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PROFIT LOSS SHARING AS MEDIATOR OF MARKETABILITY AND PROFITABILITY IN SHARIA BANKING: EVIDENCE FROM SHARIA BANKS IN INDONESIA

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Abstract: *Banks that can do the differentiation can have a larger market share and concentration, so that they can run their business efficiently and generate more profit. The indirect impact of profit sharing on the relationship between marketability (market concentration and market share) will be examined in this study. This study also provides a universal contribution to the Islamic finance literature regarding Structure-Conduct-Performance (SCP), which can be an insight for Islamic banks practitioners to increase profitability in their company. The population of this study is Islamic commercial banks listed on the Indonesia Stock Exchange with a research period of 2019-2023. There are 13 banks listed. The research sample was taken using purposive sampling. The criteria used are: 1) The banks must be consistently listed and provide complete financial statements for the period 2019-2019, and 2) Islamic commercial banks that offer mudharabah and musyarakah financing. Based on these criteria, 5 banks were eliminated. The results of the study indicate that marketability, namely market concentration, does not have a significant effect on increasing profitability. Although the percentage of market concentration for Islamic commercial banks increases, this fact has no effect on the ROA ratio. However, market share is proven to have a significant effect on increasing profitability. This shows that if the percentage of market share increases, it will increase the ROA ratio. For the mediation effect, profit loss sharing consisting of mudharabah and musyarakah is proven not to be able to affect the profitability of Islamic banks.*

Keywords: marketability, profit loss sharing, profitability, sharia bank, indonesia

1. Introduction

The banking sector is a key component in economic development and growth. Measure the strength and potential of the macroeconomy as a whole. It requires a profitable and growing banking business (Talpur, 2023). The banking sector is a pillar of the Indonesia economy and plays an important role as a financial agent (Rofiatun, 2019). This banking will benefit bank managers and stakeholders such as the central bank, bankers' association, and other banking authorities. In Indonesia, Bank Indonesia has launched a blueprint for the development of Islamic banks, which contains the vision, mission, and target of Islamic banking since 2002. For over 10 years, the target of Islamic banking is to significantly increase its market share, with financial activities expected to increase by around 20 percent of the total banking industry nationally and internationally. This was reinforced in 2008 when Undang-Undang No 21 Tahun 2008 about Islamic Banking, which stated the growth of Islamic banking in Indonesia.

Conventional banking is much more numerous than Islamic banking, which is one of the factors that causes Islamic banks to be less empowered and unable to compete in the banking market industry (Cupian & Abduh, 2017). The existence of islamic banks is a major highlight in the banking industry. Stagnant growth can cause changes in the level of profitability. Financing activities carried out by islamic banks can be effective and efficient in generating income when viewed from the profitability ratio. This profitability ratio is one of the analytical tools used to assess management performance. A company with high profitability can indicate good financial performance, while low profitability indicates less than optimal financial performance. If this low profitability continues to be ignored, it will impact the bank's low image in the eye of the public and will reduce public confidence. Declining public trust can lead to difficulties in raising funds.

An increase in profit is determined by the ability of each bank to operate and this can also be achieved from the trust of shareholders and the public who have invested their money, such as demand deposits, savings or deposits and other external factors that cannot be influenced by the bank system (Guru et al., 2020). One indicator to assess the financial performance of each bank is the level of profit (Rofiatun, 2019). Profitability is one of indicator to measure banking performance (Harahap et al., 2010). Therefore, examining what factors affect the bank's profitability is important. Based on previous studies, profitability is determined by market concentration; market share and profit loss sharing (Hassan & Bashir, 2005); (Mirzaei et al., 2013); (Mirzaei, 2013); (Mirzaei & Moore, 2014).

Performance of company industry and their behavior explained by The Structure-Conduct-Performance theory. It suggests that the structure of an industry, including factors such as the number of firms, market concentration and barriers to entry, influences the conduct or behavior of firms within it (Uzunidis, 2016); (Asngari, 2024). This conduct, encompassing pricing strategies, innovation, and marketing efforts, subsequently influences industry performance indicators, including profitability, efficiency and market share (Weller et al., 2015); (Ryan, 2012); (Yullianda Ginting, 2021). In a highly concentrated market, where a few firms dominate, companies may be incentivized to adopt behaviors to reduce competition, such as collusion or strategic product differentiation. In contrast, in a low-concentration market, where many competitive players tend to engage in aggressive competition through price cutting, innovation, and marketing efforts, as each company strives to capture and protect its market position. Islamic banks should identify their market power to dominate the market and developing countries are characterized by higher market power (Mirzaei & Moore, 2014).

Several studies indicated that bank concentration can influence profitability (Jeon & Miller, 2006). Bank profitability can be seen from its ROA—Return on Asset. ROA is basically the main consideration for every investor to choose a stock. Since stakeholders see it as a financial value creation, ROA becomes an important measurement of the performance of banks in utilizing corporate assets (Hoang & Bui Thanh, 2021). High market concentration supports the financing (Misanam & Widarjono, 2024). Therefore, the market concentration indicates the power of the market to generate greater profit.

Another theory used in assessing bank performance is Relative Power Market (RPM), which states that market share affects bank profitability (Olweny & Shipho, 2011). Bank market share can be calculated by dividing the total credit provided by the bank by the total credit of the banking industry (TALATTOV & FX SUGIYANTO, 2011). Market share is how much a company dominates the market, calculated as a percentage. Market share in business practice is used as a company's goal and motivation. Companies with a better market share will benefit from product sales and an increase in share price (Graef, 2015). A bank with a dominant market share is a strong determinant of market power. Market power can be driven based on the banks' effort to influence the price of products and services in the market competition. (Sudana & Sulistyowati, 2021) found that an islamic bank's market share can be an important key to profits since the percentage market share of depositor funds is quite high, helping banks to allocate their capital to several alternative accounts such as channeling financing for people who in need, purchasing securities such as Bank Indonesia Certificate, Bank Indonesia Sharia Wadiah Certificates (SWBI) and others. The greater the market share, the higher the level of profitabilty (Mirzaei et al., 2013). Companies with high profitabilty will have more power to control their products and services (Sahile et al., 2015). Also, banks will compete to make their market share larger. They not only consider the profit but also the position of the market industry. Thus, the ability of competitiveness obtained from market power is needed to increase financial stability (Risfandy et al., 2016).

Islamic bank operational activity is based on Sharia principles, which is profit sharing. Islamic banks have various financing systems such as murabahah, murdharabah, musyarakah, ijarah, salam, istishna and qardh. (Khan, 2011) stated that murabahah is the most popular type of financial instrument; however, mudharabah and musyarakah are the two types of financing that dominate in Islamic banks in Indonesia. This aligns with the data from the Financial Service Authority (OJK) that 60% of financing types in Islamic banks are murabahah, and the rest are mudharabah and musyarakah. Currently, the market share of Islamic commercial banking is dominated by large banks such as Bank Syariah Indonesia and Muamalat Bank. Financing with the profit-sharing principle is influenced by market forces. Profit share will increase the market value of banks and maximize shareholder values too (AL-DEEHANI et al., 1999). Banks that can do the differentiation can have a larger market share and concentration, so that they can run their business efficiently and generate more profit. The indirect impact of profit sharing on the relationship between marketability (market concentration and market share) will be examined in this study. This study also provides a universal contribution to the Islamic finance literature regarding Structure-Conduct-Performance (SCP), which can be an insight for Islamic banks practitioners to increase profitability in their company.

2. Literature Review

2.1 Market Power Theory

Companies that have great market power can maintain the elasticity of consumer demand for their products. If the elasticity of consumer demand is relatively rigid, the company will be able to make consumers increasingly dependent on the company's products (Budzinski & Stohr, 2024). Market power theory is divided into two approaches, namely:

2.1.1 Structure-conduct-performance (SCP)

SCP initiated by Mason (1939) that revealed the structure of the industry will determine how industry players (companies) behave or conduct themselves, which ultimately determines the performance of the industry. In the market structure, there are three main elements, namely market share, market concentration, and barriers to entry. The smaller the degree of competition in an industry, the greater the profit that will be obtained by the company. The higher the concentration ratio of an industry, the higher the profit level obtained by the company (Panhans, 2024). (Olweny & Shipho, 2011) stated that the concentration level in the banking market gives rise to potential market power by banks, which can increase their profitability. The calculation of market concentration is by calculating the third-party funds of each bank divided by the total third-party funds of the banking industry.

2.1.2 Relative Power Market (RMP)

The Relative Power Market states that firms with large market shares and well-differentiated products are able to exercise market power (Guillén et al., 2014). Bank profitability is influenced by market share (Olweny & Shipho, 2011). The RMP approach states that bank profitability is influenced by market share. Market share is one of the main characteristics that influence a company's exposure to industry conditions. Companies with a larger market share than their competitors will benefit from increased industry demand. The RMP hypothesis states that individual market share can determine market power and market imperfections. Banks with large market shares and diversified products can use their market power to determine prices and make profits (Mensi & Zouari, 2010) In this situation, competition in the banking sector becomes intense. A bank with a strong market position can strengthen its dominance over the market, thereby achieving higher financial stability than other banks. The larger the market share, the greater the level of competition, which indicates that the market is imperfect, allowing a bank to achieve higher financial performance than other banks, ultimately enabling it to maintain its financial stability.

2.2 Stewardship Theory

Stewardship theory explains that managers are not driven by personal interests, but rather by an orientation toward organizational goals (Waldkirch & Nordqvist, 2016). In the context of Islamic banking, this theory is relevant to the profit and loss sharing (PLS) scheme, in which the bank, as principal, entrusts funds to customers as stewards. Customers ideally act in the interest of the common good by upholding Islamic business ethics such as siddiq (honesty) and amanah (trustworthiness), so that PLS-based financing can run optimally and generate significant profits for both parties. Additionally, banks can also act as stewards for depositors by providing services and returns based on Islamic principles. This ethical and professional management of funds contributes to increased trust and the mobilization of third-party funds.

2.3 Profitability

Profitability is a key indicator for measuring a bank's financial performance, as it reflects the institution's ability to generate profits (Azzahra et al., 2025). One commonly used measurement is Return on Assets (ROA), which is calculated by comparing pre-tax profits to average total assets. According to Bank Indonesia standards, the minimum ROA that reflects a healthy bank is 1.5%; values below this threshold indicate less healthy conditions.

3. Hypothesis Development

3.1 Marketability to Profitability

The Relative Market Power (RPM) approach states that bank profitability is influenced by its market share (Olweny & Shipho, 2011). Market concentrationthat is, the ownership of economic resources by a handful of business actors is an indicator of market structure. A high level of concentration reflects low competition intensity and enables the creation of supernormal profits due to greater potential for collusion. In the context of Islamic banking, understanding market power is important for improving profitability. Based on market power theory, market structure influences the behavior of financial institutions, which ultimately determines performance. Profitability, measured by Return on Assets (ROA), reflects a bank's effectiveness in managing assets. Previous research has shown a positive relationship between market concentration and financial performance (Hamza & Kachtouli, 2014); (Dietrich & Mattig, 2012).

In addition to market concentration, market power also affects bank profitability. According to (Jeon & Miller, 2006) market power, as explained by (Berger, 1995) in the Structure-Conduct-Performance (SCP) framework, is determined not only by the level of concentration but also by market share. Market share reflects a company's competitive advantage in the industry, where market dominance indicates better competitiveness. Banks with a large credit market share have a higher chance of increasing profitability through credit demand growth and interest income. In the context of Islamic banking, market share is also an important performance indicator. (Sudana & Sulistyowati, 2021) show that a high market share of third-party funds strengthens a bank's capacity to channel financing and invest in instruments such as Bank Indonesia Certificates (SBI) and Bank Indonesia Wadiah Certificates (SWBI). Effective financial management has a positive impact on profitability. Other studies support the positive relationship between market share and profitability (Mirzaei, 2013) with product differentiation as the main driver of market dominance (Sahile et al., 2015). Banks that are able to increase their market share not only earn greater profits but also enhance their strategic position in the industry. In the long term, the market power derived from market share and product innovation can enhance competitiveness and financial stability (Risfandy et al., 2016).

This study supports the theory of relative market power. This theory assumes that banks with a reputation have the ability to influence prices so that their profits will increase (Jeon & Miller, 2006). The theory of relative market power states that companies that have products with large market share and market concentration have the opportunity to determine prices by using their market power, so as to obtain maximum profit. This theory supports a positive relationship between marketability and bank profitability. Profitability is a method used to assess how effective management is carried out by using the profits obtained from the company's sales and investments (Perwira & Wahyudi, 2022). Marketability is a company's ability to obtain market power through the use of resources that can be seen based on commercial products and services. Islamic banks must identify their market power in order to dominate the market that will increase bank profitability. The banking sector in developing countries is characterized by higher market power (Mirzaei & Moore, 2014). The concentrated market structure causes changes in market power. If market power is utilized, the profitability obtained by the company will be greater than its competitors. The results of this study are in line with the results of research by (Risfandy et al., 2016); (Sahile et al., 2015); (Mirzaei et al., 2013); (Jeon & Miller, 2006). There is a positive relationship between market concentration on bank profitability with ROA proxy supported by research (Ramadhan, 2024); (Nur Rianto Al Arif & Awwaliyah, 2019); (Grubišić et al., 2022). The company's ability to gain market power is reflected in the tendency of market concentration, and market share must be identified with the aim of dominating the market. Islamic banks, in carrying out their operational activities, are based on sharia principles in Islamic teachings, including the distribution of profits and losses. It is known that sharia financing (profit sharing) is one of the factors that can increase the profitability of Islamic banks. The financing used in this study as a determinant of the level of profitability is financing with mudharabah and musyarakah contracts. Market share is a way to show the strength of a company in controlling the market by measuring the total market share of individual Islamic bank assets compared to the total assets of Islamic banks.

H1: Marketability has a positive effect on profitability

3.2 Profit Loss Sharing and Profitability

Mudharabah and musyarakah are profit and loss sharing financing schemes in Islamic banking. These two contracts are considered to have an indirect influence on the relationship between market power and profitability. Stewardship theory provides a conceptual framework to explain the role of customers as stewards trusted by banks (principals) to manage funds. When customers uphold Islamic business ethics, such as siddiq (honesty) and amanah (trustworthiness), and have collective responsibility, profit-sharing financing can run optimally and generate higher profits for banks. The principles of fairness and partnership in mudharabah and musyarakah schemes also increase public trust, which has an impact on market share growth and bank competitiveness. The profit-sharing ratio in this scheme is also influenced by market strength and can increase market value and shareholder returns (AL-DEEHANI et al., 1999). When banks can differentiate their products and expand their market share, they can operate more efficiently and increase profitability. In a mudharabah agreement, the bank provides capital, while the customer manages the business, with profits shared according to the initial agreement. Losses are borne entirely by the bank. In a musyarakah agreement, the bank and the customer jointly contribute capital, and profits and losses are shared proportionally according to each party's contribution.

H2: Profit Loss Sharing has a positive effect on profitability

3.2 Marketability, Profit Loss Sharing and Profitability

The mediating variable in this study is profit sharing measured by Mudharabah which is a cooperation agreement to run a business between the first party as shahibul mal, namely the party that provides all the capital or funds with the second party as mudharib, namely the party that manages the funds with the distribution of results according to the agreed ratio stated in the agreement and the losses are fully borne by the provider of Islamic bank funds unless there is an error, negligence or deliberate non-compliance with the agreement by the second party. Mudharabah is measured by the total mudharabah financing compared to the total financing. For musyarakah, namely a cooperation agreement between several parties with a portion of funds according to the agreement with the distribution of profits according to the agreed ratio stated in the agreement and the losses are borne by each fund provider according to their portion.

This study is in line with (Ronen & Yaari, 2008) who expressed that stewardship theory provides a perspective that is in contrast to agency theory. If agency theory positions managers as agents who maximize personal interests, stewardship theory positions them as managers who serve the interests of the organization holistically. The application of this research is the role of stewardship that places managers as stewards for shareholders. Steward behavior (serving) is in line with the interests of the perpetrators. Stewardship theory describes the relationship between stewards as managers and principals as owners. Harmony between managers and principals arises because they have mutual trust in what is best for them. (Cossin et al., 2015) describe the characteristics of stewardship orientation based on relationships, company goals, and commitment to organizational goals. The basis of the relationship is trust, with goals beyond profit (intrinsic), and high-value organizational commitment. This is very relevant to Islamic banks.

Trust in each other is the foundation of the relationship between Islamic banks and customers based on Islamic teachings. Islamic banks, in carrying out their activities based on Islamic principles, are not only oriented towards profit, but also falah, profit sharing with a mutually agreed ratio, and do not use interest as a benchmark and a profit-sharing system based on income . In Islamic principles, the arrangement of bank contracts as fund owners or shahibul maal with customers as fund managers or mudharib in a project is carried out with profit sharing. Islamic banks can avoid negative views because they do not charge interest. Another benefit of the profit-sharing system is that it can increase the stability of financial institutions. Islamic banking is more stable than conventional banking (Kasri & Azzahra, 2020). Dominant profitability is obtained from funding activities (Asutay & Izhar, 2007). Profit-sharing financing influenced by market forces results in increased profitability. The results of this study are in line with the results of research from (Perwira & Wahyudi, 2022); (Sari & Anshori, 2018); (Nora Pusvita Sari et al., 2022).

H3: Profit Loss Sharing mediates the effect of marketability to profitability

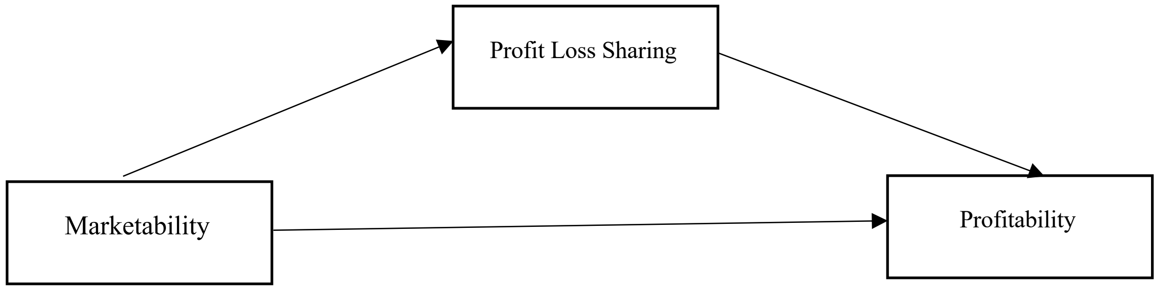

Figure 1. Conceptual Model

4. Research Model

The population of this study is Islamic commercial banks listed on the Indonesia Stock Exchange with a research period of 2019-2023. There are 13 banks listed. The research sample was taken using purposive sampling. The criteria used are: 1) The banks must be consistently listed and provide complete financial statements for the period 2019-2019, and 2) Islamic commercial banks that offer mudharabah and musyarakah financing. Based on these criteria, 5 banks were eliminated. Thus, the final sample for this study consists of 7 Islamic commercial banks, namely: Bank Muamalat, Bank Victoria Syariah, Bank BJB Syariah, Bank Mega Syariah, Bank Panin Dubai Syariah, Bank Syariah Bukopin, and Bank BCA Syariah.

We use 3 variables, that is Marketability, Profit Loss Sharing and Profitability. Marketability is the ability of Islamic banks to gain market power. We use two proxies to measure the marketability, that is, market concentration and market share. Marketability is based on the principle of market power in the SCP perspective. SCP is associated with market concentration, which is proxied by Herfindahl-Hirschman Index (HHI). HHI is measured using a comparison between the sum of the squares of the total income of individual Islamic banks and the total income of Islamic banks as a whole. Market share is measured from the total assets of individual Islamic banks divided by the total assets of Islamic banks as a whole. The Profit Loss Sharing ratio is a mediating variable consisting of the mudharabah and musyarakah ratios. Hence, the profitability. which is proxied by ROA. ROA is measured using net income divided by total assets.

This study uses a quantitative approach. The analysis method used in this study is quantitative data analysis using the Eviews program as a tool for testing data. Regression analysis is used to test the effect of market concentration and market share on profitability in Islamic Commercial Banks listed on the IDX. The statistical methods used in testing the research hypotheses are descriptive statistics (such as mean and standard deviation), which are useful for determining the characteristics of the companies included in the sample, and Panel Regression to examine the effects of independent variables on dependent variables. But before it, we conducted the model selection test between the Fixed Effect, Common Effect and Random Effect.

5. Results and Discussion

5.1 Descriptive Statistics

Descriptive statistics were used in this study to examine the data. The results of the descriptive statistics using Eviews 12 can be seen in the table below:

Table 1. Descriptive Statistics

	ROA	MC	MS	MDR	MSR
Mean	0.190000	0.002457	0.039714	0.041943	0.620714
Median	0.600000	0.002000	0.027000	0.033000	0.618000
Maximum	4.080000	0.016000	0.156000	0.136000	0.944000
Minimum	-7.130000	0.000000	0.004000	0.001000	0.285000
Std. Dev.	2.271510	0.002984	0.042493	0.029808	0.193830
Observations	35	35	35	35	35

Notes: ROA: Return on Asset; MC: Market Concentration; MS: Market Share; MDR: Mudharabah; MSR: Musyarakah

The descriptive statistics in Table 1 show that the standard deviation values of the ROA, Market Concentration, and Market Share variables are greater than the mean/average values, meaning that the data distribution used is small and there is no significant deviation in the research variables. Meanwhile, the variables of mudharabah and musyarakah have standard deviation values that are smaller than the mean values, indicating relatively high data variability in these variables.

5.2 Classical Assumption Test

Classical assumption testing aims to see whether the results of the research variable data used are free from problems of data normality, multicollinearity, heteroscedasticity, and autocorrelation. The following are the results of classical assumption testing for the three research models used in this study.

Table 2. Classic Assumption Test

Classic Assumption Test	Result	Decision
Normality Test (Probability Jarque-Bera > 0.05)	0.533267	Normally Distributed
Multicollinearity Test (1<VIF<10.00)	MC: 1.405171 MS: 1.284878 MDR: 2.065093 MSR: 2.283142	No Multicollinearity
Heteroscedasticity Test (Prob. Breusch-Pagan-Godfrey > 0.05)	0.3428	Homoscedasticity
Autocorrelation Test (LM Test > 0.05)	0.5770	No Autocorrelation

Based on Table 3, it can be stated that the data in these two research models are free from classical assumption problems. This means that the data used in this study have met the BLUE (Best Linear Unbiased Estimator) criteria, namely that the model estimates are unbiased, consistent, normally distributed, and efficient, so that the model estimates can be used as a valid test tool.

5.3 Hypothesis Test

Based on the model selection test, the best model is the Common Effect Model.

Table 3. Panel Regression Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Decision
MC → ROA	0.283313	0.149265	1.898061	0.0673	Hypothesis Rejected
MS → ROA	0.228181	0.110227	2.070105	0.0471	Hypothesis Accepted
MDR → ROA	-0.721676	0.308815	-2.336922	0.0263	Hypothesis Rejected
MSR → ROA	-0.213260	0.100961	-2.112291	0.0431	Hypothesis Rejected
MC → MDR → ROA	0.56716139	0.09336237		0.570604	Hypothesis Rejected
MS → MSR → ROA	-0.73097124	0.14575961		0.46479	Hypothesis Rejected

Table 3 presents the results of the panel regression analysis examining the effect of Market Concentration (MC), Market Share (MS), Mudharabah (MDR), and Musyarakah (MSR) on Return on Assets (ROA). The direct effect of market concentration on ROA is positive (coefficient = 0.283313) and marginally significant with a p-value of 0.0673, leading to the acceptance of the corresponding hypothesis at the 10% significance level. Conversely, market share shows a negative and statistically significant effect on ROA (coefficient = -0.228181, p = 0.0471), indicating that a larger market share may not always correlate with higher profitability in the observed context.

Both mudharabah and musyarakah, as profit-loss sharing instruments in Islamic finance, also exhibit significant negative effects on ROA. Mudharabah has a coefficient of -0.721676 (p = 0.0263), while musyarakah has a coefficient of -0.213260 (p = 0.0431), leading to the rejection of their respective hypotheses. Additionally, the indirect effects—MC → MDR → ROA and MS → MSR → ROA—do not show statistical significance, with p-values of 0.570604 and 0.46479, respectively. This suggests that while the direct relationships between the variables and ROA reveal notable patterns, the mediating effects through mudharabah and musyarakah do not significantly influence profitability in this model.

5.4 Discussion

5.4.1 Effect the Market Concentration to Return on Asset

The results of the data analysis can be concluded that market concentration does not affect ROA in banking companies. This shows that any changes in market concentration will not affect ROA. Market concentration in this study was calculated by comparing the value of third-party funds (TPF) of each bank with the total third-party funds of the Indonesian banking industry. Based on data from Bank Indonesia statistics, the largest composition of TFD is in the form of deposits. Deposits are the most expensive type of funding source, as they have the highest interest rates among other funding sources (savings and current accounts(Sudana & Sulistyowati, 2021). Therefore, an increase or decrease in TFD will not significantly affect bank ROA because the largest composition of TFD comes from deposits, which increases the bank's funding costs. Additionally, the size of DPK poses interest rate risk if banks accept deposits for longer terms at relatively high interest rates, and then there is a drastic decrease in interest rates. The risk arises because banks have relatively high funding costs, which in turn make them uncompetitive

Market concentration has no significant effect on ROA. This is consistent with the research conducted by (Olweny & Shipho, 2011) which found that market concentration has no significant effect on ROA. The research also shows that to measure the profitability of a bank, a high market concentration variable will not be a benchmark for banks in obtaining high profits. Although theoretically, if market concentration, proxied by high third-party funds of banks, means that the public trusts the bank to manage their money, according to (Samad, 2008) there is no relationship between concentration and profit levels. In other words, a bank's performance depends heavily on its degree of efficiency. If a company is able to increase its degree of efficiency compared to its competitors, then that company can maximize its profits.

Market concentration does not have much of an effect because funds collected from the public in the form of savings and deposits will become a burden if banks are left to their own devices without any allocation for productive purposes. These funds may impose an obligation on banks to pay service fees (interest). The allocation of third-party funds by banks can take the form of: 1) liquidity reserves (primary or secondary reserves), 2) loans (consumer loans or working capital loans), and 3) investments. The high profits achieved by banks in ASEAN founding countries may not be due to the large amount of third-party funds, but rather from the interest rates issued by market-leading banks in their respective countries. As stated by (Mirzaei et al., 2013) in their research, banking profits in developing countries are actually obtained through high interest rates (compared to banking interest rates in developed countries).

5.4.2 Effect the Market Share to Return on Asset

Market share has a significant influence on ROA. This indicates that any change in market share will cause a change in ROA. Market share in this study was calculated by dividing the credit of each bank by the total credit of all banks. Market share affects bank ROA because banks face credit risk when disbursing credit. The level of credit risk is proxied by NPL because NPL can be used to measure the extent to which problematic loans can be covered by a bank's productive assets.

Impact of abnormal Non-Performing Loans (NPL) as follows (Iskandar, Y., Suharyanto, S., Nahdlatul, A. Z., & Widhayani, 2023): loss of income opportunities from loans granted, thereby reducing profits and reducing the ability to provide loans, the ratio of productive asset quality becomes increasingly large, reflecting a deteriorating situation, banks must increase provisions for classified productive assets, which can reduce the size of bank capital, and lower the bank's health rating based on bank health calculations. According to (Samad, 2008) if a company is able to improve its efficiency compared to other companies, then that company can increase its size and market share. Thus, the size of a bank's market share does not affect the bank's profitability (ROA) because in disbursing loans, banks face the risk of bad debt.

The larger a bank's market share, the higher its profits will be. The market share variable, measured by the amount of bank loans disbursed, has a significant impact on bank profitability. Although loans are a major source of income, they also carry a high risk of default. Additionally, this study supports the SCP (Structure-Conduct-Performance) theory, which states that the structure of an industry's market determines how the industry behaves, thereby influencing the industry's performance. (Bikker & Haaf, 2002). The results of this study also support the findings of Mirzaei et al. (2011), who investigated the influence of market structure on the profitability of banks operating in developing and developed countries, concluding that market share has a significant impact on Return on Assets (ROA).

The relative market power theory assumes that only banks with a strong reputation have the ability to influence prices so that their profits increase (Jeon & Miller, 2006). The relative market power theory states that companies with products that have a large market share and market concentration have the opportunity to determine prices by using their market power, thereby obtaining maximum profits. This theory supports a positive relationship between marketability and bank profitability. Marketability is a company's ability to obtain market power through the utilization of resources that can be seen based on commercial products and services. Islamic banks must identify their market power with the aim of dominating the market, which will increase bank profitability. The banking sector in developing countries is characterized by higher market power (Mirzaei & Moore, 2014). Market share indicates the market power possessed by banks in the banking industry. Market share based on bank assets is the value of a bank's assets relative to the total assets of all banks in the banking industry. Market concentration is used as a measure of market structure. A concentrated market structure causes changes in market power. If market power is utilized, the profitability obtained by the company will be greater than that of its competitors. The results of this study are in line with the findings of (Risfandy et al., 2016); (Sahile et al., 2015); (Mirzaei et al., 2013); (Jeon & Miller, 2006), which indicate that selling power has a positive effect on profitability.

5.4.3 The mediation effect of marketability to profitability through profit loss sharing

The results of the study indicate that the profit loss sharing ratio consisting of musyarakah and mudarabah cannot mediate the relationship between marketability and banking profitability. Islamic banks that are more concentrated in the market industry are unable to influence changes in product and service levels with a profit sharing model. Therefore, these results certainly indicate that measuring market share is not a determinant of increasing the level of profitability. Mudharabah as a financing product with a profit sharing contract is unable to mediate the relationship between market share and profitability. Related to the mudharabah model, profits will be shared based on the initial agreement, and losses will be borne by the principal (shahibul maal). Based on the principle of mudharabah, the community is equipped with trust in the performance of Islamic banks where they only distribute funds.

Musharakah cannot affect the relationship between market share and profitability, but provides competitive mediation. This condition shows that musharakah as a financial product has no effect on the relationship between marketability and profitability. Increasing market share causes changes in the level of profitability. When the relationship is mediated by musharakah, market share actually causes a decrease in the level of profitability. Based on the theory of the management framework, banks work together with customers to build a business.

This result is related to the rate of return agreed upon by them. The principle of musharakah requires them to take responsibility, with losses or profits given to them. Islamic banks in a wider market share are trying to improve financial products, but the risk is likely to be high because their business experiences losses and they charge it, which results in a decrease in banking profitability.

(Ronen & Yaari, 2008) stated that stewardship theory provides a perspective that is opposite to agency theory. If agency theory positions managers as agents who maximize personal interests, stewardship theory positions them as managers who serve the interests of the organization holistically (Sulistiyo et al., 2020). This theory describes a situation where managers are not motivated by individual goals but rather directed at their main outcome targets for the benefit of the organization (Bulutoding et al., 2021). Stewardship theory can be understood in the profit loss sharing implemented by Islamic banks as principals who entrust customers as stewards to manage funds that are ideally able to accommodate all common interests between principals and stewards based on service, stewards can be formed to be invited to cooperate in the organization, have collective or group behavior with high utility than individuals and are always willing to serve. The behavior of stewards (customers) who prioritize Islamic business ethics such as siddiq (honest) and amanah (trustworthy), and have responsibilities in their business make the profit loss sharing financing given by the principal (Islamic bank) to stewards (customers) run optimally in generating high profits, so that bank performance increases. This theory can be used by banks as stewards, where banks will provide services to customers (depositors) in the form of profit sharing on the funds they collect, these funds are managed based on Islamic business ethics, so that they are able to provide competitive returns for customers (depositors), this makes third party funds even higher (Kurniawansyah & Agustia, 2016).

This theory can be used by banks as stewards, where banks will provide services to customers (depositors) in the form of profit sharing on the funds they collect, the funds are managed based on natural business ethics, so that they are able to provide competitive returns for customers (depositors), this makes third party funds even higher (Al-Jarhi, Mabid Ali; Iqbal, 2001). The increase in profit loss sharing apparently has no effect on increasing the profitability of Islamic banks. Profitability of Islamic banks can be achieved with high values by making a good combination in their financing portfolio, by including financing based on profit loss sharing, this indicates that Islamic banks are more selective and prudent in managing financing based on profit loss sharing.

6. Conclusion

This study analyzes marketability in the Islamic banking industry and tests its effect on profitability, and its effect with the mediation of mudharabah and musyarakah. The results of the study indicate that marketability, namely market concentration, does not have a significant effect on increasing profitability. Although the percentage of market concentration for Islamic commercial banks increases, this fact has no effect on the ROA ratio. However, market share is proven to have a significant effect on increasing profitability. This shows that if the percentage of market share increases, it will increase the ROA ratio. For the mediation effect, profit loss sharing consisting of mudharabah and musyarakah is proven not to be able to affect the profitability of Islamic banks. This study broadly discusses marketability, which is built through the framework of market power theory. This study also provides a universal contribution given to the Islamic finance literature regarding the SCP theory.

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