profit-sharing financing and is the variable with the most dominant influence in the model. Every 1% increase in NPF has implications for a decrease in the average change in profit-sharing financing of Rp850.42 billion per month. This is fully in line with banking risk management theory and Agency Theory, which explains that high credit risk encourages banks to be more conservative in disbursing high-risk financing such as profit sharing. These findings confirm that NPF control is a key prerequisite for accelerating profit-sharing financing.

Third, the profit sharing rate of Mudharabah Deposits has a positive and significant effect on profit sharing financing. Each 1% increase in the deposit profit sharing rate correlates with an increase in the average profit sharing financing of IDR 521.10 billion per month. These results confirm the principle of matching the concept of Islamic bank intercourse, that investment-based fund collection has a close functional relationship with the distribution of profit-sharing-based financing.

The practical implication of this study is that the acceleration of profit-sharing financing in Indonesian Islamic banking requires two policy agendas that run synergisically: (1) strict control of NPF below the OJK regulatory threshold as the main *binding constraint*, and (2) optimization of the collection of Mudharabah Deposits as an appropriate source of funds to support the expansion of profit-sharing financing. The momentum of BSI's merger should continue to be maintained and strengthened through increasing risk management capacity, so that the spirit of Islamic banking based on profit and loss sharing (PLS) can truly be realized in the national financing portfolio.

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