

THE EFFECT OF SALE AND PURCHASE FINANCING, PROFIT-SHARING FINANCING, AND RASIO NON PERFORMING FINANCING (NPF) ON THE ROA PROFITABILITY OF ISLAMIC COMMERCIAL BANKS IN INDONESIA

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ABSTRACT

Profitability is a key indicator in assessing the financial performance of Islamic banks, reflected in Return on Assets (ROA). ROA is influenced by income generated from financing, whether based on sale and purchase (such as salam and istisna), profit-sharing financing (mudharabah and musyarakah), and financing risks such as Non-Performing Financing (NPF). This study aims to analyze the effect of sale and purchase financing, profit-sharing financing, and the NPF ratio on ROA at Islamic Commercial Banks in Indonesia. The study used a quantitative approach using secondary data from Islamic Banking Statistics obtained from the Financial Services Authority (OJK) website for the period 2004-2022. The data were then analyzed using multiple linear regression. The t-test results showed that sale and purchase financing had no significant effect on ROA, with a significance value of 0.3315. Profit-sharing financing had a significant but negative effect on ROA, with a significance value of 0.0002. NPF did not show a significant effect on ROA, with a significance value of 0.9731. The simultaneous F-test results obtained a significance value of 0.0751, indicating that the three variables did not jointly influence ROA. The Adjusted R² value of 0.2318 indicates that 23.18% of the variation in ROA can be explained by the three variables. The study's conclusion emphasizes the need to strengthen risk management strategies and the effectiveness of profit-sharing financing to increase profitability.

INTRODUCTION

Sharia banking in Indonesia has shown rapid development over the past two decades, driven in part by increasing public awareness of the importance of financial products that are not only financially profitable but also compliant with sharia principles based on the Qur'an and Hadith, so that economic activities can proceed in accordance with the values of justice and blessings (Zagoto and Yusuf, 2023). The presence of Islamic Commercial Banks (BUS) is one of the main instruments in this ecosystem, because this type of bank is not only tasked with providing usury-free financial intermediation services, but also has a strategic function as a driving force for economic growth through the distribution of fair, transparent financing, and oriented towards halal productive sectors, thereby encouraging inclusive and sustainable national economic development (Prasetyo dkk, 2021). Furthermore, the development of BUS also reflects the increasingly strong regulatory support from the government, the role of the Financial Services Authority (OJK) in overseeing the health of Islamic banking, and the increasing number of innovative products that are able to reach the wider community, both in urban and rural areas, thereby strengthening national financial inclusion.

One of the indicators widely used to assess BUS performance is Return on Assets (ROA), which is a ratio that measures the extent to which all assets owned by the bank can be optimized to generate net profit, which in the context of Islamic banking has an additional meaning as a measure of the effectiveness of managing third party funds collected based on wadiah or mudharabah contracts, then redistributed through financing based on Islamic principles (Almunawwaroh, 2018). Thus, ROA not only reflects financial efficiency, but also becomes an indicator of the success of BUS in carrying out its intermediation function in accordance with sharia values, which demand a balance between profitability and social benefits.

The main source of income for BUS comes from the distribution of financing, which according to sharia principles can be divided into several groups of contracts, including sale and purchase contracts (murabahah, salam, and istishna) and profit sharing contracts (mudharabah and musyarakah) (Loliyani & Yana, 2021). In practice, murabahah financing is the most dominant form due to its relatively simple nature and predictable risks, where the bank purchases goods needed by customers and then resells them at a price that includes a mutually agreed profit margin, thus providing a stable source of income for the bank (Fierro, dkk, 2014). The dominance of murabahah also indicates a preference on the part of banks for safer, more easily administered contracts that provide a stable cash flow, thereby reducing the potential risk of default. Meanwhile, profit-sharing financing, while theoretically offering greater profit potential due to its profit-loss sharing principle, also carries a higher level of risk because the success of repayment and profit sharing is highly dependent on the customer's business performance, thus requiring more intensive risk management and monitoring by the bank (Muhammad dalam (Azhar dkk, 2016).

In addition to potential revenue, BUS must also consider risk factors, one of which is reflected in the Non-Performing Financing (NPF) ratio, which measures the proportion of non-performing financing to total disbursed financing. A high NPF ratio indicates an increasing number of financing facilities that are not being paid smoothly, which in turn can reduce the bank's ability to generate profits through decreased revenue and increased allowances for financing losses (Harahap dalam Rahmat, 2024). Banks with low NPF

which can have a positive impact on increasing ROA.

Banks with low NPF generally have better operational efficiency and greater flexibility to channel new financing, which can have a positive impact on increasing ROA (Priantana dalam Almunawwaroh, 2018). Therefore, financing risk management is a vital aspect in maintaining the sustainability of BUS profitability, because high NPF not only affects the current financial condition of the bank, but also the image and public trust in the Islamic banking system.

Previous studies have yielded mixed results regarding the relationship between sales financing, profit-sharing financing, and non-performing financing (NPF) and ROA. Some studies found a positive and significant relationship, while others found a negative or even insignificant effect. This inconsistency indicates a research gap, both theoretically, requiring further evidence regarding the relevance of Islamic financing principles to profitability performance, and empirically, where differences in results can be influenced by variations in analysis periods, data types, macroeconomic conditions, and individual bank management strategies (Taslim, 2021).

Based on this background, this study was conducted to analyze the effect of purchase and sale financing, profit-sharing financing, and the Non-Performing Financing (NPF) ratio on the ROA profitability of Islamic Commercial Banks in Indonesia during the period 2004- 2022. This study is expected to provide theoretical contributions by enriching the literature on Islamic banking, as well as practical contributions by providing recommendations for BUS management in formulating optimal financing distribution strategies and effective risk management policies to maintain and increase profitability sustainably in accordance with Islamic principles.

LITERATURE REVIEW

Sharia Bank Profitability

Profitability is one of the main indicators for assessing the performance of Islamic banks. One of the most frequently used measures is Return on Assets (ROA), which indicates a bank's ability to generate profits by utilizing its total assets (Loliyani & Yana, 2021). A good level of profitability reflects a bank's effectiveness in managing its financing, risk, and operations. Sharia bank profitability is influenced not only by internal factors such as sales financing, profit-sharing financing, and the Non-Performing Financing (NPF) ratio, but also by external factors such as macroeconomic conditions and banking regulations (Nuha & Mulazid, 2018).

In Islamic banking, profitability is not only assessed financially but also through adherence to sharia principles. This is because Islamic banks' sources of income must be free from *riba* (usury), *gharar* (gharar), and *maisir* (gambling). Primary income is derived from financing based on sale and purchase contracts (*murabahah*, *salam*, *istishna*), profit-sharing contracts (*mudharabah* and *musyarakah*), and banking services (*ujrah*). Therefore, the financing contract structure chosen by a bank will significantly determine its profitability (Nuha & Mulazid, 2018). Bank profitability is also inseparable from macroeconomic factors. Inflation, the policy interest rate (BI rate), the rupiah exchange rate, and national economic growth all influence customers' ability to repay their obligations. For example, high inflation can reduce people's purchasing power, thereby increasing the risk of non-performing loans. Similarly, exchange rate depreciation can increase import costs, impacting the real sector, and indirectly depressing the profitability of Islamic banks that provide financing to that sector (Octavia & Munaraja, 2022).

From an economic theory perspective, there are several relevant frameworks to explain bank profitability. First, Financial Intermediation Theory states that banks act as financial intermediaries connecting surplus and deficit parties. Profitability is achieved if banks are able to channel funds efficiently and control credit risk. Furthermore, Agency Theory explains the relationship between banks (principals) and customers (agents). In profit-sharing contracts, information asymmetry and moral hazard can reduce profitability if not managed properly. Furthermore, the Risk-Return Paradigm states that the higher the financing risk, the higher the expected rate of return. However, if risks (such as non-performing loans) are uncontrolled, profitability will actually decline.

Purchase and Sale Financing

Sales and purchase financing (*murabahah*, *salam*, *istishna*) is the dominant form of financing in Islamic banks in Indonesia, accounting for more than 50% of total national financing. *Murabahah* is a leading product due to its simple mechanism, predetermined profit margin, and relatively low risk (Rosa dkk, 2019). Theoretically, a sale and purchase agreement provides income certainty for the bank. The margin, set at the outset of the transaction, ensures more stable cash flow. From a risk management perspective, *murabahah* carries lower credit risk than profit-sharing financing, as the bank does not share the business risk.

Empirical research on the impact of sales financing on profitability shows mixed results. Some studies found a positive effect, such as the study by Ian and Arim, which demonstrated that sales financing significantly impacted the profitability of Islamic commercial banks (Azhar & Nasim, 2016). Similar results were also found by Rini and Rina, which showed that increasing sales and purchase financing drove an increase in Islamic bank profits (Loliyani & Yana, 2021). Trisnawati and Ridho's research also supports these findings, although they emphasize that the effect is not significant because the contribution of *murabahah* margins in the short term tends to be stable but limited (Trisnawati & Muhammad, 2019). On the other hand, some studies have shown different results. Mila, Neny, and Khoirul found that sales financing had no significant effect on profitability (Rosa dkk, 2019). This can occur if the proportion of *murabahah* is too dominant, reducing the bank's product diversification, or if profit margins are squeezed by interbank competition.

Hypothesis 1 (H1): There is an effect of sales and purchase financing on the profitability (ROA) of Islamic Commercial Banks.

Profit-Sharing Financing

Profit-sharing contracts (*mudharabah* and *musyarakah*) are a unique characteristic of Islamic banking. In this mechanism, the bank acts as the capital provider (*shahibul maal*) while the customer acts as the business manager (*mudharib*). Profits are shared according to a ratio (*ratio*), while losses are borne by the bank unless they arise from the customer's negligence. Profit-sharing contracts are considered more ideal because they align with the principles of justice in Islam and have the potential to stimulate growth in the real sector. If the financed business is successful, the bank can earn relatively higher profits compared to the margins in the *murabahah* contract. However, moral hazard practices such as implementation.

Empirical research on the impact of sales financing on profitability shows mixed

results. Some studies found that profit-sharing financing negatively impacts ROA (Azhar & Nasim, 2016). Furthermore, Yuniatin and Ridho also reported a negative impact, although not significant, with the emphasis that profit sharing financing in Indonesia is still a relatively small portion compared to murabahah (Trisnawati & Muhammad, 2019). Conversely, other studies have found a positive effect of profit-sharing financing on profitability, indicating that if managed well, profit-sharing contracts can increase bank profitability (Loliyani & Yana, 2021).

Thus, the relationship between profit-sharing financing and profitability remains a matter of academic debate, and the discrepancies in these research findings indicate a research gap that warrants further investigation with more recent data.

Hypothesis 2 (H2): There is an effect of profit-sharing financing on profitability (ROA) of Islamic Commercial Banks.

Non-Performing Financing (NPF)

Non-Performing Financing (NPF) is a ratio that reflects a bank's asset quality. NPF is calculated as the percentage of non-performing financing (substandard, doubtful, or loss) to total disbursed financing. In theory, a high NPF reduces profitability by reducing the interest income/margin earned, increasing the cost of provisioning for losses, and reducing investor and depositor confidence.

Several empirical studies have confirmed that NPF negatively impacts Return on Assets (ROA). For example, Rahmalita reported in their study that the NPF ratio has a negative and significant effect on ROA, indicating that the higher the proportion of non-performing financing, the lower the bank's profit-generating effectiveness. (Rahmalita dkk, 2019). In addition, Zulkarnain's research revealed that simultaneously NPF, Financing to Deposit Ratio (FDR), and net return (NI) had a significant effect on ROA, although partially NPF did not directly affect ROA (Zulkarnain dkk, 2024). Meanwhile, a study by Nurul Innayah also found that NPF significantly negatively impacted the profitability of Islamic banks, with a very high R^2 model value of around 96.7% indicating a large contribution of NPF in explaining variations in ROA (Innayah dkk, 2023).

Based on these findings, the higher the NPF ratio experienced by Islamic banks, the greater the burden they must cover through loss provisions, thereby reducing profits reflected in ROA. Therefore, there is a strong rationale for reexamining this relationship in the context of this research.

Hypothesis 3 (H3): Non-Performing Financing (NPF) has an effect on the profitability (ROA) of Islamic Commercial Banks..

The Simultaneous Influence of Independent Variables on Profitability

Recent research shows that financing variables such as murabahah, mudharabah, profit-sharing financing, and non-performing financing (NPF) simultaneously have a significant impact on the profitability of Islamic banks. Thufailah found that all three variables purchase financing, profit-sharing financing, and non-performing financing simultaneously had a significant impact on profitability, with an adjusted R^2 value of 66.6% (Thufailah, 2023). These results support the financial intermediation theory, which states that Islamic bank management quality. Furthermore, Muthmainnah also reported similar results: profit-sharing financing had a significant positive effect on ROA, while purchase and sale financing had a significant negative effect, and non-performing financing (NPF) also had a significant negative effect. Simultaneously, these three variables contributed 68.3% to the variation in ROA (Mutmainnah, 2022).

These findings provide the strongest evidence to date that financing product selection and non-performing financing (NPF) risk management significantly impact the financial performance of Islamic banks.

Hypothesis 4 (H4): There is a simultaneous influence between purchase and sale financing, profit-sharing financing, and NPF on the profitability (ROA) of Islamic Commercial Banks..

RESEARCH METHOD

This study uses a quantitative approach, as the focus is on numerical measurements between variables and hypothesis testing using statistical analysis. The research subjects are Islamic Commercial Banks (BUS) in Indonesia registered with the Financial Services Authority (OJK) and publishing annual financial reports during the study period. The study population includes all Islamic Commercial Banks in Indonesia. The sample was determined using purposive sampling, which involves selecting samples based on specific criteria to align with the research objectives (Jogiyanto dalam Mauliddiyah, 2021). The criteria used included: the bank was a Sharia Commercial Bank (BUS), submitted consecutive annual financial reports for the period 2004-2022, and had complete data on the variables studied, namely sales and purchase financing, profit-sharing financing, and the Non-Performing Financing (NPF) ratio.

The data used was secondary data in the form of annual BUS financial reports obtained from the official OJK publication on the website www.ojk.go.id. Data collection was conducted using the documentation method, namely collecting and analyzing relevant documents. The research variables consisted of one dependent variable and three independent variables. The dependent variable was Profitability (ROA) of Sharia Commercial Banks (Y). Meanwhile, the independent variables included Sales and Purchase Financing (X1), Profit- Sharing (X2), and the Non-Performing Financing (NPF) Ratio (X3).

Data Analysis Techniques

The data analysis in this study was quantitative using statistical calculation techniques. The data obtained in this study was analyzed using Eviews 9 software. The data analysis method used in this study was Multiple Linear Regression. Conducting multiple linear regression analysis requires testing classical assumptions to obtain reliable regression results.

Classical Assumption Test

Normality Test

The normality test is a statistical technique used to determine whether a data sample comes from a population with a normal distribution. The normal distribution, also known as the Gaussian distribution, has a symmetrical bell curve shape, with the majority of data centered around the mean and spread out to both sides. The normality test aims to ensure that the data being analyzed meets the assumption of normality, which is essential for many statistical analysis methods, such as regression analysis and the t-test. If the data is not determining whether collected data is normally distributed or drawn from a normal population.

Formula:

$$W = \frac{(\sum_{i=1}^n a_i X_{(i)})^2}{\sum_{i=1}^n (X_i - \bar{X})^2}$$

Description:

- a_i : Constant calculated based on statistical ordering and theoretical normal distribution.
 $X_{(i)}$: Data sorted in ascending order
 X_i : Original data value
 $\bar{X}$: Mean of the data

Multicollinearity Test

The multicollinearity test aims to ensure that the independent variables in a regression model are not significantly correlated with each other. Multicollinearity occurs when two or more independent variables are closely related, which can interfere with the estimation of regression coefficients and the interpretation of analysis results. This violates the basic assumption of regression that each independent variable should have an independent impact on the dependent variable. This test helps identify whether multicollinearity exists in a regression model. This problem can complicate the interpretation of analysis results and lead to uncertainty in parameter estimates. This test also allows researchers to assess which variables are causing multicollinearity problems. If a variable does not contribute significantly or is highly correlated with other variables, it may be worth considering removing or replacing it.

Formula:

$$VIF(X_j) = \frac{1}{1 - R_j^2}$$

Description:

- $VIF(X_j)$: variance inflation factor for independent variable X_j
 R_j^2 : determination of the regression of X_j against all other independent variables in the model.

Heteroscedasticity Test

Heteroscedasticity occurs when the error variance in a regression model is not constant across observations. In regression analysis, one important assumption is that the error has constant variance (homoscedasticity). If this assumption is violated, the model's estimation results can be inaccurate and can affect the validity of statistical inferences. The heteroscedasticity test serves to detect problems in the regression model that can be caused by unequal residual variances. By identifying the presence of heteroscedasticity, researchers can take steps to improve the model. By conducting this test, researchers can ensure that the regression model they have built is valid and reliable. Models without heteroscedasticity are more likely to produce accurate and consistent results. This test helps ensure that the

Formula:

$$e_t^2 = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e_t$$

Description:

- e_t^2 : square of the residual at time t
 α : Constant in the regression
 X_1 : Purchase and sale financing
 X_2 : Profit sharing
 X_3 : Non-performing financing (NPF) ratio
 $\beta_1, \beta_2, \beta_3$: regression coefficient
 e_k : Error

Autocorrelation Test

The autocorrelation test is a statistical analysis used to determine whether there is a correlation between the residuals (errors) of a regression model in one period and the residuals in the previous period. This test is important in regression analysis, especially when using time series data, where successive observations can influence each other. The autocorrelation test aims to identify whether the confounding errors (residuals) in a linear regression model are correlated with the errors in the previous period. If autocorrelation is present, the residual values are not independent of each other, which can lead to bias in the estimation of the regression coefficients and reduce the validity of statistical inferences.

Formula:

$$DW = \frac{\sum_{t=2}^T (e_t - e_{t-1})^2}{\sum_{t=1}^T e_t^2}$$

Description:

- e_t : Residual in period t
 T : Number of observations
 e_{t-1} : Residual in the previous period (lag-1).

Multiple Linear Regression

Regression analysis is used to measure the influence between independent and dependent variables. If there is only one independent variable and one dependent variable, the regression is called simple linear regression. Conversely, if there is more than one independent or dependent variable, it is called multiple linear regression. Multiple linear regression is a regression model that involves more than one independent variable. Multiple linear regression analysis is conducted to determine the direction and extent of influence of the independent variables on the dependent variable. The regression equation used is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Description:

$\beta_1, \beta_2, \beta_3$: Regression coefficients
 X_1 : Purchase and Sale Financing
 X_2 : Profit Sharing
 X_3 : Non-Performing Financing (NPF) Ratio
 ϵ : Error term

t-test

The t-test is a statistical technique used to determine whether there is a significant difference between the means of two sets of data. This test is considered a form of hypothesis testing and is conducted using a randomly drawn sample from the population being tested. The t-test can be used in various contexts, such as comparing experimental results or assessing the effectiveness of a treatment. The t-test measures whether the difference between the means of two sets of data is significant or simply due to chance. This test is used to test the null hypothesis (H_0), which states there is no difference between the two groups, and the alternative hypothesis (H_a), which states there is a difference. In scientific research, the t-test is often used to evaluate the effectiveness of a treatment or intervention on two different groups.

Formula:

$$t = \frac{\beta_i}{SE(\beta_i)}$$

Description:

β_i : regression coefficient calculated for variable i

$SE(\beta_i)$: standard error of the regression coefficient β_i

F Test

The F test, or F statistic, is an analytical method used to test whether variation in a dependent variable is explained by variation in the independent variables collectively. The F test is a statistical test used to determine whether variation in a dependent variable can be explained by variation in one or more independent variables collectively. This test is included in the analysis of variance (ANOVA) and is used to determine whether the constructed regression model has a significant effect on the dependent variable. The F test is used to determine whether all independent variables included in the regression model collectively have a significant effect on the dependent variable. The F test helps detect whether variation in the dependent variable can be explained by a combination of variations in the independent variables. If the F test is significant, then the variation in the dependent variable can be explained by variation in the independent variables. The F test results are used to confirm whether the constructed regression model has a good fit to the data. If the F test is not significant, then the regression model cannot be used for prediction or forecasting.

Formula:

$$F = \frac{\text{Mean Square Regression (MSR)}}{\text{Mean Square Error (MSE)}}$$

Description:

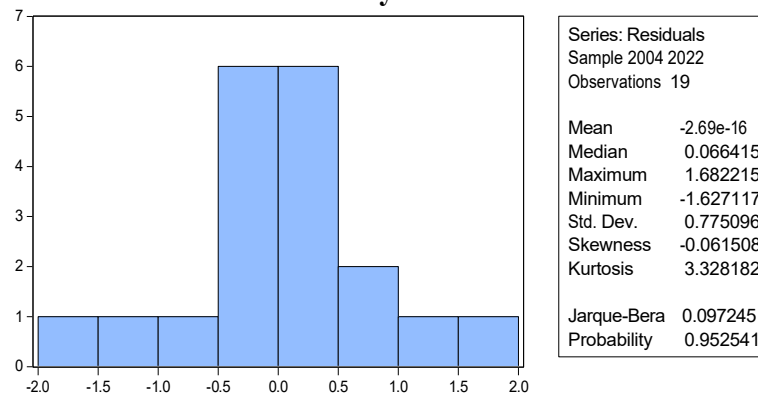
MSR: Mean squared regression, which measures the variability in the data that can be

be explained by the model.

RESULTS AND DISCUSSION

Classical Assumption Test

Table 1. Normality Test Results



The normality test using the Jarque-Bera method yielded a probability value of 0.952541 (>0.05), indicating a normally distributed residual. This is confirmed by a skewness value approaching zero, a kurtosis value approaching three, and a histogram resembling a bell curve.

Table 2. Multicollinearity Test Results

	X1	X2	X3
X1	1.00	-0.43	0.31
X2	-0.43	1.00	-0.22
X3	0.31	-0.22	1.00

In the regression model used, this condition indicates that each independent variable contributes unique information to the dependent variable (ROA), so that the regression estimation results are not distorted by linear relationships between the independent variables. Therefore, the model is deemed suitable for use in further analysis.

Table 3. Heteroscedasticity Test Results

Heteroskedasticity Test: White

F-statistic	1.477102	Prob. F(9,9)	0.2852
Obs*R-squared	11.32975	Prob. Chi-Square(9)	0.2538
Scaled explained SS	8.220200	Prob. Chi-Square(9)	0.5121

The results of the heteroscedasticity test using the White Test indicate that the Chi-Square probability (Obs*R-squared) is 0.2538, greater than the 0.05 significance level. Similarly, the probabilities for the F-statistic (0.2852) and the Scaled Explained SS (0.5121) are also greater than 0.05. Therefore, it can be concluded that this regression model is free

Table 4. Autocorrelation Test Results

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	3.207788	Prob. F(2,13)	0.0737
Obs*R-squared	6.278256	Prob. Chi-Square(2)	0.0433

Based on the results of the autocorrelation test using the Breusch-Godfrey Serial Correlation LM Test, the Obs*R-squared value was 6.278256, with a Chi-Square(2) probability of 0.0433. Because this probability value is less than the 0.05 significance level, it can be concluded that the regression model experiences autocorrelation issues.

Table 5. Multiple Linear Regression Results

Dependent Variable: Y

Method: Least Squares

Date: 07/17/25 Time: 20:13

Sample: 2004 2022

Included observations: 19

White heteroskedasticity-consistent standard errors & covariance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.244177	2.098464	2.975593	0.0094
X1	-0.416203	0.414722	-1.003571	0.3315
X2	-0.584344	0.121901	-4.793593	0.0002
X3	0.007591	0.221196	0.034317	0.9731
R-squared	0.359895	Mean dependent var	1.913158	
Adjusted R-squared	0.231874	S.D. dependent var	0.968791	
S.E. of regression	0.849075	Akaike info criterion	2.695327	
Sum squared resid	10.81394	Schwarz criterion	2.894156	
Log likelihood	-21.60560	Hannan-Quinn criter.	2.728976	
F-statistic	2.811221	Durbin-Watson stat	1.870820	
Prob(F-statistic)	0.075132	Wald F-statistic	8.872109	
Prob(Wald F-statistic)	0.001270			

The regression results show that sales and purchase financing (X1) has a negative but insignificant effect on ROA ($p = 0.3315$), profit-sharing financing (X2) has a significant negative effect on ROA ($p = 0.0002$), while NPF (X3) has no significant effect ($p = 0.9731$). Simultaneously, the model is not significant based on the F-test ($p = 0.0751$), but significant based on the Wald test ($p = 0.00127$). The R^2 value of 0.3599 indicates that 35.99% of the variation in ROA is explained by the independent variables, with the remainder influenced by other factors.

Table 6. T-Test Results

Dependent Variable: Y
Method: Least Squares
Date: 07/17/25 Time: 20:13
Sample: 2004 2022
Included observations: 19
White heteroskedasticity-consistent standard errors & covariance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.244177	2.098464	2.975593	0.0094
X1	-0.416203	0.414722	-1.003571	0.3315
X2	-0.584344	0.121901	-4.793593	0.0002
X3	0.007591	0.221196	0.034317	0.9731
R-squared	0.359895	Mean dependent var	1.913158	
Adjusted R-squared	0.231874	S.D. dependent var	0.968791	
S.E. of regression	0.849075	Akaike info criterion	2.695327	
Sum squared resid	10.81394	Schwarz criterion	2.894156	
Log likelihood	-21.60560	Hannan-Quinn criter.	2.728976	
F-statistic	2.811221	Durbin-Watson stat	1.870820	
Prob(F-statistic)	0.075132	Wald F-statistic	8.872109	
Prob(Wald F-statistic)	0.001270			

The t-test results show that sales and purchase financing (X1) has no significant effect on ROA with a probability value of 0.3315 (>0.05). Profit-sharing financing (X2) has a significant negative effect on ROA with a probability value of 0.0002 (<0.05). Meanwhile, Non-Performing Financing (X3) has no significant effect on ROA with a probability value of 0.9731 (>0.05).

Table 7. F-Test Results

Dependent Variable: Y
Method: Least Squares
Date: 07/17/25 Time: 20:13
Sample: 2004 2022
Included observations: 19
White heteroskedasticity-consistent standard errors & covariance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.244177	2.098464	2.975593	0.0094
X1	-0.416203	0.414722	-1.003571	0.3315
X2	-0.584344	0.121901	-4.793593	0.0002
X3	0.007591	0.221196	0.034317	0.9731
R-squared	0.359895	Mean dependent var	1.913158	
Adjusted R-squared	0.231874	S.D. dependent var	0.968791	
S.E. of regression	0.849075	Akaike info criterion	2.695327	
Sum squared resid	10.81394	Schwarz criterion	2.894156	
Log likelihood	-21.60560	Hannan-Quinn criter.	2.728976	
F-statistic	2.811221	Durbin-Watson stat	1.870820	
Prob(F-statistic)	0.075132	Wald F-statistic	8.872109	
Prob(Wald F-statistic)	0.001270			

The F-test show an F-statistic of 2.811221 with a significance level of 0.0751 (>0.05). Simultaneously, sales and purchase financing, profit-sharing financing, and non-performing financing (NPF) do not significantly influence ROA. Therefore, the regression model is unable to adequately explain variations in profitability of Islamic Commercial Banks.

Discussion

The Effect of Buying and Selling Financing on the Profitability of Islamic Commercial Banks

The t-test results for the buying and selling financing variable (X_1) showed a t-statistic of -1.003571 with a significance level of 0.3315 (>0.05), thus H_0 is accepted and H_1 is rejected. This means that buying and selling financing does not significantly affect the ROA of Islamic Commercial Banks. This insignificance may be due to the characteristics of buying and selling contracts, such as murabahah, which have a fixed margin (fixed return), so their contribution to profitability does not always increase even with large financing volumes. Furthermore, the profit margin from this contract is relatively smaller than profit-sharing financing, so its impact on ROA is more stable but not dominant. The risk of default also remains and can depress profits if not managed properly, so the role of buying and selling financing in profitability tends to be limited. Although murabahah financing contributes to bank revenue, the inherent risk of payment default can degrade overall financial performance (Kulmie dkk, 2023). Murabahah financing reflects more of a fund distribution or financial intermediation activity, rather than being the primary determinant of a bank's net profitability directly. This means that murabahah financing functions more dominantly in supporting liquidity and fund distribution rather than generating significant net income (Ridarmelli 2019).

This finding is also in line with research which states that the sales and purchase financing variable does not affect the profitability value, because the sales and purchase financing value is greater than the α value (Rosa dkk, 2019). This research is also in line with research which states that sales and purchase financing does not affect profitability (Riyadi dkk, 2014). Therefore, in the context of this research, the insignificant influence of sales and purchase financing on ROA is logical and in line with existing theory and empirical evidence.

The Effect of Profit-Sharing Financing on the Profitability of Islamic Commercial Banks

Based on the t-test results, the profit-sharing financing variable (X_2) obtained a t-statistic value of -4.793593 with a significance level of 0.0002 (<0.05), thus H_0 is rejected and H_1 is accepted. This means that profit-sharing financing has a significant partial effect on the ROA of Islamic Commercial Banks, but in a negative direction. This finding indicates that the greater the distribution of mudharabah and musyarakah-based financing, the more likely it is to reduce bank profitability. Theoretically, profit-sharing schemes allow banks to profit from customer businesses, but in practice, high risks such as information asymmetry, moral hazard, and supervisory difficulties often occur. These risks can lead to customer business failure or mismatched results with projections, resulting in bank losses and reduced profitability. This aligns with agency theory, which argues that the relationship between banks and customers is vulnerable to conflicts of interest due to differences in information

And objectives. According to Jensen and Meckling, Agency Theory describes the relationship between principals (capital owners) and agents (capital managers) as being prone to conflict due to differing interests and information asymmetry. Agents often possess more complete information and are not fully transparent, creating moral hazard. In the context of Islamic banking, particularly mudharabah and musharakah financing, banks, as principals, face risks when customers are not transparent or fail to manage their businesses, resulting in a decline in ROA. This information imbalance complicates oversight, and increasing profit-sharing financing can actually reduce bank profitability due to uncertainty about profit distribution and potential losses (Trisila dkk, 2023).

This research aligns with previous research that stated that musyarakah financing has a significant and negative impact on Return on Assets (ROA) at PT Bank Muamalat Indonesia Tbk. This means that every increase in musyarakah financing will decrease the level of Return on Assets (ROA) at PT Bank Muamalat Indonesia Tbk (Hasibuan, 2019). This research was also conducted by Azhar, who stated that profit-sharing financing has an effect on profitability at Islamic Commercial Banks in Indonesia, but profit-sharing financing has a negative effect on profitability, which is proxied by Return on Assets (Azhar, 2016). Thus, it can be concluded that profit-sharing financing, although designed to provide optimal returns through participatory principles, in practice actually poses serious challenges to the profitability of Islamic commercial banks. The risk of information asymmetry, moral hazard, and weak oversight are the main factors causing its negative impact on ROA. Therefore, a stricter risk management strategy, increased transparency, and strengthened oversight mechanisms are needed so that profit-sharing financing can truly contribute positively to the profitability of Islamic banks in Indonesia.

The Effect of Non-Performing Financing (NPF) on the Profitability of Islamic Commercial Banks

Based on the t-test results, the Non-Performing Financing (NPF) variable (X_3) obtained a t-statistic value of 0.034317 with a significance level of 0.9731 (>0.05), thus H_0 is accepted and H_1 is rejected. This means that NPF does not significantly affect the profitability (ROA) of Islamic Commercial Banks. This insignificance can be explained because non-performing financing is generally anticipated through loss provision (CKPN) mechanisms, restructuring, and strict risk management strategies. With these mitigation measures, the direct impact of NPF on profits can be minimized. Furthermore, the effect of NPF on ROA is not always linear, especially if the proportion of NPF is relatively small compared to total financing or the bank is able to manage it well. This finding indicates that although NPF is an indicator of asset quality, in the context of this study, its effect on the profitability of Islamic Commercial Banks is insignificant. This explanation is in line with the paradigm of profit resilience and risk management efficiency, where banks that have high operational efficiency and a solid risk management system can absorb the impact of problematic financing without directly sacrificing profitability (Berger dkk, 1997). This paradigm shows that ROA is not only influenced by the quality of financing, but also by the bank's ability to manage and anticipate these risks.

This finding is in line with previous research which stated that Non-Performing Financing (NPF) does not have a significant effect on Return on Assets (ROA) in Islamic

of this study, which also stated that NPF has no significant effect on Islamic bank profitability, although the regression coefficient remains theoretically negative. This study also aligns with previous research, which found that NPF has no partial effect on ROA (Loliyani dkk, 2021). Thus, although NPF does not statistically significantly impact ROA, Islamic banks still need to be vigilant about increasing NPF because, in the long term, non-performing financing can erode financial performance if not managed properly. Efforts to increase efficiency, strengthen financing feasibility analysis, and monitor asset quality are important strategies for maintaining stable profitability in Islamic banking.

The Joint Effect of Sale and Purchase Financing, Profit-Sharing Financing, and Non-Performing Financing (NPF) on ROA

Based on the results of multiple linear regression, the F-statistic value is 2.811221 with a Prob(F-statistic) of 0.075132 (>0.05), indicating that the model is simultaneously insignificant. This means that sale and purchase financing (X_1), profit-sharing financing (X_2), and Non-Performing Financing (NPF/ X_3) collectively have no significant effect on profitability (ROA) of Islamic Commercial Banks. Therefore, H_0 is accepted and H_4 is rejected. This insignificance indicates that variations in ROA cannot be fully explained by these three variables. Other factors such as operational efficiency (BOPO), capitalization (CAR), liquidity (FDR), or macroeconomic conditions (inflation, interest rates) likely have a greater influence on profitability. Although profit-sharing financing is partially significant, the insignificance of sale and purchase financing and NPF weakens the model. The low Adjusted R^2 value of 0.2318 also confirms that only 23.18% of the variation in ROA is explained by the model, while 76.82% is influenced by factors other than the research variables. Gujarati stated that if a regression model experiences specification problems, such as not including relevant variables that influence profitability, it can result in a low Adjusted R^2 value and an insignificant F-test simultaneously. This is known as the problem of under-specification in econometric models (Kulmie dkk, 2023).

This finding is contrary to research conducted by (Loliyani dkk, 2021) (Loliyani et al., 2021) stated that sales and purchase financing, profit sharing, leasing, and non-performing financing simultaneously significantly influenced ROA, with a calculated F-value of 3.238 $>$ F-table 2.68 and a significance value of $0.025 < 0.05$. This difference in results is likely due to several factors. First, differences in time periods and samples. This study may have used a different time span, during which macroeconomic conditions, regulations, and Islamic banking performance have changed, thus affecting the relationship between variables. Second, differences in variable structure may also be a factor. Loliyani's (2021) study included leasing financing (ijarah) as an additional variable, while this study limited it to only three main variables, thus varying the model's power in explaining ROA. Third, based on Gujarati's (2012) theory, regression models that exclude other important variables such as operational efficiency (BOPO), capital structure (CAR), and liquidity level (FDR) may experience under-specification, meaning the model is incomplete, resulting in simultaneous insignificant regression results. The low Adjusted R^2 of 0.2318 in this study also indicates that other factors, beyond the studied variables, are more dominant in influencing profitability. Therefore, although the results of this study disagree with the findings of

more comprehensive research involving more control variables and a longer time series approach.

CONCLUSION

Based on the results of data analysis conducted using multiple linear regression through the EViews application, as well as through hypothesis testing both partially (t-test) and simultaneously (F-test), several important findings were obtained. First, purchase and sale financing does not affect profitability as proxied by ROA in Islamic Commercial Banks in Indonesia. Second, profit-sharing financing is proven to affect ROA, but the direction of the effect is negative so that an increase in profit-sharing financing actually decreases the level of bank profitability. Third, the Non-Performing Financing (NPF) ratio does not show any effect on the profitability of Islamic Commercial Banks in Indonesia. Fourth, simultaneously, purchase and sale financing, profit-sharing financing, and NPF also do not affect ROA, which means that the three independent variables are unable to explain the variation in profitability in Islamic Commercial Banks in Indonesia together.

SUGGESTIONS

For Bank Management

Bank management needs to evaluate its financing strategy, particularly regarding profit-sharing financing, which this study has shown to have a negative impact on ROA. Strengthening the project selection and customer monitoring systems is necessary to minimize the risk of loss. Furthermore, the effectiveness of purchase and sale financing and the NPF risk management mechanism should be reviewed to optimize profitability.

For Regulators (OJK and BI)

Policies are needed to encourage strengthened risk management in Islamic financing, particularly in profit-sharing contracts. Stricter regulations regarding reporting and incentives for banks with healthy financing quality can improve profitability stability.

For Future Researchers

It is recommended to add other variables such as BOPO, FDR, CAR, and external macroeconomic factors (inflation, exchange rates, interest rates) to provide more comprehensive research results. Furthermore, extending the research period and using a larger sample of Islamic banks will strengthen the validity of the research results.

Research Limitations

This research has several limitations. First, the variables used are limited to sales and purchase financing, profit-sharing financing, and the Non-Performing Financing (NPF) ratio, thus not including other factors that can also influence profitability, such as BOPO, CAR, or macroeconomic conditions. Second, the limited research period makes the results unable to be widely generalized. Third, the use of secondary data from official financial reports of Islamic Commercial Banks through OJK publications has limitations related to data completeness.

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