



## UNLOCKING MARKET SHARE GROWTH: THE ROLE OF SERVICE FACILITIES AND FINANCIAL PERFORMANCE IN ISLAMIC BANKS

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### Abstract

Indonesia, as the country with the largest Muslim population in the world, reaching 237.6 million people or 86.7% of its total population, presents a unique potential for Islamic banking. However, the market share of Islamic banks remains surprisingly low at only 7.09%. This study aims to analyze the impact of service facilities and financial performance on the market share of Islamic banks in Indonesia. Employing panel data regression analysis with Stata software at a 5% significance level, this research reveals that the number of service offices positively and significantly influences the market share, while the Operating Cost to Operating Income (BOPO) ratio has a significant negative effect. Conversely, variables such as the number of ATMs, Return on Assets (ROA), Capital Adequacy Ratio (CAR), Non-Performing Financing (NPF), and Finance to Deposit Ratio (FDR) show no significant impact. These findings provide valuable insights into the factors shaping the market share of Islamic banks and underline the importance of optimizing service facilities and financial efficiency to enhance their competitive position.

**Keywords:** Financial Performance, Islamic Bank, Market Share, ROA, Service Facilities

### Abstrak

*Indonesia, sebagai negara dengan populasi Muslim terbesar di dunia—mencapai 237,6 juta orang atau 86,7% dari total penduduk—memiliki potensi unik bagi perbankan syariah. Namun, pangsa pasar perbankan syariah masih relatif rendah, hanya sebesar 7,09%. Penelitian ini bertujuan untuk menganalisis pengaruh fasilitas layanan dan kinerja keuangan terhadap pangsa pasar perbankan syariah di Indonesia. Dengan menggunakan analisis regresi data panel melalui perangkat lunak Stata pada tingkat signifikansi 5%, penelitian ini menemukan bahwa jumlah kantor layanan berpengaruh positif signifikan terhadap pangsa pasar, sedangkan rasio Biaya Operasional terhadap Pendapatan Operasional (BOPO) memiliki pengaruh negatif signifikan. Sebaliknya, variabel jumlah ATM, Return on Assets (ROA), Capital Adequacy Ratio (CAR), Non-Performing Financing (NPF), dan Finance to Deposit Ratio (FDR) tidak menunjukkan pengaruh yang signifikan. Temuan ini memberikan wawasan berharga mengenai faktor-faktor yang membentuk pangsa pasar perbankan syariah serta menekankan pentingnya optimalisasi fasilitas layanan dan efisiensi keuangan untuk meningkatkan daya saingnya.*

**Kata kunci:** Bank Syariah, Fasilitas Bank, Kinerja Keuangan, Pangsa Pasar, ROA

## INTRODUCTION

The banking sector is a vital sector that plays a role in driving the economic system in Indonesia, this is because all economic activities of the community flow in it (Melina et al., 2022). Therefore, the level of competition between banks in Indonesia is increasing. Competition in the banking sector can be influenced by several factors that can be categorized into quantitative factors that can be measured through the bank's financial performance, as well as qualitative factors that can be seen through public perception and opinion through the services provided by the bank (Siregar, 2019).

Islamic banks are one type of bank in Indonesia. Islamic banks are banks that in carrying out their operational activities play a role in providing services in the form of banking transaction traffic by implementing principles in accordance with Islamic law (Ariandhini, 2019). In its development until now, it is known that the *market share value* or market share of Islamic banks is still very far below conventional banks. According to the Indonesian Islamic Financial Development Report in 2022, it was known that the *market share value* of Islamic banking was only 7.09%. This indicates that the competitive strength of Islamic banks in the banking sector in Indonesia is still very weak.

On the other hand, Indonesia is a country with the largest Muslim majority population in the world. It is known that in 2023 there were 237.6 million or 86.7% of Indonesians who



embraced Islam (The Royal Islamic Strategic Studies Center, 2022) . This indicates that the number of the population who are predominantly Muslim is not directly proportional to *the market share value* of Islamic banks in Indonesia.

**Table 1Islamic Commercial Bank Service Facilities in Indonesia**

Year	Market Share (%)	Number of Offices	Number of ATMs
2018	5.96	1,875	2,791
2019	6.18	1,919	2,827
2020	6.51	2,034	2,800
2021	6.74	2,035	3,879
2022	7.09	2,007	4,397

Through table 1 above, it is known that there is a fluctuation in the number of service offices and the number of ATMs owned by Islamic banks in Indonesia which is suspected of having an effect on the *market share value* of Islamic banks. Based on research results from Hanafi (2021) , the number of service offices has been shown to have an effect on *the market share value* , while the number of ATMs has no effect. On the other hand, research conducted by Aulia (2023) states that the number of ATMs and the number of offices have an effect on the *market share value* of Islamic banks.

**Table 2Financial Performance Ratios of Islamic Commercial Banks in Indonesia (in percent)**

Year	NPF	CAR	ROA	FDR	BOPO	MS
2018	3,26	20,39	1,28	78,53	89,18	5,96
2019	3,23	20,59	1,73	77,91	84,45	6,18
2020	3,13	21,64	1,40	76,36	85,55	6,51
2021	2,59	25,71	1,55	70,12	84,33	6,74
2022	2,35	26,28	2,00	75,19	77,28	7,09

Based on Table 2, it is known that there is an increase in *the market share value* of Islamic banks throughout 2018 to 2022 which is followed by fluctuations in the value of the financial performance ratios of Islamic banks. This indicates that *the financial performance* of Islamic banks is unstable. Therefore, based on several previous studies, this is thought to affect the *market share value* of Islamic banks.

First, the ROA variable according to the research results of Ludiman & Mutmainah (2020) and Anik et al. (2022) has a significant influence on the value of *the market share* of Islamic banks. However, on the other hand, research from Al Arif & Rahmawati (2018) and Nasuha (2020) stated that ROA has no significant effect. Second, the CAR variable according to the research results of Aminah et al. (2019) was proven to have a significant influence on *the market share value* of Islamic banks. However, this is in contrast to research from Ludiman & Mutmainah (2020) which stated that CAR does not have a significant influence. Third, the NPF variable based on the research results of Nasuha (2020) and Fuadah & Hakimi (2020) has a significant influence on *the market share value* of Islamic banks. On the other hand, Ludiman & Mutmainah (2020) and Anik et al. (2022) stated that NPF does not have a significant influence. Fourth, the FDR variable according to research by Fatihin et al. (2020) and Fuadah & Hakimi (2020) has a significant influence on *the market share value* of Islamic banks. However, according to Al Arif & Rahmawati (2018) and Aminah et al. (2019) , FDR has no influence on *the market share value* . Finally, the BOPO variable according to research conducted by Al Arif & Rahmawati (2018) , Aminah et al. (2019) and Fuadah & Hakimi (2020) is known to have an influence on *the market share value* . However, according to Fitriyani & Nurdin (2018) BOPO has no effect on the *market share value* of Islamic banks.



Referring to the results of previous research reviews, it can be seen that there is *a research gap*. First, there is inconsistency in the results of several previous studies on the variables in the study, so it is hoped that this study can provide a contribution in the form of solving the problem of inconsistency through the results of this study. Second, if the majority of previous studies use multiple linear regression analysis methods, then in this study the researcher uses panel data regression analysis which is more suitable for the type of data used in this study.

## **LITERATURE REVIEW**

### **Teori Service Quality (SERVQUAL)**

The theory of service quality, developed by Zeithaml, Parasuraman, and Berry in 1990, refers to the expectations of consumers regarding the services provided by a company, which in turn influence customer satisfaction (Zeithaml et al., 1990). According to Kumrotin & Susanti (2021), service quality is an aspect that can impact customers' decision-making process, either encouraging them to use our services or switch to competitors.

There are five dimensions of service that need to be considered when providing services. These dimensions are commonly referred to as the SERVQUAL dimensions, an acronym for Service Quality (Parasuraman et al., 1988). The five dimensions include Tangibles, Reliability, Responsiveness, Assurance, and Empathy.

### **Signalling Theory**

The signaling theory, introduced by Morris in 1987, addresses the issue of information asymmetry between company management as the signal provider and external parties who lack complete information (Morris, 1987). According to Brigham & Houston (2017), signaling theory explains the behavior of internal managers and investors in evaluating a company's future prospects as a basis for making decisions or taking actions. Additionally, this theory, rooted in practical accounting principles, focuses on how information influences changes in the behavior of its users (Rokhlinasari, 2015).

From an accounting perspective, information disclosure can indicate whether a company is in a positive or negative signal state in the future (Sabatini & Sudana, 2019). One aspect of financial information disclosure that serves as a signal to external parties is the financial statements. Through financial statements, external stakeholders can assess the company's financial condition. These disclosures act as signals demonstrating the company's accountability for its financial performance, potentially eliciting positive responses from investors and customers.

In relation to the market share of Islamic banks, it can be concluded that signaling theory is connected to the signals banks aim to provide to external parties, particularly customers and potential customers. These signals contain information about the bank's performance, intended to shape external stakeholders' perceptions of the bank's overall performance.

The signals conveyed by banks can be communicated through the disclosure of annual reports. These reports provide external stakeholders with comprehensive information about the bank's financial and non-financial performance, as well as its market share. Such information serves as a foundation for external parties to make decisions regarding investing or placing their funds with the bank. Banks with strong financial performance, excellent services, and significant market share tend to emit positive signals to external stakeholders.

### **Service Quality and Islamic Bank Market Share**

The adequate number of service offices of Islamic banks is useful for improving the quality of service to customers so that they can access banking services easily (Parasuraman et al., 1988). According to the theory of *service quality*, where the large number of service offices can create effective and efficient service delivery to customers. Through this, it can affect



people's interest in saving their funds in Islamic banks, so that the bank's *market share value* will also increase.

H<sub>1</sub> : The number of service offices has a positive effect on the market share of Islamic banks.

*service quality* theory , the more ATMs there are, the easier it will be for customers to conduct banking transactions anywhere and anytime. The increasing number of ATMs proves that the level of financial inclusion in society has increased (Barron, 2019) . This indicates that the increasing number of customers who save their funds in Islamic banks, so that *the market share* will also increase.

H<sub>2</sub> : The number of ATMs has a positive effect on the market share of Islamic banks.

### **Financial Performance and Islamic Bank Market Share**

*Return on Assets* (ROA) is a reflection of the profitability conditions of Islamic banks that can encourage customer interest in Islamic banks (Zuhroh, 2022) . According to signal theory, an increase in the ROA value of Islamic banks will provide a positive signal to customers, thereby increasing customer interest and trust in Islamic banks (Sitorus & Pangestuti, 2016) . Through increasing the profitability of Islamic banks, it will affect the increase in *the market share value* of Islamic banks.

H<sub>3</sub> : ROA has a positive effect on the market share of Islamic banks.

*Capital Adequacy Ratio* (CAR) is a reflection of the capital conditions of Islamic banks which is an important aspect in terms of handling the risk of bank losses (Hanafia & Karim, 2020) . According to signal theory, where a high CAR value indicates that the bank is able to maintain its capital balance level so that it will provide a positive signal to the public, as a result the market share value of Islamic banks will also increase.

H<sub>4</sub> : CAR has a positive effect on the market share of Islamic banks

*Non Performing Financing* (NPF) is a reflection of the potential losses that can be experienced by a bank (Siregar, 2019) . According to signal theory, every increase in the NPF value reflects the worsening condition of a bank's bad credit, resulting in a negative signal to the public. Therefore, this can reduce the *market share value* of Islamic banks.

H<sub>5</sub> : NPF has a negative effect on the market share of Islamic banks.

*Finance to Deposit Ratio* (FDR) is a reflection of the bank's ability to make repayments to depositors and to provide loan applications submitted by the public (Wibisono & Wahyuni, 2017) . According to signal theory, an increase in the FDR value means that the level of financing provided by the bank is increasing and is not directly proportional to the third party funds that can be collected by the bank, so that this indicates that the funds in the bank are actually decreasing . Through this, it will give a negative signal to the public because the bank will be considered not to have the ability to make repayments to depositors. So that the increasing FDR value will result in reduced customer interest and will reduce the bank's *market share value* .

H<sub>6</sub> : FDR has a negative effect on the market share of Islamic banks.

*Operating Costs Operating Income* (BOPO) is a reflection of the level of efficiency in the management of operational activities of Islamic banks which can later have an influence on increasing *the market share value*. (Desil & Amri, 2020) . According to signal theory, where a high BOPO value indicates that the bank's operational costs are too high and are not balanced with operational income that can be maximized, resulting in a negative signal to the public. As a result, the increasing BOPO value will reduce the *market share value* of Islamic banks.

H<sub>7</sub> : BOPO has a negative effect on the market share of Islamic banks



## METHODS

### Population and Sample

This study utilizes quarterly data from Islamic banks registered with the Financial Services Authority (OJK) over the period from the first quarter of 2018 to the fourth quarter of 2022. The sample was determined through a purposive sampling method, based on specific criteria: Islamic commercial banks that consistently published complete financial reports during the study period and provided publicly accessible data required for the analysis

### Operationalization of Variables

This study aims to analyze the impact of service facilities and financial performance on the market share of Islamic banks. The independent variables include service facilities, represented by the number of offices and ATMs, and financial performance, measured using proxies such as Return on Assets (ROA), Capital Adequacy Ratio (CAR), Non-Performing Financing (NPF), Finance to Deposit Ratio (FDR), and Operating Costs to Operating Income Ratio (BOPO).

**Table 3. Operationalization of Variables**

Variables	Proxy	Operational Definition	Calculation Formula	Scale
<b>Dependent Variable</b>				
<i>Market Share</i>	<i>Market Share</i>	percentage of total assets of one Islamic bank to the bank's assets as a whole	$\frac{\text{Bank Total Asset}}{\text{total asset of national bank}}$	Ratio
<b>Independent Variables</b>				
1. Service Facilities	Number of service offices ( <i>OFC</i> )	the number of head offices (KP), branch offices (KC), cash offices (KK), and assistant branch offices (KCP) under the control of a particular Islamic general bank	KPO+KC+KCP+KK	Nominal
	Number of ATMs ( <i>ATMs</i> )	number of ATMs owned by the bank	Number of ATMs	Nominal
2. Financial Performance	<i>Return on Assets (ROA)</i>	a ratio that measures the level of effectiveness of a bank in generating profits compared to the value of its assets	$\frac{\text{Earning Before tax}}{\text{Total Asset}} \times 100\%$	Ratio
	<i>Capital Adequacy Ratio (CAR)</i>	the company's capital adequacy level to cover the risk of loss from	$\frac{\text{Total Equity}}{\text{Risk Weighted Assets}} \times 100\%$	Ratio





Variables	Proxy	Operational Definition	Calculation Formula	Scale
		risky asset investments		
	<i>Non-Performing Financing (NPF)</i>	percentage of the amount of problematic funds or non-performing funds compared to the amount of funds distributed by Islamic banks	$\frac{\text{non performance financing}}{\text{Total Financing}}$	Ratio
	<i>Finance to Deposit Ratio (FDR)</i>	percentage of the amount of funds distributed with funds obtained from depositors	$\frac{\text{Total financing}}{\text{third parties fund}} \times 100\%$	Ratio
	<i>Operating Costs to Operating Income (BOPO)</i>	The level of capability of bank management in managing its operational activities	$\frac{\text{operating cost}}{\text{operating income}} \times 100\%$	Ratio

### Analysis Techniques

The analytical method employed in this study is panel data regression analysis, chosen because the dataset combines time series and cross-sectional data. Panel data regression requires selecting the most suitable model from three alternatives: the Fixed Effects Model, the Random Effects Model, and the Pooled Least Squares Model. To determine the appropriate model, several tests are conducted, including the Chow test, the Lagrange Multiplier test, and the Hausman test. Following model selection, classical assumption tests are performed to validate the dataset's compliance with statistical requirements. These tests include the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test, ensuring the data is free from violations of classical assumptions.

The hypothesis testing methods employed in this study include the coefficient of determination test ( $R^2$ ) and the t-statistic test. The  $R^2$  test assesses the explanatory power of the independent variables in capturing the variance of the dependent variable. Meanwhile, the t-statistic test evaluates the individual influence of each independent variable on the dependent variable at a significance level of 5%.

The form of the panel data regression model contained in the research is stated as follows:

$$MS_{it} = \beta_0 + \beta_1 OFC_{it} + \beta_2 ATM_{it} + \beta_3 ROA_{it} + \beta_4 CAR_{it} + \beta_5 NPF_{it} + \beta_6 FDR_{it} + \beta_7 BOPO_{it} + \mu_{it} \dots \dots \dots (1)$$

Information:

MS = Market Share

OFC = Number of service offices

ATM = Number of ATMs

ROA = Return on Assets

CAR = Capital Adequacy Ratio

NPF = Non-Performing Financing



FDR = *Financial Debt Recovery*  
BOPO = Operating Costs - Operating Income  
 $\beta$  = Constant  
i = individu of Islamic Bank  
t = Time Period

## RESULTS AND DISCUSSION

This study aims to analyze Islamic commercial banks registered with the OJK in the period from Quarter I 2018 to Quarter IV 2022 and meet several criteria. These criteria are Islamic commercial banks that present financial performance ratio reports, present annual reports, and present data required in the study. So that the results obtained that the total sample that can be used in that period is 220 data for each variable. The following are the results of the descriptive test of the variables in this study:

Table 4. Descriptive Statistical Analysis

Variables	Obs	Mean	Std. Deviation	Min	Max
MS	220	0,36	0, 53	0, 05	2,75
OFC	220	169	256	10	1.342
ATM	220	2.927	6.286	9	18.659
ROA	220	1,95	3,20	-6,72	13,58
CAR	220	24,88	9,80	10,16	58,1
NPF	220	3,31	2,91	0,35	22,29
FDR	220	84,98	19,47	38,33	196,73
BOPO	220	86,97	15,37	54,85	202,74

Based on Table 3 above, it can be seen that the dependent variable, namely *market share* (MS), has an average value of 0.36%, which indicates that the strength of the Islamic bank market competition compared to its competitors in the banking industry in Indonesia is still very low. The highest value of *market share* was owned by Bank Syariah Indonesia (BSI) in the fourth quarter of 2022, which was 2.75% and the lowest value was owned by Bank Syariah Bukopin in the second quarter of 2021, which was 0.05%.

The service facility variable in this study is proxied by the number of service offices (OFC) and the number of ATMs (ATMs). The average value of the variable number of service offices (OFC) shows a figure of 169 units. The largest number of service offices is owned by Bank Syariah Indonesia (BSI) in the second quarter of 2022, which is 1,342 units and the smallest number is owned by Bank Panin Dubai Syariah in the first quarter of 2018, which is 23 office units. Meanwhile, the variable number of ATMs (ATMs) shows an average value of 2,927 units. The largest number of ATMs is owned by Bank BNI Syariah in 2019, which is 18,659 ATM units. Meanwhile, the smallest number is owned by Bank Tabungan Pensiunan Nasional Syariah, which is 9 ATM units.

The financial performance variables in this study are represented by Return on Assets (ROA), Capital Adequacy Ratio (CAR), Non-Performing Financing (NPF), Finance to Deposit Ratio (FDR), and Operating Costs to Operating Income Ratio (BOPO). The ROA variable has an average value of 1.95%, indicating that the banks' ability to manage their assets to generate profits is in a very healthy state. The highest ROA value was recorded by BTPN Syariah in the fourth quarter of 2019, while the lowest was observed in Bank Panin Dubai Syariah during the fourth quarter of 2021. Similarly, the CAR variable has an average value of 24.88%, reflecting a robust capital position. The highest CAR was achieved by BTPN Syariah in the fourth quarter of 2021, whereas the lowest was recorded by Bank Muamalat Indonesia in the first quarter of 2018.



The average value of the NPF variable is 3.31%, indicating that the level of non-performing financing is still healthy. The highest value was held by BJB Syariah in the second quarter of 2018 and the lowest value was held by BCA Syariah in the fourth quarter of 2018. Then for the FDR variable, it has an average value of 84.98%, indicating that the bank's ability to repay depositors is still healthy. The highest value was held by KB Bukopin Syariah in the fourth quarter of 2020 and the lowest value was obtained by Bank Muamalat Indonesia in the fourth quarter of 2021. Finally, the average value of the BOPO variable is 86.97%, indicating that the management of the bank's operational activities is still quite healthy. The highest value was held by Bank Panin Dubai Syariah in the fourth quarter of 2021 and the lowest value was held by BTPN Syariah in the first quarter of 2020.

In panel data regression analysis, it is necessary to choose the most suitable analysis model used in a study. Therefore, after conducting the chow test, *the lagrange multiplier* test, and the hausman test, it was determined that the most suitable model for this research data was *the Fixed Effect Model* (FEM).

After conducting the classical assumption test, it can be seen that the data in this study are not normally distributed, therefore *the winsorized treatment is carried out* to normalize the data. Then after the multicollinearity test is carried out, it is known that the research data is affected by multicollinearity problems so that *treatment is carried out using mean centering*. After that, the heteroscedasticity test and autocorrelation test are carried out which show that the research data is also affected by heteroscedasticity and autocorrelation problems so that *treatment is carried out robustness* that is directly entered into the research regression model. Therefore, after several *treatments*, it can be said that all of this research data is free from classical assumption test problems.

The results of the determination coefficient test ( $R^2$ ) for all variables of this study obtained the results that the *overall  $R^2$  value* is 0.9223 or 92.23%. This means that 92.23% of all factors that can affect the dependent variable can be explained by the independent variables used in this study, while 7.77% can be explained by other factors outside this study.

Table 5. Results of Panel Data Regression Statistical Tests

Variables	Pred.	Coef.	Fixed Effects Model	
			T	P >  t
Cons		0.1528793	0.89	0.390
OFC	H <sub>1</sub> : +	0.0012138	4.99	0,000
ATM	H <sub>2</sub> : +	4.98e-06	0.09	0.930
ROA	H <sub>3</sub> : +	-0.0037746	-1.26	0, 230
CAR	H <sub>4</sub> : +	0.0001576	0.29	0.780
NPF	H <sub>5</sub> : -	-0.0050411	-1.53	0.151
FDR	H <sub>6</sub> : -	0.0002487	-0.93	0.370
BOPO	H <sub>7</sub> : -	0.0016498	-2.63	0.021

### The Influence of Service Facilities on *the Market Share of Islamic Banks*

The results of the t-statistic test on the variable number of service offices (OFC) are a probability value of ( $0.000 < 0.05$ ), so it can be concluded that the OFC variable has a significant positive effect on the *market share value*. In accordance with the theory of *service quality*, an adequate number of service offices can provide ease of transactions for customers, so that people will be more interested in saving their funds in Islamic banks. In addition, the existence of adequate service offices as indicated by the opening of branch offices that are separate from the head office will make it easier for the public to obtain similar banking services with easier access (Hanafi, 2021). Therefore, efforts are needed to increase the number of service offices in order to increase the *market share value* of Islamic banks.





Based on Table 4 above, it is known that the variable number of ATMs has a probability value of  $(0.930 > 0.05)$  which means it does not have a significant effect on the dependent variable. This is because in this increasingly modern era, the role of ATMs has been replaced by *mobile banking applications* provided by each Islamic bank. For example, to make a transfer transaction to another account, people can use the transfer feature in mobile banking, so they don't need to look for the nearest ATM to make the banking transaction.

### **The Influence of Financial Performance on *the Market Share* of Islamic Banks**

The results of the t-statistic test in Table 4 above can be said that the probability value of the ROA variable is  $(0.230 > 0.05)$  which means that it does not have a significant effect on *the market share value* of Islamic banks. This is because not all assets owned by the bank are productive assets that can directly generate income for the bank, so the ROA value is considered not to reflect the bank's profitability conditions accurately. In addition, the public cares more about the ratio value that will be given by Islamic banks compared to the ROA value obtained by the bank (Lasrin et al., 2021) .

Based on Table 4, it can be seen that the CAR variable has a probability value of  $(0.780 > 0.05)$ , so it can be concluded that CAR does not have a significant effect. This is because Islamic banks are considered not to have carefully considered the role of their capital conditions in order to be used to attract customer interest (Harjito et al., 2017) . In this case, the bank is suspected of allowing the capital it has to remain stagnant and not being used optimally to generate income or improve services in order to attract people to save their funds in the Islamic bank.

The results of the t-statistic test of the NPF variable show that the probability value is  $(0.151 > 0.05)$  which means that it does not have a significant effect. This is because the bank's financing portfolio does not reflect the actual conditions, because financing in the special attention category is not included in the calculation of the NPF value. In addition, the different financing structures of each Islamic bank make it difficult to make comparisons between banks.

Based on the results of the t-statistic test above, it can be seen that the probability value of the FDR variable is  $0.370 > 0.05$ , which means that it does not have a significant effect on *the market share value*. This is because the high or low value of bank financing will not affect the profits that the bank will get, but the effectiveness of the financing will affect the profits, so that FDR cannot affect the *market share value* of Islamic banks (Ludiman & Mutmainah, 2020) .

Based on Table 4 above, it can be seen that the BOPO variable has a probability value of  $0.021 < 0.05$ , which means that it has a significant negative effect on *the market share value* of Islamic banks. According to signal theory, a low BOPO value indicates that the bank's operational conditions are healthy so that it will provide a positive signal to the public, thereby increasing the *market share value* of the Islamic bank itself. In addition, through the results of this research, it can be said that the more efficient the management of bank operations, the more it will increase the trust of customers and investors, because banks are considered to be able to manage the funds they save in the bank well (Fuadah & Hakimi, 2020) .

### **CONCLUSION**

This study aims to analyze the impact of service facilities and financial performance on the market share of Islamic commercial banks in Indonesia. The independent variables include service facilities, represented by the number of offices and ATMs, and financial performance, measured by Return on Assets (ROA), Capital Adequacy Ratio (CAR), Non-Performing Financing (NPF), Finance to Deposit Ratio (FDR), and Operating Costs to Operating Income Ratio (BOPO).



Based on the analysis of Islamic commercial banks registered with the Financial Services Authority (OJK) during the period from the first quarter of 2018 to the fourth quarter of 2022, the study finds that the number of service offices (OFC) has a significant positive effect on market share. Conversely, the BOPO variable demonstrates a significant negative effect on the market share of Islamic banks. However, other independent variables, such as the number of ATMs, ROA, CAR, NPF, and FDR, do not exhibit significant effects on market share.

Future research is encouraged to expand the sample size, incorporate external factors influencing market share, and extend the study period to achieve more comprehensive and robust results. Additionally, the findings of this study can serve as a reference for Islamic banks in evaluating and enhancing their service quality and financial performance, thereby increasing market share and solidifying their competitive position in Indonesia's banking sector.

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