



Market Share Factors of Sharia Banks in Indonesia and Malaysia

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Keywords:

*Market Share;
Profit Sharing;
Number of
Office; Third
Party Funds;
Return on Asset.*

Abstract

This research aims to examine the relationship between the market share of sharia banks in Malaysia and Indonesia simultaneously as a function of profit sharing, number of offices, and Third-Party Funds (TPF), with Return on Assets (ROA) as an intermediary variable. Both countries have similarities in being a country with a Muslim majority population and implementing a dual banking system. The annual financial reports of Sharia banks in Indonesia and Malaysia from 2016–2021 are the secondary data source for this quantitative research. A technique called path analysis is used. According to research, there is no statistically significant relationship between TPF and market share. The market share of Sharia banks is strongly influenced by profit sharing. Market share is strongly influenced by the number of offices. The impact of TPF on ROA-based market share is not significant. ROA is the main mechanism by which profit sharing affects market share. Through the ROA of Sharia banks, the number of offices influences market share. If Sharia banks want to maximize income, grow their overall assets, and increase their market share, then Sharia banks must think about how to manage TPF more effectively and efficiently, based on the conclusions of this research.

Kata Kunci:

*Pangsa Pasar;
Pendapatan
Bagi Hasil;
Jumlah Kantor;
Dana Pihak
Ketiga; Return
on Asset.*

Abstrak

Penelitian ini bertujuan untuk menguji hubungan pangsa pasar bank syariah di Malaysia dan Indonesia secara bersama-sama dengan fungsi pendapatan bagi hasil, jumlah kantor, dan Dana Pihak Ketiga (DPK), dengan *Return on Assets* (ROA) sebagai variabel perantara. Kedua negara memiliki kesamaan negara dengan penduduk mayoritas muslim dan menerapkan *dual system banking*. Laporan keuangan tahunan bank syariah di Indonesia dan Malaysia dari tahun 2016–2021 menjadi sumber data sekunder untuk penelitian kuantitatif ini. Sebuah teknik yang disebut analisis jalur digunakan. Menurut penelitian tidak ada hubungan yang signifikan secara statistik antara DPK dan pangsa pasar. Pangsa pasar bank syariah sangat dipengaruhi oleh pendapatan bagi hasil. Pangsa pasar sangat dipengaruhi oleh jumlah kantor. Dampak DPK terhadap pangsa pasar berbasis ROA tidak signifikan. ROA adalah mekanisme utama dimana pendapatan bagi hasil mempengaruhi pangsa pasar. Melalui ROA bank syariah jumlah kantor mempengaruhi pangsa pasar. Jika bank syariah ingin memaksimalkan pendapatan, menumbuhkan keseluruhan asetnya, dan meningkatkan pangsa pasarnya, maka bank syariah harus memikirkan cara mengelola DPK dengan lebih efektif dan efisien, berdasarkan kesimpulan penelitian ini.

INTRODUCTION

Banking has an important role in a country's economic growth of a country. It cannot be denied that the existence of banking is vital in various economic activities. Among various types of financial institutions, the banking sector is the most influential in the economic activities of today's society. There are two types of commercial banks, namely conventional banks and sharia banks. Conventional banks operate their business activities using interest as a source of income and charge interest on loans and use of funds. Meanwhile, Sharia banks apply the principle of profit and loss sharing and do not use interest as a transaction mechanism.¹ Competition between conventional and Sharia banks is increasing in efforts to develop the number of customers and improve management to maintain the trust of customers and investors.²

The use of market share as an indicator shows the ability of a company to compete with other banks. Market share is an encouragement for companies to improve the quality of their business.³ By comparing the total assets of Sharia banks to those of national banks, one may determine the market share of Sharia banks, and then multiply the result by 100. Using this as a proxy is one approach to measuring the market share of Sharia banks.⁴

From a political economy perspective, both Indonesia and Malaysia want to establish a dual banking and financial system that can run both the conventional and sharia sectors concurrently. Both nations have also played a pivotal role in the development of the Southeast Asian Sharia banking and financial sector.⁵ In fact, in the last three years, Indonesia and Malaysia have been competing with each other for the first rank in the Sharia Finance Country Index (IFCI), which is an index that measures the performance and development of the Sharia finance sector in these countries.⁶ Both countries are also included in two countries that have experienced very significant asset growth compared to other countries.⁷

¹ Indah Septiana Dewi and Azwar Anwar, Mukhammad Idrus, "Analisis Perbandingan Kinerja Keuangan Bank Konvensional Dan Bank Syariah Selama Pandemi COVID-19," *Pinisi Journal of Art, Humanity and Social Studies* 3, no. 6 (2023): 570–87, <https://dx.doi.org/10.30651/jms.v8i1.18138>.

² Putri Awaliana Ramdan, Lalu Hamdani Husnan, and Siti Aisyah Hidayati, "Analisis Perbandingan Kinerja Keuangan Bank Umum Konvensional Dengan Bank Umum Syariah Di Indonesia Menggunakan Metode RGEC Periode 2018-2022," *ALEXANDRIA (Journal of Economics, Business, & Entrepreneurship)* 4, no. 2 (September 30, 2023): 67–75, <https://doi.org/10.29303/alexandria.v4i2.460>.

³ Ayif Fathurrahman and Ade Maya Asriyanti, "Determinan Market Share Perbankan Syariah Di Indonesia: Pendekatan Error Correction Model," *Masharif* 7, no. 2 (2022): 642, <https://dx.doi.org/10.30651/jms.v7i2.12043>.

⁴ Nurani Purboastuti, Nurul Anwar, and Irma Suryahani, "Pengaruh Indikator Utama Perbankan Terhadap Pangsa Pasar Perbankan Syariah," *JEJAK: Jurnal Ekonomi Dan Kebijakan* 8, no. 1 (March 1, 2015): 13–22, <https://doi.org/10.15294/jejak.v8i1.3850>.

⁵ P E Pantas, A Susetyohadi, and L Azwita, "Islamic Banking Efficiency in Indonesia and Malaysia: Two Stages Data Envelopment Window Analysis," *Journal of Islamic Economics* 5, no. 2 (2021): 234–49, <https://doi.org/10.26740/al-uqud.v5n2.p234-249>.

⁶ Sheikh Nedham Yaqubi et al., "Gifr 2021 Global Islamic Finance Report," 2021.

⁷ Muhammad Al Ghifari, Hakim Handoko Luqman, and Ahmad Yani Endang, "Analisis Kinerja Perbankan Syariah Di Indonesia Dan Malaysia Dengan Pendekatan Maqashid Indeks," *Jurnal Ekonomi Dan Perbankan Syariah*, vol. 3, 2015, <https://dx.doi.org/10.46899/jeps.v3i2.160>.

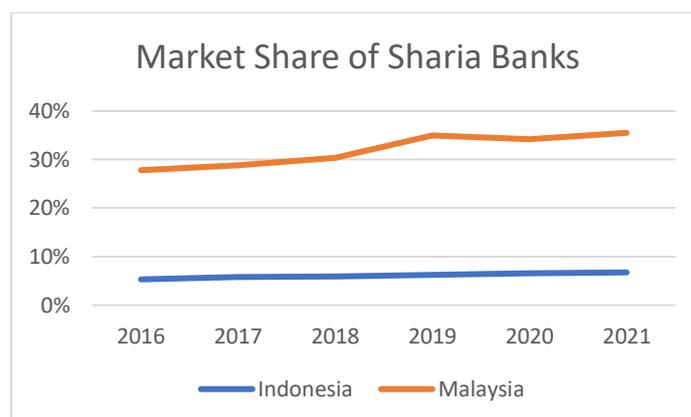


Figure 1. Market Share of Sharia Banks in Indonesia and Malaysia:

Source: Data processed by the author, (2023).

Sharia banks in Indonesia have seen their market share rise annually, despite a general trend of stagnation, as seen in Figure 1. In 2017 recorded the highest increase with a percentage increase of 0.48%. On the other hand, the market share of Sharia banks in Malaysia experienced one decline in 2020 but recorded the highest increase in 2016 with a percentage increase of 5.06%.

According to Siregar, Third-Party Funds (TPF) are very necessary in developing Sharia Bank's business activities. TPF is one element that may aid in the redistribution of capital and positively affect the market share of Sharia banks in Indonesia.⁸ Gugun and Utami's research strengthens this argument by showing that the market share of Sharia banks is positively influenced by TPF.⁹

In addition to applying Sharia principles, one of the things that attracts and distinguishes Sharia banks from conventional banks is the profit-sharing system. Cachon and Lariviere state that Sharia banks' market share is greatly affected by profit sharing.¹⁰ Research by Ludiman and Mutmainah lends credence to the hypothesis as well; their findings demonstrate that the *nisbah* increases the market share of Indonesia's Sharia banks.¹¹

If Sharia banks want to grow their part of the Indonesian market, according to Siregar, they need to open branches all across the country.¹² Expansion of the Sharia banking office network is one of the reasons why customers are influenced to open accounts in Sharia banking and this expansion is also one of the factors that significantly drives the increase in

⁸ Erwin Saputra Siregar, *Analisis Pengaruh Faktor Internal Dan Eksternal Perbankan Syariah Terhadap Market Share Aset Perbankan Syariah Di Indonesia* (Klaten: Tahta Media Grup, 2021).

⁹ Gugun Gunawan and Tri Utami, "Pengaruh Dana Pihak Ketiga, Pembiayaan Bermasalah Dan BOPO Terhadap Market Share Perbankan Syariah," *SAKUNTALA* 1, no. 1 (2021): 29.

¹⁰ David Simchi-Levi, Xin Chen, and Julien Bramel, *The Logic of Logistics: Theory, Algorithms, and Applications for Logistics Management* (New York: Springer Science+Business Media, 2013).

¹¹ Imbuh Ludiman and Kurniawati Mutmainah, "Analisis Determinan Market Share Perbankan Syariah Di Indonesia (Studi Empiris Pada Bank Umum Syariah Dan Unit Usaha Syariah Yang Terdaftar Di OJK Periode Maret 2017 Sampai September 2019)," *Journal of Economic* 3, no. 2 (2020): 169–81, <https://doi.org/10.32500/jematech.v3i2.1336>.

¹² Siregar, *Analisis Pengaruh Faktor Internal Dan Eksternal Perbankan Syariah Terhadap Market Share Aset Perbankan Syariah Di Indonesia*.

the performance of the Sharia banking industry.¹³ In addition, research conducted by Hidayat and Trisanty shows that one of the effective internal strategies in increasing how many Sharia banks there are is to improve and optimize the service office network.¹⁴

Howson argues that the strongest evidence points to the same causes explaining the correlation between market share and profitability. For example, improving efficiency or innovation will result in high profits and a large market share.¹⁵ Return on Assets (ROA) significantly affects Sharia banks' market share provided to studies done by Purboastuti, Anwar, and Irma.¹⁶

When considering the phenomena of the still-low proportion of the market share held by Sharia banks in both Malaysia and Indonesia. The theory suggests that the market share of Sharia banks should be dominant in this situation due to the Muslim majority and the similarities between the two countries' dual-system banking systems. However, the opposite is true, and it would be interesting to study what variables impact this market share in light of the aforementioned description of the theory. What makes this research unique is that it uses return on assets (ROA) as an intermediary variable to look at how different branch locations affect the market share of Sharia banks, and it also looks at how these banks are spreading their reach outside of Indonesia and Malaysia. Our research aims to shed light on the relationship between Sharia banks' market dominance in Malaysia and Indonesia simultaneously as it relates to TPF, profit sharing, and the number of offices established via ROA.

RESEARCH METHODS

This study employs a quantitative methodology, a research method based on the philosophy of positivism, used to study certain populations or samples, collect data using research instruments, and analyze data quantitatively or statistically, to test the hypothesis that has been formulated.¹⁷ Draw on secondary data sources, by looking at the annual financial reports with 36 data were used, during 2016–2021. Sharia banks in Indonesia used are Bukopin Syariah KB Bank, Mega Syariah Bank, and BCA Syariah while the Bank in Malaysia used are Malaysian Berhad Islamic Bank, Al Rahji Malaysia Bank, and Hong Leong Islamic Bank. The data analysis technique is path analysis with the software EViews 12. The limitation of the research is the difficulty of finding complete and consistent annual financial reports of Sharia banks in Malaysia every year on each bank's website.

This research used 3 variables namely, independent variable, dependent variable, and intervening variable. For independent variables, there are third-party funds, profit sharing, and the number of offices. For dependent variable is market share and the intervening variable is return on asset. The measurement scale is a ratio scale that uses an absolute zero

¹³ Halim Alamsyah, "Perkembangan Dan Prospek Perbankan Syariah Indonesia: Tantangan Dalam Menyongsong MEA 2015," in *Milad Ke-8 Ikatan Ahli Ekonomi Islam (IAEI)*, 2012, 3.

¹⁴ Ahmad Rifqi Hidayat and Aidha Trisanty, "Analisis Market Share Perbankan Syariah Di Indonesia," *At-Taqaddum* 12, no. 2 (November 30, 2020): 183–200, <https://doi.org/10.21580/at.v12i2.6449>.

¹⁵ Peter Howson, *Commercial Due Diligence: The Key to Understanding Value in an Acquisition* (New York: Routledge, 2016).

¹⁶ Purboastuti, Anwar, and Suryahani, "Pengaruh Indikator Utama Perbankan Terhadap Pangsa Pasar Perbankan Syariah."

¹⁷ Sandu Siyoto and Ali Sodik, *Dasar Metodologi Penelitian* (Yogyakarta: Literasi Media Publishing, 2015).

point for results that can be differentiated, ordered, have a certain distance, and can be compared.¹⁸

Third-party funds are funds collected by banks that originate from the community in the broadest sense, namely individual communities or business entities.¹⁹ Profit sharing is a calculation of the profit sharing ratio resulting from the total income received before deducting the costs incurred to obtain that income.²⁰ The office in the modern concept is a management center, organization center, information center, communication center, and thought center.²¹ Market share is the part of the market that can be controlled or achieved by a business or company.²² Return on Assets is a measurement of the company's overall ability to generate profits with the total assets in the company.²³

RESULTS AND DISCUSSION

In panel data research, it is necessary to analyze the selection of estimation methods. The most appropriate models for managing panel data according to Basuki and Prawoto are the Chow Test, Hausman Test, and Lagrange Multiplier Test.²⁴

Model Selection Test

Chow Test

The Chow test is used to choose between *Common Effect Model* (CEM) and *Fixed Effect Model* (FEM). If the probability value (prob.) $> \alpha$ ($\alpha = 0.05$) means that the best model is CEM, and vice versa if the prob. (p-value) < 0.05 then the best model is FEM.²⁵

Table 1. Chow Test of Sub-Structure I

Effects Test	Statistic	d.f.	Prob.
Cross-section F	298.047251	(5,26)	0.0000
Cross-section Chi-square	146.372035	5	0.0000

Source: Data processed by the author, (2023).

According to the data in Table 1, the fixed effect model is the most suitable model for substructure I because the probability value is 0,00, which is less than 0.05.

¹⁸ Sugiarto and Hongyanto Setio, *Statistika Deskriptif & Konsep Peluang Aplikasi R-Stat* (Yogyakarta: Penerbit Andi, 2020).

¹⁹ Frena Fardillah et al., *Perbankan Syariah Indonesia* (Cirebon: Insania, 2021).

²⁰ Meida Rachmawati et al., eds., "ICLSSEE 2021," in *Proceedings of the 1st International Conference on Law, Social Science, Economics, and Education* (Jakarta: EAI, 2021), 727.

²¹ Ari Wahyudi Hertanto, *Kantor Hukum: Pendirian Dan Manajemennya: Teori Dan Praktik* (Jakarta Timur: Sinar Grafika, 2016).

²² Arif Hidayat, *Studi Kelayakan Bisnis* (Solok: Insan Cendekia Mandiri, 2021).

²³ Ruki Ambar Arum et al., *Analisis Laporan Keuangan: Penilaian Kinerja Perusahaan Dengan Pendekatan Rasio Keuangan* (Bandung: Media Sains Indonesia, 2022).

²⁴ Rifkhan, *Pedoman Metodologi Penelitian Data Panel Dan Kuesioner* (Indramayu: Adab, 2023).

²⁵ Eviatiwi Kusumaningtyas et al., *Konsep Dan Praktik Ekonometrika Menggunakan EViews* (Lamongan: Academia Publication, 2022).

Table 2. Chow Test of Sub-Structure II

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.526870	(5,27)	0.2147
Cross-section Chi-square	8.964329	5	0.1105

Source: Data processed by the author, (2023).

According to the data in Table 2, the likelihood is 0.11%, which is more than 0.05. The CEM emerges as the top choice for substructure II. So, there is no need to do a Hausman test on sub-structure II.

Hausman Test

The Hausman test is a test used to choose between FEM and *Random Effect Model* (REM). If the probability value (prob.) $> \alpha$ ($\alpha = 0.05$) then means that the best model is REM, and vice versa if the prob. (p-value) < 0.05 then the best model is FEM. If the best is FEM, then there is no need to continue with the Lagrange multiplier test, but if REM is chosen then further tests need to be carried out.²⁶

Table 3. Hausman Test of Sub-Structure I

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	11.032598	4	0.0262

Source: Data processed by the author, (2023).

The probability value is 0.03, which is less than 0.05, as shown in Table 3. Substructure I is more suited to FEM, so the Lagrange Multiplier test is unnecessary.

Lagrange Multiplier Test

The Lagrange Multiplier (LM) test is the final test in selecting the most appropriate model for managing panel data. This test is used to compare or select the best model between the CEM and REM methods.²⁷ If the probability value (prob.) $> \alpha$ ($\alpha = 0.05$) then means that the best model is CEM, and vice versa if the prob. (p-value) < 0.05 then the best model is REM.²⁸ For substructure I, the LM test was not carried out because the previous Hausman test had obtained the best model, namely fixed effects.

²⁶ Kusumaningtyas et al.

²⁷ Rifkhan, *Pedoman Metodologi Penelitian Data Panel Dan Kuesioner*.

²⁸ Kusumaningtyas et al., *Konsep Dan Praktik Ekonometrika Menggunakan EVIEWS*.

Table 4. *Lagrange Multiplier Test of Sub-Structure I*

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	0.112351 (0.7375)	1.431042 (0.2316)	1.543394 (0.2141)
Honda	0.335188 (0.3687)	1.196262 (0.1158)	1.082899 (0.1394)
King-Wu	0.335188 (0.3687)	1.196262 (0.1158)	1.082899 (0.1394)
Standardized Honda	1.952475 (0.0254)	1.360793 (0.0868)	-0.991485 (0.8393)
Standardized King-Wu	1.952475 (0.0254)	1.360793 (0.0868)	-0.991485 (0.8393)
Gourieroux, et al.	--	--	1.543394 (0.2226)

Source: Data processed by the author, (2023).

Based on the test results in Table 4, the cross-section value on Breusch-Pagan is 0.7375 which exceeds the significance value of 0.05. So, the best estimation method used is CEM.

Classical Assumption Test

Normality Test

The normality test with Eviews used is the Jarque-Bera (JB) test with the following conditions if the JB’s probability value is > 0.05 then the data is declared normal but if the JB’s probability value is <0.05 then the data is declared abnormal.²⁹

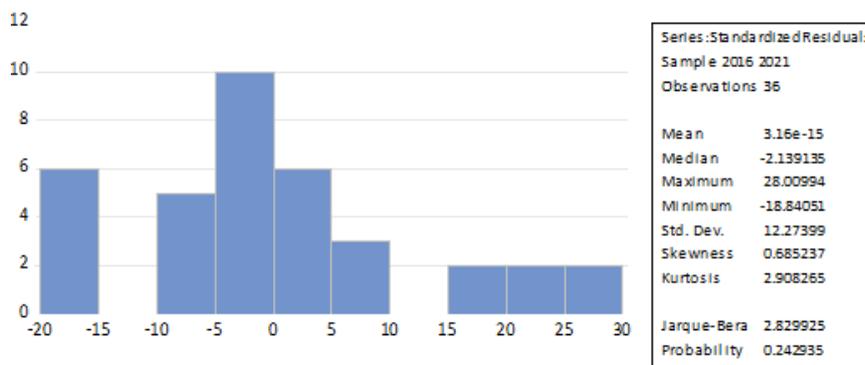


Figure 2. Normality Test of Sub-Structure I

Source: Data processed by the author, (2023).

According to the data shown in Figure 2, the tests were significant at the 0.05 level of significance, with a JB’s probability value of 0.243. According to the findings, the data is normally distributed.

²⁹ Zulaika Matondang and Hamni Fadlilah Nasution, *Praktik Analisis Data: Pengolahan Ekonometrika Dengan EViews Dan SPSS* (Medan: Merdeka Kreasi Group, 2021).

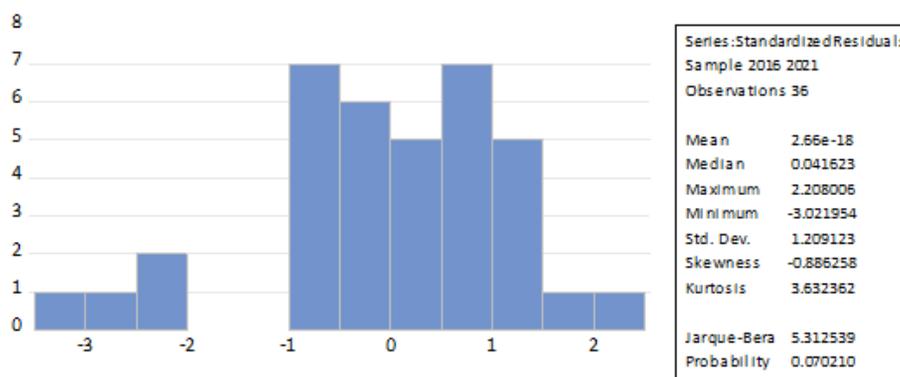


Figure 3. Normality Test of Sub-Structure II
 Source: Data processed by the author, (2023).

The chance value is 0.07%, which is higher than the significance level of 0.05, according to the test findings shown in Figure 3. The data is therefore assumed to follow a normal distribution.

Multicollinearity Test

Table 5. Multicollinearity of Sub-Structure I

	LOG_Z	LOG_X1	LOG_X2	LOG_X3
LOG_Z	1.000000	0.013714	-0.242525	0.186375
LOG_X1	0.013714	1.000000	0.564319	0.016083
LOG_X2	-0.242525	0.564319	1.000000	0.374807
LOG_X3	0.186375	0.016083	0.374807	1.000000

Source: Data processed by the author, (2023).

Based on the test results in Table 5, the correlation value between each variable does not exceed 0,8. Therefore, it can be concluded that there are no multicollinearity problems.

Table 6. Multicollinearity of Sub-Structure II

	LOG_X1	LOG_X2	LOG_X3
LOG_X1	1	0.564318895914137	0.01608298070924889
LOG_X2	0.564318895914137	1	0.3748070116722144
LOG_X3	0.01608298070924889	0.3748070116722144	1

Source: Data processed by the author, (2023).

The correlation value between each variable does not surpass 0.8, according to the test findings in Table 6. Thus, it follows that multicollinearity is not an issue.

Heteroscedasticity Test

Table 7. Heteroscedasticity Test of Sub-Structure I

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.058724	1.367644	-1.505307	0.1439
LOG_X1	-0.115704	0.063786	-1.813925	0.0808
LOG_X2	0.006678	0.027875	0.239568	0.8125
LOG_X3	-0.091222	0.038388	-1.552100	0.0611

Source: Data processed by the author, (2023).

Table 7 displays the test findings; all variable probabilities are more than 0.05, hence no heteroscedasticity issue is present.

Table 8. Heteroscedasticity Test of Sub-Structure II

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.077706	0.526207	2.048067	0.0491
LOG_X1	0.012160	0.041453	0.293342	0.7712
LOG_X2	-0.040859	0.050164	-0.814492	0.4216
LOG_X3	-0.070399	0.128663	-0.547161	0.5882
LOG_Z	0.079083	0.076040	1.040018	0.3064

Source: Data processed by the author, (2023).

There is no heteroscedasticity issue, as shown in Table 8 of the test results, as all variable probabilities have values greater than 0.05.

t Test

Table 9. t Test of Sub-Structure I

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.940644	0.841778	4.681333	0.0001
LOG_X1	0.054165	0.066312	0.816820	0.4203
LOG_X2	0.416004	0.080249	5.570243	0.0000
LOG_X3	0.546621	0.205823	3.627488	0.0010
LOG_Z	0.657147	0.190478	3.448405	0.0416

Source: Data processed by the author, (2023).

Based on the test results of Table 9, it can be seen:

1. The significance level of TPF (X_1) is $0,42 > 0,05$ and the value of $0,82 (t_{count}) < 2,03 (t_{table})$, so it can be concluded that TPF does not affect market share.
2. The significance level of profit sharing (X_2) is $0,00 < 0,05$ and the value is $5,57 (t_{count}) > 2,03 (t_{table})$, it is concluded that profit sharing affects market share.
3. The significance level of the number is offices (X_3) of $0,00 < 0,05$ and the value is $3,68 (t_{count}) > 2,03 (t_{table})$, The market share is influenced by the number of offices, as may be inferred.
4. The significance level of ROA (Z) is $0,04 < 0,05$ and the value of $3,45 (t_{count}) > 2,03 (t_{table})$, thus it is reasonable to assume that ROA influences market share.

Table 10. t Test of Sub-Structure II

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.623542	0.798243	0.781142	0.4405
LOG_X1	0.043696	0.096058	0.454894	0.6523
LOG_X2	0.673644	0.102762	3.636004	0.0010
LOG_X3	0.845400	0.255276	3.221611	0.0029

Source: Data processed by the author, (2023).

Based on the results of the Table 10 test can be known:

1. The significance level of TPF (X_1) is $0,652 > 0,05$ and the value is $0,45 (t_{count}) < 2,03 (t_{table})$, so it can be concluded that TPF does not affect ROA.
2. The significance level of profit sharing (X_2) of $0,00 < 0,05$ and the value is $3,64 (t_{count}) > 2,03 (t_{table})$, It leads us to believe that ROA is impacted by profit sharing.
3. The significance level of the number of offices (X_3) is $0,00 < 0,05$ and the value is $3,22 (t_{count}) > 2,03 (t_{table})$, so it can be concluded that the number of offices affects the ROA.

F Test

Table 11. F Test of Sub-Structure I

R-squared	0.626359
Adjusted R-squared	0.578147
S.E. of regression	0.839797
Sum squared resid	21.86304
Log likelihood	-42.10480
F-statistic	12.99183
Prob(F-statistic)	0.000003

Source: Data processed by the author, (2023).

From the data shown in Table 11, we can deduce that all of the independent variables significantly impact the dependent variable, since the probability value is 0,00, which is less than 0.05, and $2.68 (F_{table}) < 12.99 (F_{count})$.

Table 12. F Test of Sub-Structure II

R-squared	0.273350
Adjusted R-squared	0.205227
S.E. of regression	1.220434
Sum squared resid	47.66271
Log likelihood	-56.13313
F-statistic	4.012569
Prob(F-statistic)	0.015660

Source: Data processed by the author, (2023).

Given that the probability value is less than 0.05 and $2.91 (F_{table}) < 4.01 (F_{count})$, as well as the results of the tests shown in Table 12, it can be concluded that all of the independent variables have a significant effect on the dependent variable.

Test Coefficient of Determination (R^2)

Table 13. Test Coefficient of Determination (R^2) Sub-Structure I

R-squared	0.626359
Adjusted R-squared	0.578147
S.E. of regression	0.839797
Sum squared resid	21.86304
Log likelihood	-42.10480
F-statistic	12.99183
Prob(F-statistic)	0.000003

Source: Data processed by the author, (2023).

Table 13 of the test results shows that the adjusted R-squared value is 0.578, which means that X1, X2, X3, and Z have a 57.8% impact on Y. Unaccounted for in this study's analysis were additional independent variables, which accounted for 42.2%.

Table 14. Test Coefficient of Determination (R²) Sub-Structure II

R-squared	0.273350
Adjusted R-squared	0.205227
S.E. of regression	1.220434
Sum squared resid	47.66271
Log likelihood	-56.13313
F-statistic	4.012569
Prob(F-statistic)	0.015660

Source: Data processed by the author, (2023).

Table 14 of the test results reveals an Adjusted R-squared value of 0.205, which means that X1, X2, and X3 have a 20.5% effect on Y. Unaccounted for in this study's analysis were additional independent factors, which accounted for 79.5%.

Path Analysis

The structural equation in this research is as follows:

$$Y = bX_1Y + bX_2Y + bX_3Y + bYZ + e_1$$

$$Z = bX_1Z + bX_2Z + bX_3Z + e_2$$

From the equation above, it is depicted in the form of a path diagram as follows:

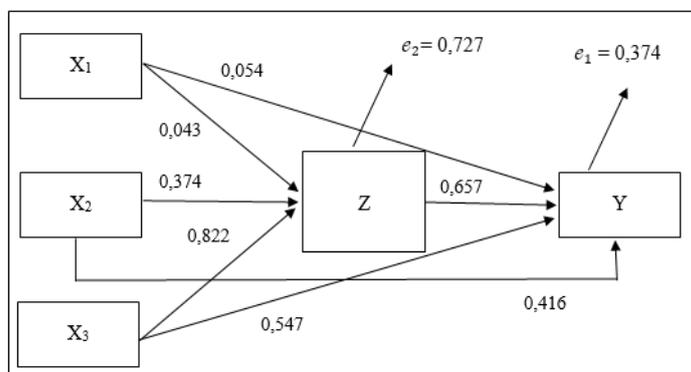


Figure 4. Path Analysis Model

Source: Data processed by the author, (2023).

The error value of the R square value is entered in the formula $e = \sqrt{1 - R \text{ square}}$. The error calculation results are as follows:

$$e_1 = \sqrt{1 - 0.626} = 0,374$$

$$e_2 = \sqrt{1 - 0.273} = 0,727$$

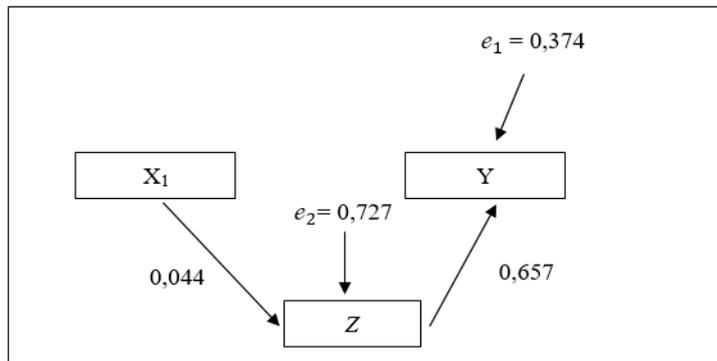


Figure 5. The effect of X1 on Y through Z
Source: Data processed by the author, (2023).

The direct impact of X1 on Z is 0.044, as shown in Figure 5, and the indirect effect of X1 on Y via Z is 0.029, as calculated by multiplying 0.044 by 0.657. Thus, X1 has a direct impact of 0.054 and an indirect effect of 0.029, for a total effect of 0.083. These computations show that X1 significantly affects Y via Z, as the direct impact value is larger than the indirect effect.

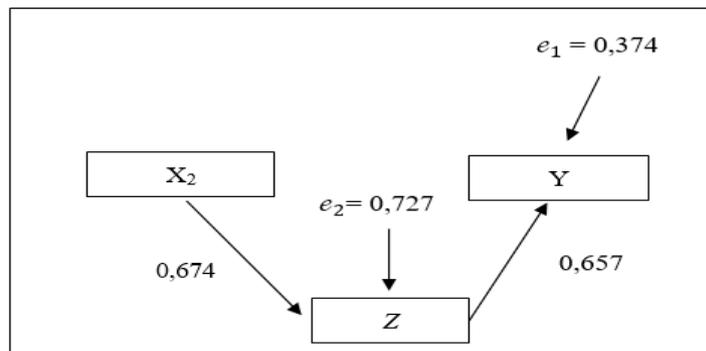


Figure 6. The effect of X2 on Y through Z
Source: Data processed by the author, (2023).

The direct impact of X2 on Z is 0.674, while the indirect effect of X2 on Y via Z is 0.442, as shown in Figure 6. With a direct impact of 0.416 and an indirect effect of 0.442, the sum of X2's effects on Y is 0.858. Findings from these computations show that X2 significantly affects Y via Z, as the direct influence is less substantial than the indirect effect.

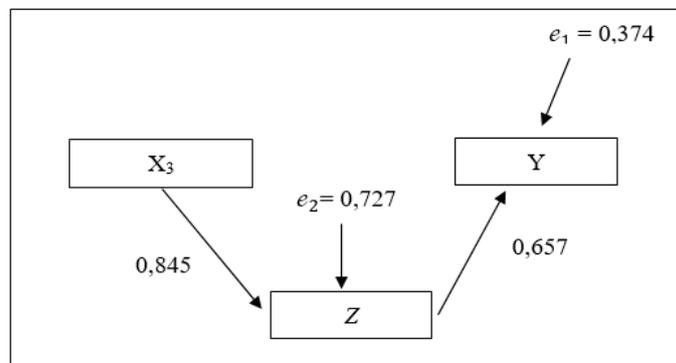


Figure 7. The effect of X3 on Y through Z
Source: Data processed by the author, (2023).

According to Figure 7, X3 has an impact of 0.845 on Z and an indirect effect of X3 on Y via Z of 0.557. With a direct influence of 0.547 and an indirect effect of 0.555, X3 has a total

impact on Y of 1,102. Results from these computations show that X3 significantly affects Y via Z, as the direct impact is less than the indirect effect.

So, the structural equation in this research is:

$$Y = 0,054 X_1 + 0,416X_2 + 0,547X_3 + 0,657Z + e_1$$

$$Z = 0,044 X_1 + 0,674X_2 + 0,845X_3 + e_2$$

DISCUSSION

Since alterations in TPF levels do not have any noticeable impact on the market share of sharia banks in Malaysia and Indonesia, these changes will pass unnoticed. The result of this research is interesting because it presents findings that contradict the theory presented by Siregar that there is a significant effect. If the amount of financing disbursed increases, the costs that must be incurred will also increase proportionally and the profit-sharing obligations to customers will increase. Thus, Sharia banks become ineffective in obtaining TPF in terms of financing. So, Sharia banks need to channel third-party funds effectively to increase market share. Sharia banks' market share is unaffected by TPF since total assets are affected by both first- and second-party funds. The results of this research do not support Siregar's theory which states that TPF is one of the components that can increase fund distribution so that it will have a positive effect on the market share of Sharia banks.³⁰ However, the results of this research are in line with research from Tarigan, Jihan, and Yulindawati that TPF has a positive and insignificant effect on the market share of Sharia banks.³¹

Since Sharia banks' market share is very sensitive to profit sharing, an increase in profit sharing is likely to be accompanied by a corresponding rise in market share in Malaysia and Indonesia. When a Sharia bank receives or experiences an increase in profit sharing from either musharakah or mudarabah, their assets will increase so that their market share will automatically increase. This is evident when a Sharia bank has a high-profit sharing, their market share increases, and vice versa. Sharia banks in Indonesia and Malaysia have been able to increase the value of profit sharing every year so that Sharia bank assets also increase and influence the market share they acquire. Sharia banks in Indonesia can maximize revenue sharing from musharakah, while in Malaysia they maximize from mudarabah. In addition, profit sharing can reap higher profits compared to other financing. The results of this research support Cachon and Lariviere's theory that profit sharing has a big impact on market share³² and The Rock and The London Life which explains that profit sharing has the potential to increase market share³³.

³⁰ Siregar, *Analisis Pengaruh Faktor Internal Dan Eksternal Perbankan Syariah Terhadap Market Share Aset Perbankan Syariah Di Indonesia*.

³¹ Jihan Adiba Ginting Ismail Rasyid Ridla Tarigan and Yulindawati, "Analisis Faktor-Faktor Yang Mempengaruhi Market Share Perbankan Syariah Di Indonesia Periode 2016-2020," *Jurnal Akuntansi Muhammadiyah (JAM)* 12, no. 1 (2022), <https://doi.org/10.37598/jam.v12i1.1397>.

³² Simchi-Levi, Chen, and Bramel, *The Logic of Logistics: Theory, Algorithms, and Applications for Logistics Management*.

³³ Canon Scmitt and Nancy Henry, eds., *Victorian Investments: New Perspectives on Finance and Culture* (Bloomington: Indiana University Press, 2009).

Sharia banks in Malaysia and Indonesia have a direct correlation between the number of branches they have and their market share, therefore expanding their branch network will raise their market share, and staying put would decrease it. When the offices owned are widespread and more evenly distributed, there will be a flow of funds or financing applications made by customers or the public and an increase in total assets owned by Sharia Bank, which will directly achieve an increase in market share owned. However, the number of offices owned in both Indonesia and Malaysia is still relatively small compared to conventional banks, so their market share cannot be achieved optimally. The results of this research are in line with Siregar's theory which states that the presence of a Sharia bank office is very necessary to increase market share³⁴ and supports previous research from Imbuh and Mutmainah with research results that the number of offices influences the market share of sharia banks in Indonesia.³⁵

When it comes to return on assets (ROA), TPF has little impact on the market share of Sharia banks in Malaysia and Indonesia. Sharia banks have not been able to collect low-cost funds, such as savings and current accounts, but are still dominated by expensive funds, namely deposits. This is due to the dominance of conventional banks in collecting low-cost funds. Due to the large amount of funds collected by Sharia banks, the amount of financing that needs to be channeled is also large. However, the profits earned from the disbursed financing are not very significant or the increasing amount of financing distributed by Sharia banks will increase the costs that need to be incurred and increase the obligation to share profits with customers. Thus, the TPF obtained by Sharia banks becomes ineffective in terms of financing. The results of this research are not in line with Siregar's theory which states that TPF is very necessary in developing sharia banking business activities.³⁶ The theory from De Jong and Shepherd found a strong positive relationship between profitability and market share.³⁷ However, this research supports research from Vivin and Dey which states that TPF does not affect Sharia bank market share through assets.³⁸

The return on assets (ROA) of Sharia banks in Malaysia and Indonesia is greatly impacted by profit sharing. When a Sharia bank can arrange profit-sharing financing, both musharakah, and mudarabah, profits will be obtained and will increase the assets owned by the Sharia bank so that market share also increases. Profit sharing can influence customer perceptions of fairness and transparency in their relationship with the bank. If banks can provide fair and proportional profit sharing to customers, this can increase customer trust in the bank and strengthen their relationships. High trust can help banks maintain and increase their market share. For Malaysian sharia banks, it is dominated by mudarabah income, while

³⁴ Siregar, *Analisis Pengaruh Faktor Internal Dan Eksternal Perbankan Syariah Terhadap Market Share Aset Perbankan Syariah Di Indonesia*.

³⁵ Ludiman and Kurniawati Mutmainah, "Analisis Determinan Market Share Perbankan Syariah Di Indonesia (Studi Empiris Pada Bank Umum Syariah Dan Unit Usaha Syariah Yang Terdaftar Di OJK Periode Maret 2017 Sampai September 2019)."

³⁶ Siregar, *Analisis Pengaruh Faktor Internal Dan Eksternal Perbankan Syariah Terhadap Market Share Aset Perbankan Syariah Di Indonesia*.

³⁷ Stanley W. Kardasz, H.W. De Jong, and W.G. Shepherd, *Mainstreams in Industrial Organization, Books I and II, The Canadian Journal of Economics*, vol. 21 (Dordrecht: Springer Science+Business Media, 1988), <https://doi.org/10.2307/135451>.

³⁸ Vivin Wulandari and Dey Anwar, "Analisis Pengaruh Dana Pihak Ketiga Dan Pembiayaan Terhadap Market Share Perbankan Syariah Di Indonesia Melalui Aset Sebagai Variabel Intervening," *SERAMBI* 1, no. 1 (2019): 33–44, <https://doi.org/10.36407/serambi.v1i2.69>.

in Indonesia it is still dominated by musharakah income due to uncertainty of the profit level of the mudarabah financing scheme. The results of this research support Cachon and Lariviere's theory that profit sharing has a big impact on market share.³⁹

The number of branches has a significant effect on the market share of Sharia banks in Indonesia and Malaysia when considering ROA. If the offices are spread widely, it will provide customers with accessibility to Sharia banks to open financial services such as savings, deposits, current accounts, and others easily. The funds collected will be distributed to individuals or groups who need them and the funds distributed will generate profits and increase the assets owned so that market share increases. This research supports research from Imbuh and Mutmainah which found that the number of offices has a positive effect on the market share of Sharia banks in Indonesia when there are more Sharia bank offices will make it easier for customers or the public to transact through Sharia banks so that the market share of sharia banks will increase.⁴⁰

CONCLUSIONS

TPF does not have a significant effect on the market share of Sharia banks in Indonesia and Malaysia. Because Sharia banks do not effectively manage TPF for financing, which results in increased profit-sharing obligations to customers TPF does not have a significant effect on market share. However, profit sharing has a significant positive effect on the market share of Sharia banks in Indonesia and Malaysia. Because the profit sharing of Sharia banks is higher than other financing income, it can influence market share.

The number of offices has a significant positive effect on the market share of Sharia banks in Indonesia and Malaysia. Due to the increasing number of Sharia bank offices, they can increase customers to save funds or finance so that they can increase market share. TPF does not have a significant effect on market share through the ROA of Sharia banks in Indonesia and Malaysia. Due to the large amount of financing disbursed and the ROA obtained being low, it does not significantly affect market share.

Profit sharing has a significant effect on market share through the ROA of Sharia banks in Indonesia and Malaysia. Because the profit sharing obtained has increased ROA, so market share has also increased. The number of offices has a significant effect on market share through the ROA of Sharia banks in Indonesia and Malaysia. Because an increasing number of offices will result in more customers, ROA can increase and market share will too.

The results of this research can theoretically be useful for the development of science in the field of Sharia banking which has accepted or supported several theories, namely Cachon and Lariviere's theory regarding profit sharing which has an impact on market share, Siregar's theory regarding offices which affect market share, as well as theories De Jong and Shepherd about the relationship between profitability and market share. However, It rejects Siregar's theory regarding TPF affecting the market share of Sharia banks.

³⁹ Simchi-Levi, Chen, and Bramel, *The Logic of Logistics: Theory, Algorithms, and Applications for Logistics Management*.

⁴⁰ Ludiman and Kurniawati Mutmainah, "Analisis Determinan Market Share Perbankan Syariah Di Indonesia (Studi Empiris Pada Bank Umum Syariah Dan Unit Usaha Syariah Yang Terdaftar Di OJK Periode Maret 2017 Sampai September 2019)."

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