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Internal Bank Factors and Financing Distribution: Evidence from Islamic Commercial Banks

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ABSTRACT:

This study aims to analyze the effect of BOPO, CAR, NOM, and DPK on the distribution of financing in Islamic commercial banks in 2014: Q1 - 2024: Q3. The method used in this research is quantitative research method with panel regression analysis technique. The sampling technique used purposive sampling and obtained 10 Islamic banks as samples. By using data sources from quarterly financial reports on each bank's website and publications on the OJK website. Partial research results in this study indicate that BOPO, CAR, and NOM have a significant and negative influence on financing distribution. Meanwhile, DPK has a significant and positive influence on the distribution of financing. The implication of this research is that Islamic banking should optimize operational efficiency, productive asset management, and liquidity management, and that regulators should determine and evaluate related policies to encourage financing distribution.

Keywords: Financing Distribution, Capital Adequacy Ratio, Net Operating Margin, Islamic Banks

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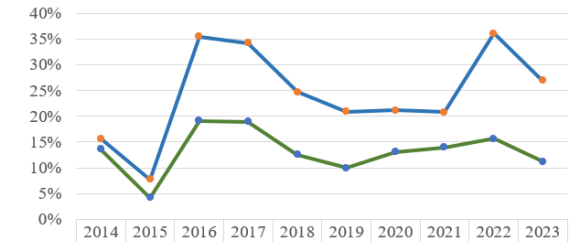
I. INTRODUCTION

Financing is a primary activity of Islamic banks, distributing collected funds to those in need according to Islamic law (Ismail, 2014). This function is not only essential in banking operations but also serves as an instrument to promote equitable and sustainable economic growth (Mankiw, 2013). In accordance with the prohibition of riba in the Qur'an, Surah Al-Baqarah, verse 275, Islamic banks conduct financing without charging interest, thereby promoting economic justice (QS Al-Baqarah: 275).



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
PYD	1,99%	3,56%	16,41	15,27	12,17	11,01	8,08%	6,90%	20,44	15,72
Aset	13,64	4,13%	19,10	18,97	12,57	9,93%	13,11	13,94	15,63	11,21

Source: OJK, 2019-2024

Figure 1. Growth of Islamic banking

The Islamic banking industry in Indonesia has experienced significant growth from 2014 to 2023, with the number of Islamic commercial banks reaching 14 and total assets amounting to approximately IDR 368.38 trillion (Anwar et al., 2024). A major transformation occurred with the merger of three state-owned Islamic banks into Bank Syariah Indonesia in 2021, enhancing market share and the reputation of Islamic banks in the national banking industry. Indonesia's economy grew by 5.05% in 2023, supported by banking institutions that efficiently mobilize and distribute public funds (Basaran & Bagheri, 2020). However, the distribution of financing by Islamic banks showed a decline from 20.44% to 15.72% (yoy) in 2023, indicating challenges such as macroeconomic instability and rising credit risks (Ibrahim & Rizvi, 2018).

Islamic banks act as intermediary institutions that connect surplus funds with deficit funds, implementing a profit-sharing scheme that is fairer than the conventional interest-based system. Islamic financing encourages a close relationship between the financial sector and the real sector, reducing the risk of a bubble economy. In the micro context, Islamic banks provide inclusive access to finance,

especially for MSMEs, with more flexible collateral requirements.

The profit-sharing system implemented by Islamic banks fosters a healthy partnership between banks and customers, reducing the risk of economic volatility due to fixed debt burdens (Rivai & Arifin, 2010). Financing contracts such as murabahah, mudharabah, musyarakah, and ijarah provide flexibility to meet the needs of businesses, particularly supporting the real sector and MSMEs with variable income characteristics. Islamic banks strive to minimize financing risks by conducting thorough risk analyses to avoid losses from borrower defaults (Yudaruddin, 2020). Financing remains a primary source of income, making it essential for banks to maintain timely disbursement (Komaria & Diansyah, 2019).

The BOPO ratio is a key indicator measuring the efficiency of operational cost management in Islamic banks. In 2023, the BOPO ratio for Islamic banks increased to 78.31% from 77.28% the previous year, indicating ongoing challenges in cost control that may limit financing capacity. Research by (Aminah et al., 2019) emphasizes that higher operational efficiency enhances competitive positioning and financing distribution capabilities. The Capital Adequacy Ratio (CAR) reflects the financial health of banks and their ability to cover risk assets (Dendawijaya, 2003). OJK Regulation No. 21/POJK.03/2014 mandates a minimum CAR of 8%-14%. An increase in CAR enhances stakeholder confidence and allows banks to adopt more aggressive financing strategies (Dai & Xu, 2025).

NOM measures a bank's efficiency in generating income from operations after accounting for expenses. The average NOM for Islamic banks in 2022 was around 5.2%, indicating room for improvement in managing income and costs. A higher NOM correlates positively with financial performance and the capacity for financing distribution (Barik & Raje, 2019). DPK, which includes funds from the public in the form of current accounts, savings, and deposits, is a primary funding source for Islamic banks. While there has been positive growth in DPK, challenges remain in effectively mobilizing these funds. Data from OJK shows that in 2018, total DPK for Islamic banks reached approximately IDR 257.61 trillion, but growth slowed to 8.06% compared to 15.50% the previous year. Saidy et al., (2024) indicate that increased DPK correlates with better capacity for financing distribution, positively impacting local economic growth.

II. LITERATURE REVIEW

Sharia Banking

Sharia banks operate as financial institutions based on Islamic law, particularly in the realm of muamalah (transactions). In Islam, ultimate ownership of wealth belongs to Allah, emphasizing that humans act as managers or representatives responsible for managing that wealth. Individuals are expected to manage their wealth ethically and responsibly, adhering to applicable Sharia principles. This management encompasses several important aspects, including the creation, accumulation, protection, purification, and distribution of wealth (Ariff & Mohamad, 2017). These principles form the foundation of all Islamic banking activities, including fund collection, financing distribution, and transaction services. The growth of Islamic banks has been significant, marked by the merger of state-owned Islamic banks into Bank Syariah Indonesia and the proliferation of branches across various regions.

As intermediaries, Islamic banks facilitate the investment of funds from investors, subsequently distributing these funds to those in need (Ismail, 2014). They offer various services and products designed to meet the financial needs of the community while adhering to Sharia law. Products such as mudharabah, musyarakah, and murabahah serve as suitable alternatives for financial transactions. Each Islamic bank has a Sharia Supervisory Board responsible for ensuring that all activities and products offered comply with Sharia principles, providing fatwas and advice related to banking practices. According to Sudarsono (2007), Islamic banks are financial institutions that offer credit, payment, and currency circulation services in accordance with Sharia principles.

Financing Distribution

In the context of Islamic banking, the term credit is more appropriately referred to as financing. The primary function of Islamic banks is financing, which involves the distribution of capital in

accordance with Sharia rules to support the real sector. Islamic banks utilize various contracts that comply with Sharia, including mudharabah, musyarakah, murabahah, ijarah, and qardh, in contrast to conventional banks that operate on an interest-based system. According to Kasmir (2010), financing in Islamic banking is an agreement between the bank and the customer, where the customer is obligated to repay the funds received and share profits within a specified timeframe. The three main functions of Islamic banks are to collect funds from customers, distribute money through financing products, and offer Sharia-compliant financial services (Ismail, 2014). In practice, banks and customers must share the profits from financing according to the predetermined profit-sharing ratio.

The provision of funds or equivalent claims is based on an agreement between the bank and the customer, obligating the customer to repay the debt along with rewards within a specified period, defined as financing under Banking Law No. 10 of 1998. Meanwhile, Law No. 21 of 2008 on Islamic Banking expands this definition by emphasizing profit-sharing principles through schemes such as mudharabah, musyarakah, ijarah, and Ijarah Muntahiya Bittamlik (IMBT).

Operational Expenses to Operating Income ratio (BOPO)

Operational Expenses to Operating Income ratio (BOPO) is used to measure the efficiency and capability of banks in conducting their operations (Dendawijaya, 2003). Given that the primary activity of banks is as intermediaries—collecting and distributing funds—operational costs and income are dominated by profit-sharing income and operational expenses. BOPO assesses total operational costs, such as administrative expenses, salaries, and maintenance, against total operational income, including income from financing and investments over a specific period. BOPO is also utilized to evaluate the operational efficiency of Islamic commercial banks (Puteh et al., 2018). According to Faozi et al. (2022), compliance with BOPO standards set by Bank Indonesia is crucial for a bank to be considered healthy. Banks adhering to these standards are better equipped to manage risks and maintain financial stability, especially during economic fluctuations or crises.

Capital Adequacy Ratio (CAR)

Capital adequacy assesses the sufficiency of Islamic banks' capital to cover current risk exposures and anticipate future risks (Indonesia, 2018). In this study, an important ratio related to capital is the Capital Adequacy Ratio (CAR). CAR is an indicator used to evaluate the adequacy of a bank's capital in supporting risk-bearing assets (financing, equity investments, securities, and receivables from other banks). According to Dendawijaya (2003), this ratio also indicates the extent of the bank's total assets compared to its ability to cover any asset value declines due to losses from risky assets. Therefore, CAR is a vital instrument for assessing the health and stability of banks.

Net Operating Margin (NOM)

Net Operating Margin (NOM) is a financial ratio used to measure a bank's profitability from net operating income, indicating the average productive assets' ability to generate profit (Rivai & Arifin, 2010). NOM helps stakeholders understand how effectively a bank converts revenue into profit generated from its operational activities. This ratio also illustrates how well a bank manages its productive assets to create higher net income (Aksoy, 2021). An increase in income earned by banks correlates with an increase in the Net Operating Margin (NOM) ratio, indicating that the bank operates efficiently to enhance its revenue. A high NOM ratio allows banking institutions to better mitigate risks associated with potential issues in the banking sector.

Third Party Funds (DPK)

According to Law No. 10 of 1998 on Banking, Third Party Funds (DPK) are defined as the bank's obligations to the public in the form of both rupiah and foreign currency. Dendawijaya (2003) states that banks must be present in the community to collect and redistribute funds effectively. Public trust in banks to resolve financial issues is essential. Therefore, banks are required to provide satisfactory services to encourage a high level of DPK, which can potentially enhance financing distribution. DPK collected from the public is the primary funding source relied upon by banks, contributing up to 80% to 90% of the total funds managed by banks (Dendawijaya, 2003).

The Influence of Operational Expenses to Operating Income Ratio (BOPO) on Financing Distribution in Islamic Commercial Banks

Based on the literature review, BOPO reflects the operational efficiency of banks, where a high

ratio indicates high operational costs compared to operational income. This can reduce the bank's capacity to distribute financing, as resources that should be allocated for financing are absorbed by operational costs, leading banks to be more cautious in managing liquidity and risk. A decrease in the BOPO ratio indicates that the bank has successfully managed costs to generate income. Shabrina Sanfa & Ida (2023) suggest that a reduction in BOPO is expected to enhance the bank's profitability, while a high BOPO indicates that the bank is unable to optimize profits to cover its operational costs. Research by Aritonang et al. (2025), Riadi (2018), and Rifqi Maulana & Alif Rusmita (2019) found that BOPO significantly affects financing distribution. Therefore, the hypothesis can be formulated as follows:

H1: BOPO has a significant effect on financing distribution in Islamic commercial banks in Indonesia.

The Influence of Capital Adequacy Ratio (CAR) on Financing Distribution in Islamic Commercial Banks

CAR is an indicator of a bank's capital adequacy to cover the risks of productive assets, including financing. Adequate capital allows Islamic banks to increase financing distribution, as they have a strong financial reserve to manage credit and liquidity risks, which can enhance overall bank performance. CAR indicates how much of the bank's asset decline can still be covered by the available equity; the higher the CAR, the better the bank's condition (Margono et al., 2020). Research by Hernawati et al. (2021) shows that an increase in CAR is associated with a decrease in problematic financing, indicating that a higher CAR can lead to more cautious financing rather than aggressive lending. Studies by Prawitasari et al. (2020), Riadi (2018), and Suyanto et al. (2024) found that CAR influences financing distribution. Thus, the hypothesis can be formulated as follows:

H2: CAR has a significant effect on financing distribution in Islamic commercial banks in Indonesia.

The Influence of Net Operating Margin (NOM) on Financing Distribution in Islamic Commercial Banks

NOM reflects the operational efficiency of banks in generating net profit from operational income after deducting operational expenses. This ratio is an important indicator for assessing a bank's ability to manage income and costs, which can affect the bank's capacity to distribute financing. A high NOM indicates that the bank has effectively managed its operational costs, suggesting a potential for greater profit from its income (Akib & Haeriyah, 2024). This reflects high operational efficiency and the bank's ability to optimize available resources. Conversely, a low NOM indicates that the bank's operational costs are relatively high compared to its operational income, signaling a need for more efficient cost management to enhance profitability. Research by Farianti et al. (2019) and Riadi (2018) found that NOM influences financing distribution. Therefore, the hypothesis can be formulated as follows:

H3: NOM has a significant effect on financing distribution in Islamic commercial banks in Indonesia.

The Influence of Third Party Funds (DPK) on Financing Distribution in Islamic Commercial Banks

Third Party Funds (DPK) serve as the primary funding source for Islamic banks, obtained from public deposits, including current accounts, savings, and deposits. A high availability of DPK provides banks with the opportunity to expand financing distribution, thereby supporting broader economic activities. As financing increases, the financing-to-deposit ratio also rises, reflecting the more optimal use of collected funds to support financing activities and overall business growth (Lisa, 2016). Research by Handoyo et al. (2023) indicates that as the growth of third-party funds increases, public trust in the bank also rises. Studies by Fauji et al. (2020), Prawitasari et al. (2020), and Suyanto et al. (2024) found that DPK influences financing distribution. Thus, the hypothesis can be formulated as follows:

H4: DPK has a significant effect on financing distribution in Islamic commercial banks in Indonesia.

III. RESEARCH METHODS

This study uses a quantitative method with a panel data regression approach to analyze the effect of independent variables, namely Operating Expenses on Operating Income (BOPO), Capital Adequacy Ratio (CAR), Operating Margin (NOM), and Third Party Funds (DPK), on the dependent variable, namely the amount of Financing Distribution. The combination of time series and cross-section data in panel data regression provides advantages in the form of increasing the degree of freedom and reducing

omitted-variable problems (Agus Widarjono, 2009). The object of research is Islamic Commercial Banks in Indonesia for the period 2014: Q1 - 2024: Q3.

This study uses secondary data obtained from indirect sources, such as quarterly financial reports of Islamic Commercial Banks registered with the Financial Services Authority (OJK). The data includes BOPO, CAR, NOM, DPK, and Total Financing Disbursement variables. The research population is all Islamic Commercial Banks in Indonesia. The sampling technique uses purposive sampling based on certain criteria.

Table 1. Sampling Criteria

No	Kriteria	Jumlah
1.	Islamic Commercial Banks in Indonesia that are registered with the Financial Services Authority (OJK) and operated during the research period, namely 2014: Q1 - 2024: Q3	12
2.	Islamic Commercial Banks that are categorized as National Private Banks at the OJK and publish and provide complete quarterly financial reports and are published on the bank's official website or the Financial Services Authority (OJK) website for the period 2014: Q1 - 2024: Q3	10
3.	Sample Size of the Study	10
4.	Total observations over the period from 2014: Q1 to 2024: Q3	430

Source: Author's own work (2025)

The empirical model used is panel data regression to identify the effect of independent variables on Financing Distribution. This analysis aims to determine the significant effect of these variables on the distribution of financing of Islamic Commercial Banks in Indonesia. The panel data regression model is formulated as follows:

$$Y = \alpha + \beta_1 BOPO + \beta_2 CAR + \beta_3 NOM + \beta_4 TPF + e$$

Where:

Y	: Financing Distribution
α	: Regression Coefficient
$\beta_1\beta_2\beta_3\beta_4$	: Regression Constant
BOPO	: *Operational Expense of Operational Income*
CAR	: *Capital Adequacy Ratio*
NOM	: *Net Operating Margin*
DPK	: Third Parties Fund
e	: *Standard Error*

Data Analysis Techniques

The data analysis technique applied to examine the influence of the Operational Expenses to Operating Income Ratio (BOPO), Capital Adequacy Ratio (CAR), Net Operating Margin (NOM), and Third Party Funds (DPK) on financing distribution in Islamic commercial banks is panel data regression. Panel data combines cross-sectional and time series data across various categories, collected over the period from Q1 2014 to Q4 2024. Microsoft Excel and Eviews are the tools used for data processing in this study.

Descriptive Statistical Analysis

Descriptive statistics are a fundamental component of statistical analysis used to summarize and describe the variables within a dataset. This method plays a crucial role in simplifying large amounts of data into a more understandable format. Descriptive statistics include an overview of each variable, consisting of mean, median, maximum value, minimum value, and standard deviation of the research sample (Widarjono, 2015).

Model Selection Test for Panel Data Regression

Model selection in panel data regression analysis involves a series of tests and criteria aimed at ensuring that the chosen model accurately reflects the underlying data structure. In panel data regression, several models can be applied, including the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM).

IV. RESULTS AND DISCUSSION

Descriptive Statistics

Table 2. Descriptive Statistics

Variable	Obs.	Mean	Min.	Max.	Std. Dev.
Financing	430	15.09216	0.000000	19.40000	2.858167
BOPO	430	98.27251	40.36000	497.1300	41.82223
CAR	430	42.86765	10.16000	567.2000	72.71623
NOM	430	0.176565	-53.06000	14.97000	6.778317
DPK	430	15.74937	10.93000	19.61000	1.530173

Source: Author's own work (2025)

This study uses 430 observations that include data from 10 Islamic Commercial Banks with a quarterly period for 10 years (2014-2024). The data used is a combination of time series and cross-section, with the panel data regression analysis method to identify the effect of independent variables on the dependent variable. The following is an interpretation of descriptive statistics of each variable. The Financing Disbursed variable as the dependent variable has an average of 15.09216 with a standard deviation of 2.858167. The minimum value of this variable is 0.000000, while the maximum value reaches 19.40000, which was achieved by Bank Syariah Indonesia (BSI) in 2024 Quarter 3. The Operating Expenses and Operating Income (BOPO) variable shows an average of 98.27251 with a standard deviation of 41.82223. The minimum value of BOPO is 40.36000, while the maximum value reaches 497.1300, which was recorded by Bank Aladin Syariah in 2022 Quarter 1.

For the Capital Adequacy Ratio (CAR) variable, the average obtained is 42.86765 with a standard deviation of 72.71623. The minimum value of CAR is 10.16000, while the maximum value reaches 567.2000, which was achieved by Bank Aladin Syariah in 2020 Quarter 1. The Net Operating Margin (NOM) variable has an average of 0.176565 with a standard deviation of 6.778317. The minimum value of NOM is -53.06000, while the maximum value reaches 14.97000, which was recorded by Bank BTPN Syariah in 2020 Quarter 1. Finally, the Third Party Fund (DPK) variable shows an average of 15.74937 with a standard deviation of 1.530173. The minimum value of DPK is 10.93000, while the maximum value reaches 19.61000, which was achieved by Bank Syariah Indonesia (BSI) in 2024 Quarter 3.

Table 3. Result of Multiple Regression Analysis

Independent Variable	Dependent Variable: Financing Distribution			
Dependent	Koefisien	Std.Error	t-statistik	**Prob.**
C	-0.785583	1.024988	-0.766432	0.4438
BOPO	-0.008411	0.002606	-3.227815	0.0013
CAR	-0.012138	0.001539	-7.884620	0.0000
NOM	-0.052697	0.013887	-3.794837	0.0002
DPK	1.094262	0.0633498	17.23314	0.0000
R-squared		0.692521		
Prob(F-statistic)		0.000000		

Source: Author's own work (2025)

Individual Parameter Significance Test (t-test)

1. The results of the panel data regression analysis on the BOPO variable have a significant effect with a negative coefficient value on the distribution of financing with a significance value of 0.0013 < 0.05. It means that, every 1% increase in BOPO, the distribution of financing will decrease by 0.008411%.
2. The results of the panel data regression analysis on the CAR variable have a significant effect with a negative coefficient value on the distribution of financing with a significance value of 0.0000 < 0.05. It means that, every 1% increase in CAR, the distribution of financing will decrease by 0.012138%.
3. The results of the panel data regression analysis on the NOM variable have a significant effect with a negative coefficient value on the distribution of financing with a significance value of 0.0002 < 0.05. It means that every 1% increase in NOM means that the distribution of financing will decrease by 0.052697%.
4. The results of the panel data regression analysis on the DPK variable have a significant effect with a positive coefficient value on the distribution of financing with a significance value of 0.0000 <

0.05. It means that, every 1% increase in DPK, the distribution of financing will increase by 1.094262%.

F-test (simultaneous)

Based on the results of the F test (simultaneous) table 3 shows the F-statistic probability value of 0.000000 <0.05. It can be concluded that H0 is rejected and H1 is accepted so that BOPO, CAR, NOM and DPK have a significant effect on financing distribution.

Test of the Coefficient of Determination (R-Squared)

The Coefficient of Determination (R-Squared) test explains how far the independent variable can be explained by the dependent variable. Based on the results of the panel regression analysis in table 3, it can be seen that the R-Squared value is 0.692521. Through the coefficient of determination test, it shows that the effect of financing distribution of Islamic commercial banks in Indonesia can be explained by the variables BOPO, CAR, NOM and DPK by 69.25%. While the remaining 30.75% is explained by other variables not explained in this study.

Discussion

The Influence of Operational Expenses to Operating Income Ratio (BOPO) on Financing Distribution in Islamic Commercial Banks

The panel data regression analysis indicates that the variable of Operational Expenses to Operating Income Ratio (BOPO) has a significant and negative effect on the financing distribution of Islamic commercial banks. The t-test results show a significance value of 0.0013, which is less than 0.05, and a coefficient value of -0.008411, meaning that a 1% increase in BOPO will decrease the financing distribution by 0.008411%. Based on these results, the null hypothesis (H0) is rejected, and the alternative hypothesis (H1) is accepted, indicating that BOPO significantly and negatively affects financing distribution in Islamic commercial banks.

BOPO is a ratio used to compare operational expenses with operational income and to measure efficiency and capacity in supporting banking operations. In Islamic commercial banks (BUS), BOPO effectively measures the management of income and operational activities. The negative coefficient indicates that an increase in operational expenses relative to operational income can reduce the bank's ability to distribute financing. This may be due to rising costs that the bank must bear, which subsequently reduces the funds available for financing. A high BOPO indicates that the bank spends a larger proportion of its income on operational costs, which can diminish its capacity to distribute financing. This finding implies that bank management should focus on managing operational costs to enhance efficiency, thereby increasing financing distribution capacity. These findings align with research by (Arianti Exi Cahyawati & Nurhayati, 2024; Kadek Suastika & Trisna Herawati, 2023; Riadi, 2018), which state that BOPO has a significant negative correlation with financing distribution.

The Influence of Capital Adequacy Ratio (CAR) on Financing Distribution in Islamic Commercial Banks

The panel data regression analysis indicates that the Capital Adequacy Ratio (CAR) significantly and negatively affects the financing distribution of Islamic commercial banks. The t-test results show a significance value of 0.0000, which is less than 0.05, and a coefficient value of -0.012138, meaning that a 1% increase in CAR will decrease financing distribution by 0.012138%. Based on these results, the null hypothesis (H0) is rejected, and the alternative hypothesis (H1) is accepted, indicating that CAR significantly and negatively affects financing distribution in Islamic commercial banks.

CAR is a performance ratio used to measure the adequacy of capital held to support risk-bearing assets, including the financing distributed. The negative coefficient obtained from the analysis indicates that banks that are more conservative in maintaining their capital tend to provide less financing. This may be due to the bank's desire to increase capital reserves as a buffer against credit risk and to maintain financial health, particularly in Islamic banking, which emphasizes prudence. When banks have a high CAR, it indicates that they possess more capital to cover potential losses, which could lead to a higher probability of financing distribution. However, if capital is excessively high without proportional financing distribution, it may indicate that the bank is not optimally utilizing available funds to support economic growth, especially in sectors requiring financing. Financing is considered risky if it has the potential to become non-performing, which can affect CAR. Efforts to maintain the CAR ratio in

accordance with Bank Indonesia regulations, which require a minimum of 8%, influence the bank's management of assets more effectively and efficiently. A high CAR is expected to enhance financing distribution and demonstrate sufficient capital sources for financing activities. These findings align with previous research by (Arianti Exi Cahyawati & Nurhayati, 2024; Dhar & Bakshi, 2015; Suyanto et al., 2024), which interpret that CAR has a significant negative correlation with financing distribution in banks.

The Influence of Net Operating Margin (NOM) on Financing Distribution in Islamic Commercial Banks

The panel data regression analysis indicates that the Net Operating Margin (NOM) significantly and negatively affects the financing distribution of Islamic commercial banks. The t-test results show a significance value of 0.0002, which is less than 0.05, and a coefficient value of -0.052697, meaning that a 1% increase in NOM will decrease financing distribution by 0.052697. Based on these results, the null hypothesis (H0) is rejected, and the alternative hypothesis (H1) is accepted, indicating that NOM significantly and negatively affects financing distribution in Islamic commercial banks.

The quality of financing distribution by banks can be measured through profitability, with NOM being one of the ratios used to assess this. NOM reflects the efficiency of banks in managing their productive assets and the extent to which they generate net income from financing activities. The negative coefficient for NOM indicates that as the NOM ratio increases, financing distribution tends to decrease. This suggests that when banks enhance their operational efficiency (reflected in an increase in NOM), they may allocate less funding for financing. This could be due to the bank's focus on cost management and short-term profitability, leading to a reduction in funds allocated for financing distribution. NOM reflects the bank's ability to generate net income from its operations after deducting costs. This finding aligns with research by (Akib & Haeriyah, 2024; Dhar & Bakshi, 2015), which states that NOM has a negative impact on financing distribution.

The Influence of Third Party Funds (DPK) on Financing Distribution in Islamic Commercial Banks

The panel data regression analysis indicates that the variable of Third Party Funds (DPK) has a significant and positive effect on the financing distribution of Islamic commercial banks. The t-test results show a significance value of 0.0000, which is less than 0.05, and a coefficient value of 1.094262, meaning that each unit increase in DPK will increase financing distribution by 1.094262. Based on these results, the null hypothesis (H0) is rejected, and the alternative hypothesis (H1) is accepted, indicating that DPK significantly and positively affects financing distribution in Islamic commercial banks.

The analysis reveals that an increase in DPK leads to an increase in financing distribution. The allocation of funds for financing is a primary priority for Islamic banks in managing their resources. The funds held by Islamic banks come from the public, making it essential for banks to redistribute the DPK they have collected back to the community in the form of financing. This aligns with the fundamental role of banks as financial intermediaries. Additionally, financing distribution is a core activity for Islamic banks as business entities, aimed at generating profits for both the bank and its customers. Thus, Islamic banks not only function as financial institutions but also actively contribute to the economic growth of the community through responsible financing that adheres to Sharia principles. These findings are consistent with research by (Riadi, 2018; Rifqi Maulana & Alif Rusmita, 2019; Suyanto et al., 2024), which indicate that DPK has a significant positive effect on financing distribution.

V. CONCLUSION

Based on the research findings, it can be concluded that the Operational Expenses to Operating Income Ratio (BOPO) has a significant and negative effect on the financing distribution of Islamic commercial banks, with a significance value of 0.013 and a coefficient of -0.008411. This means that an increase in BOPO corresponds to a decrease in financing distribution, as higher operational costs relative to income reduce the funds available for financing. Conversely, the Capital Adequacy Ratio (CAR) shows a significant and positive influence on financing distribution, indicated by a significance value of 0.0000 and a coefficient of -0.012138. A higher CAR reflects better risk management and sufficient capital to support the distribution of financing. On the other hand, the Net Operating Margin

(NOM) does not have a significant impact on financing distribution, with a significance value of 0.0002 and a negative coefficient of -0.052697, suggesting that despite higher operational efficiency, banks may prioritize liquidity and risk management over expanding financing. Lastly, Third Party Funds (DPK) significantly and positively affect financing distribution, as evidenced by a significance value of 0.0000 and a coefficient of 1.094262, meaning that greater DPK enables banks to extend more financing and contribute actively to economic growth.

AUTHOR CONTRIBUTIONS

Conceptualization, R.M.W. and M.S.F.; methodology, R.M.W. and M.S.F.; software, R.M.W.; validation, R.M.W.; formal analysis, R.M.W.; investigation, R.M.W.; resources, R.M.W.; data curation, R.M.W.; writing – original draft preparation, R.M.W.; writing – review and editing, R.M.W.; visualization, R.M.W.; supervision, M.S.F.

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DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available on request from the corresponding author, [R.M.W].

CONFLICTS OF INTEREST

The authors declare no conflicts of interest.

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