PROCEEDING ICONIES
FACULTY OF ECONOMICS
UIN MAULANA MALIK IBRAHIM MALANG
P-ISSN: 2476-9851 / E-ISSN: 2541-3333

DETERMINING THE PROFITABILITY OF ISLAMIC BANKS WORLDWIDE: NET PROFIT MARGIN, NON-PERFORMING FINANCING, DEBT-TO-ASSET RATIO, AND THIRD-PARTY FUNDS

Guntur Kusuma Wardana[1], Annisa Sinta Dewi[1], Noer Aisyah Barlian[2]
[1]Faculty of Economics, Universitas Islam Negeri Maulana Malik Ibrahim Malang
Jl. Gajayana No.50, Malang City, East Java, 65144, Indonesia
[2]Faculty of Islamic Economics and Business, Institut Agama Islam Syarifuddin Lumajang
Jl. Ponpes Kyai Syarifuddin, Lumajang, East Java, 67358, Indonesia
guntur@uin-malang.ac.id

ABSTRACT
This study examines the determinants of profitability in Islamic banks by analyzing the effects of Net Profit Margin (NPM), Non-Performing Financing (NPF), Debt-to-Asset Ratio (DAR), and Third-Party Funds (DPK) on Return on Assets (ROA). Using secondary data from 20 Islamic banks across 12 countries (2019–2023), panel data regression with the Random Effect Model (REM) was employed. The results show that NPM and DAR significantly affect ROA, while NPF and DPK have no significant individual impact. However, collectively, these variables significantly influence profitability, with an Adjusted R-squared of 36.24%. The findings emphasize the need for Islamic banks to improve efficiency, manage debt structures prudently, and optimize fund allocation to strengthen global profitability.

Keywords: Islamic Banking, Profitability, NPM, DAR

INTRODUCTION (ARIAL, 10, BOLD)

The global expansion of Islamic banking is based on the principles of Islamic economics, which attract the interest of investors particularly those of the Muslim faith—to explore alternative economic models (Boukhatem & Moussa, 2017). The main focus of this banking system is to avoid economic downturns and maintain consistent growth. The first global economic crisis occurred during the Great Depression in the United States in the 1930s; global inflation emerged in the 1970s to 1980s, and a monetary crisis struck almost all of East Asia in 1997–1998. From these various crises, it became evident that there is a need for an economic system capable of responding to and addressing humanitarian and financial emergencies. Therefore, Islamic banking was developed to encourage Muslims to save and to build an economy that does not rely on the interest-based system. (Roficoh, 2018).

Islamic financial institutions are currently experiencing rapid growth, not only at the national level but also worldwide. This significant development is driven by the high public interest in investing in Islamic financial institutions. According to the IFSB report published in September 2024, Islamic financial institutions consist of approximately 70.21% Islamic banking, sukuk, and 0.71% Islamic insurance, each contributing based on their respective asset holdings (*Islamic Financial Service Board,* 2024). Islamic banking serves as an intermediary institution that collects and distributes funds between two parties. Based on this data, Islamic banking (70.21%) demonstrates a substantial contribution through its services and products, all of which are grounded in Sharia principles.

The global advancement of the Islamic economy is primarily driven by Islamic banking, which holds the largest proportion of assets within the sector. A key objective of Islamic banking is to strengthen the economic foundation, ensuring its resilience against potential crises while preserving overall stability (Khasanah & Wicaksono, 2021). The data for the *Breakdown of the Global IFSI by Sector and Region* is presented in Table 1. From Table 1. Islamic banking dominates global Islamic financial assets, accounting for 70.21% with a total of USD 2,372.17 billion. In addition, sukuk (25.16%), Islamic investment funds (3.92%), and takaful (Islamic insurance) (0.71%) also make significant contributions. The

region with the largest share is the Gulf Cooperation Council (GCC), representing 52.50% of total global assets, driven by strong demand in the Middle East and supportive government policies. Product innovations such as sukuk and Islamic fintech, along with higher stability, have also attracted global investors seeking ethical investment alternatives (Sari et al., 2024).

Table 1. Breakdown of the Global IFSI by Sector and Region (USD (*billion*)

Bank	Islamic Banking Assets	Sukuk Outstanding	Islamic Funds Assets	Islamic Insurance Contributions	Total	Share (%)
EAP	313,83	411,25	38,13	5,75	768,96	21,80%
ECA	79,70	102,02	46,24	0,61	228,57	8,30%
GCC	1.463,91	292,96	28,16	14,64	1.847,42	52,50%
SSA	13,36	3,20	3,50	0,01	19,20	0,70%
SA	83,58	19,63	5,13	0,24	108,58	3,10%
MENA	417,79	6,30	0,07	2,79	427,82	12,70%
Others	-	14,64	11,06	-	25,70	0,90%
Total	2.372,17	850,00	132,29	24,05	3.378,51	100%
Share %	70,21%	25,16%	3,92%	0,71%	100%	

Source: Processed Data (2025)

The Board of Governors of the Federal Reserve System (2022) stated that Islamic banking has become a topic of discussion, as it has been able to grow rapidly despite numerous challenges. Along with the improvement of economic conditions after Covid-19, bank profitability has shown a clear recovery. Profitability not only reflects the level of earnings but also underscores the importance of solid capital to ensure the sustainability and resilience of banks against diverse economic dynamics (Masruroh & Wardana, 2022). Profitability can also be assessed through the Return on Assets (ROA) ratio. The survival of Islamic banks is highly influenced by their level of profitability. In general, profits obtained are distributed as dividends, with a portion retained for long-term investments. An increase in profits among global Islamic banks translates into more funds available to cover operational costs, which in turn encourages banks to access external financing through debt (Wardana & Barlian, 2022).

The Net Profit Margin (NPM) ratio is a determining factor in the profitability of Islamic banks. The use of NPM as a metric for monitoring profitability on a global scale enables the analysis of a bank's ability to generate net profit after tax (Marliastutik & Wardana, 2024). An increase in NPM indicates that the performance of Islamic banking is becoming more productive and that the returns received by shareholders are rising (Mufidah et al., 2021). Problematic financing is identified through the Non-Performing Financing (NPF) ratio, which serves as one of the instruments for assessing the performance of Islamic banking. Islamic banks worldwide must monitor NPF due to its volatile and unpredictable nature (Wardana & Abdani, 2023). A high NPF indicates a decline in financing quality, which may reduce bank income. Since financing is the primary source of revenue for Islamic banks, efficient management is imperative (Ranaswijaya et al., 2019).

In addition to NPF, profitability is also influenced by the Debt-to-Asset Ratio (DAR). This ratio measures the extent to which the assets of Islamic banks worldwide are financed through debt and helps assess the role of borrowed capital in managing those assets (Dewi et al., 2025). A higher DAR value indicates that a greater proportion of assets is financed by borrowed capital, whereas a lower DAR value is favorable for Islamic banks, as it reflects a smaller share of assets financed through debt (Andhani, 2019).

Another factor contributing to the increase in Islamic bank profitability is Third-Party Funds (DPK), which refer to the total funds obtained from the public (Sari & Aisyah, 2022). In their global intermediation function, Islamic banks are required to formulate appropriate policy strategies to manage DPK effectively. DPK, which includes savings, demand deposits, and time deposits, serves as the main source of funds for Islamic banks (Sari & Aisyah, 2022). As a key indicator, DPK is also used to assess the operational performance of banks (Hidayat & Trisanty, 2020).

LITERATURE REVIEW

Profitability

A bank's capacity to generate profit serves as a key indicator of its overall profitability. Financial regulators commonly identify the Return on Assets (ROA) ratio as the principal metric for measuring bank profitability (Wardana et al., 2024). ROA captures the efficiency of profitability by comparing net income to the total assets under management (Afifah & Wardana, 2022). In broader terms, profitability reflects an institution's ability to produce a financial surplus within a defined period, while simultaneously illustrating the effectiveness of management in executing operational activities. It demonstrates the extent to which a bank is able to generate earnings by leveraging its available capital (Soukotta et al., 2016). Profitability is also fundamental to a bank's long-term viability, as sustained earnings enhance resilience and competitiveness. Moreover, a strong level of profitability can directly affect a bank's capital structure, since profits are commonly distributed in the form of dividends and partly retained for reinvestment, thereby supporting future growth and stability.

Net Profit Margin (NPM)

In the context of Islamic banking, the Net Profit Margin (NPM) is often used as a key indicator to assess profitability, as it measures the net profit remaining after taxes. A high NPM value reflects more productive performance by Islamic banks, which in turn enhances the trust and loyalty of both customers and investors (Nabela et al., 2023). NPM is used to calculate income tax expenses, incorporating the company's pricing strategy and its ability to manage operating costs (Laylia & Munir, 2022). NPM is also used to determine the amount of net profit generated by a company in relation to its sales (Marliastutik & Wardana, 2024).

Non-Performing Financing (NPF)

Non-Performing Financing (NPF) serves as an indicator of how effectively Islamic banks manage the risks associated with problematic financing. NPF represents financing facilities provided to customers that are not repaid in accordance with the agreed contractual terms (Subekti & Wardana, 2022). A low NPF ratio reflects a favorable condition for Islamic banks, indicating that the institution has successfully minimized financing risks and maintained the quality of its asset portfolio (Ishak & Pakaya, 2022). In contrast, a high NPF ratio signals potential financial distress, as it may lead to uncollectible funds and lost profit-sharing, thereby diminishing the bank's overall income (Ismail, 2010).

Third-Party Funds (DPK)

Third-Party Funds (DPK) refer to public deposits entrusted to banks in the form of savings, demand deposits, and time deposits (Putra & Wardana, 2022). According to Bank Indonesia Regulation No. 10/19/PBI/2008, DPK constitutes the bank's liabilities to customers, which may be held in both rupiah and foreign currencies. These funds represent the primary source of financing for banks and are typically channeled into the real sector through the extension of credit or financing facilities, thereby supporting economic activities and growth (Prasetyoningrum, 2015). According to the banking literature, DPK refers to funds collected by banks from the general public, including demand deposits, savings, and time deposits (Kasmir, 2015). DPK serves as the primary source of funding for Islamic banks. A high DPK value indicates a high level of assets owned by the Islamic bank (Sopingi, 2024).

METHODS

This study employs a quantitative research design with a descriptive approach, utilizing numerical data as the primary basis for analysis (Miranti et al., 2025). The research focuses on Islamic banks included in The 100 Strongest Islamic Banks in the World as published by The Asian Banker. Secondary data were obtained through indirect observation by accessing the official websites of the respective banks. The research population consists of the 100 Islamic banks listed on the TAB Insights platform (https://tabinsights.com/). The sample was determined using purposive sampling with the following criteria: (a) being listed among the Top 100 Strongest Islamic Banks in the World; (b) maintaining continuous inclusion in the Top 100 ranking from 2019 to 2023; and (c) recording the highest Return on Assets (ROA) within their respective countries. A total of 20 Islamic banks from 12 countries (Table 2) were selected as the sample based on these three research criteria. The sampled banks include.

Table 2. Research Sample

	Country	Shariah Bank
1.	Bahrain	Al Salam Bank
		Bahrain Islamic Bank
2.	Bangladesh	Al-Arafah Islami Bank
		Shahjalal Islami Bank
3.	Brunei Darussalam	Bank Islam Brunei Darussalam
4.	Indonesia	Bank BCA Syariah
		Bank Panin Dubai Syariah
5.	Kuwait	Boubyan Bank
		Kuwait Finance House
6.	Malaysia	Maybank Islamic
		Hong Leong Islamic Bank
7.	Mesir	Al Baraka Bank
8.	Qatar	Bank Islami
9.	Pakistan	Qatar Islamic Bank
		Meezan Bank
10.	Saudi Arabia	Alinma Bank
		Al Rajhi Bank
11.	UAE	Abu Dhabi Islamic Bank
		Dubai Islamic Bank
12.	Yordania	Safwa Islamic Bank

Source: Processed Data (2025)

RESULTS

Descriptive Statistical Analysis

Descriptive statistics are employed to present a quantitative overview of the research variables, encompassing minimum and maximum values, mean, and standard deviation. In this study, profitability (Y) is designated as the dependent variable, while Net Profit Margin (NPM) (X_1), Non-Performing Financing (NPF) (X_2), Debt-to-Asset Ratio (DAR) (X_3), and Third-Party Funds (DPK) (X_4) function as the independent variables. The statistical outcomes for each variable are summarized in Table 3.

Table 3. Descriptive Statistical

Variabel	ROA (Y)	NPM (X_1)	NPF (X_2)	DAR (X_3)	DPK (X_4)
Mean	0,012586	0,311677	0,325970	0,439727	108,1631
Median	0,012300	0,283000	0,021500	0,424000	18,03400
Maximum	0,030200	1,538000	0,120600	1,480300	57,31000
Minimum	0,000600	0,000300	0,000100	0,000900	0,697000
Std. Dev.	0,006997	0,289037	0,028609	0,154226	177,9136

Source: Processed Data (2025)

Based on the results of the descriptive statistical analysis, the Return on Assets (ROA) of Islamic banks reached a maximum value of 0.0302 and a minimum value of 0.0006, reflecting a range between 0.0006% and 0.0302%. The mean ROA was 0.0126, suggesting that, on average, Islamic banks are able to generate net income equivalent to 0.0126% of their total assets. The descriptive statistical results for the Net Profit Margin (NPM) variable indicate a maximum value of 1.5380 and a minimum value of 0.0003, reflecting that the post-tax profit level of Islamic banks globally ranges from 0.0003% to 1.5380%. The mean value of 0.3117 suggests that, on average, Islamic banks are capable of generating post-tax profits equivalent to 0.3117% of their total revenue.

The descriptive statistical results for the Non-Performing Financing (NPF) variable reveal a maximum value of 0.1206 and a minimum value of 0.0001, indicating that the level of non-performing financing among Islamic banks globally ranges from 0.0001% to 0.1206%. The mean value of 0.0326 demonstrates that, on average, Islamic banks are able to maintain the proportion of non-performing financing at a relatively stable level of 0.0326%. The descriptive statistical results for the Debt-to-Asset Ratio (DAR) variable indicate a maximum value of 1.4803 and a minimum value of 0.0009, suggesting that the proportion of assets financed through debt among Islamic banks worldwide ranges from 0.0009% to 1.4803%. The mean value of 0.4397 shows that, on average, Islamic banks finance approximately 0.4397% of their total assets through liabilities. The descriptive statistical results for the Third-Party Funds (DPK) variable show a maximum value of 57.3100 and a minimum value of 0.6970, indicating that the amount of public funds collected by Islamic banks worldwide ranges between 0.6970 and 57.3100. The mean value is 108.1631, reflecting the average volume of funds mobilized by Islamic banks during the 2019–2023 period.

Panel Data Regression Model Estimation

To determine the optimal regression model, a series of specification tests were conducted on the regression equation. The Chow test, Hausman test, and Lagrange Multiplier (LM) test were employed to identify the most appropriate model for the analysis.

Chow Test

The Chow test is employed to determine the most appropriate panel data model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM) prior to conducting regression analysis (Dessriadi et al., 2022). This test is based on the F-statistic, where the null hypothesis (H_0) is rejected if the calculated F-statistic exceeds the critical value. When the Chow test value is greater than the table value, the FEM is considered the optimal model (Widarjono, 2013). The complete results are presented in Table 4.

Table 4. Chow Test Result

Effect Test	Statistics	Prob.
Cross-Section Chi-square	97,528029	0,0000

Source: Processed Data (2025)

Hausman Test

In this study, the Hausman test is applied to determine whether the Fixed Effect Model (FEM) or the Random Effect Model (REM) provides a more appropriate specification for

the panel data analysis (Muhammad & Azmiana, 2021). The test relies on the Chi-square statistic, where the null hypothesis (H_0) is rejected if the probability value is less than 0.05, indicating the selection of FEM as the preferred model. The results of the Hausman test are summarized in Table 5.

Table 5. Hausman Test Result

Effect Test	Statistics	Prob.
Cross-Section random	32,566294	0,6328

Source: Processed Data (2025)

Lagrange Multiplier (LM) Test

According Nani (2022), The Lagrange Multiplier (LM) test is employed to determine the appropriate model between the Common Effect Model (CEM) and the Random Effect Model (REM). A probability value less than 0.05 leads to the rejection of the null hypothesis (H_0) and acceptance of the alternative hypothesis (H_1), thereby selecting REM as the preferred model. Conversely, if the probability value exceeds 0.05, H_0 is accepted and CEM is chosen. The results of the LM test are presented in Table 6. Based on the results of the LM test, the Breusch–Pagan probability value was recorded at 0.0000, which is below the 0.05 significance level. Consequently, the null hypothesis (H_0) is rejected and the alternative hypothesis (H_1) is accepted, confirming the selection of the Random Effect Model (REM). Furthermore, the outcomes of the Chow, Hausman, and LM tests consistently indicate that the REM is the most appropriate model for analyzing the effect of NPM, NPF, DAR, and DPK on the ROA of Islamic banks worldwide. The panel regression results estimated using the REM are presented in Table 7.

Table 6. LM Test Result

Null (no, rand. Effect)	Cross-section
Breusch-Pagan	0,0000

Source: Processed Data (2025)

Table 7. Selected Regression Models (*Random Effect Model*)

Variabel	Koefisien	Std. Error	t-Statistik	Prob.
C	2,026969	0,257193	7,881107	0,0000
NPM	0,005349	0,002467	2,168397	0,0326
NPF	-0,011975	0,024893	-0,481053	0,6316
DAR	-0,022770	0,004005	-5,685664	0,0000
DPK	1,14e-06	6,95E-07	1,645197	0,1032
R-squared	0,388123	F-statistic	15,06501	
Adjusted R-squared	0,362360	Prob (F-statistic)	0,000000	

Source: Processed Data (2025)

Table 7 presents the results of the panel data regression analysis estimated using the Random Effect Model (REM). These results form the basis for constructing the regression equation (i) derived from the panel data analysis.

$$ROA = 2{,}026969 + 0{,}005349*NPM - 0{,}011975*NPF - 0{,}022770*DAR + 1{,}142614*DPK \quad (i)$$

The interpretation of the panel data regression model above is as follows: 1) The intercept value of 2.026969 indicates the estimated ROA when NPM, NPF, DAR, and DPK are all equal to zero; 2) Each one-unit increase in NPM raises the ROA by 0.005349 (positive coefficient); 3) Each additional one-unit increase in NPF decreases the ROA by 0.011975 (negative coefficient); 4) A one-unit increase in DAR reduces the ROA by 0.022770; 5) A one-unit increase in DPK significantly increases the ROA by 1.142614.

Classic Assumption Test

The classical assumption test is an essential step in developing a linear regression model that satisfies the criteria of BLUE (Best Linear Unbiased Estimator). This process involves testing for normality, multicollinearity, autocorrelation, and heteroskedasticity to ensure that the resulting estimates are both unbiased and efficient (Indartini & Mutmainah, 2024). A validated model provides a strong foundation for data-driven decision-making.

Normality Test

To examine the normality of the standardized residuals in the regression model, the researcher conducted a normality test (Junaidi, 2019). The complete findings are presented in Table 8.

Table 8. Normality Test Result (Jarque Bera)

Jarqur-Bera	5,812056
Profitabilitas	0,054693

Source: Processed Data (2025)

Multicollinearity Test

As a verification step, a multicollinearity test was conducted to identify high correlations among the independent variables (Nani, 2022). A summary of the results is presented in Table 9.

Table 9. Multicollinearity Test Result

Variable	Centered VIF
NPM	1,221817
NPF	1,238797
DAR	1,159562
DPK	1,099126

Source: Processed Data (2025)

Heteroscedasticity Test

The heteroskedasticity test refers to a condition in which there is an inequality of residual variances across all observations in the regression model. If the significance value between the independent variables and the absolute residuals is greater than 0.05, heteroskedasticity is not present (Widiatmoko, 2020). The results of the heteroskedasticity test are presented in Table 10.

Table 10. Heteroscedasticity Test Result

Obs*R-squared	DW
Prob.	0,4004

Source: Processed by the author (2025)

Autocorrelation Test

By conducting the autocorrelation test, researchers can assess whether the values in period t are correlated with the values in period t-1 within the framework of the regression model (Nani, 2022). A good regression model does not contain autocorrelation. The results of this test are presented in Table 11.

Table 11. Autocorrelation Test Result

Test	DW
Durbin-Watson stat	1,404294

Source: Processed Data (2025)

Hypothesis testing

Partial Test (t test)

The partial *t*-test (Nani, 2022) evaluates each independent variable individually to determine its significant influence on the dependent variable. The results are as follows:

The impact of NPM (X1) on ROA (Y). NPM (X_1), with a *p*-value of 0.0326 (< 0.05), leads to the rejection of the null hypothesis, indicating that NPM has a significant partial effect on the profitability (ROA) of Islamic banks worldwide; The impact of NPF (X2) on ROA (Y). NPF (X_2) yields a *p*-value of 0.6316 (> 0.05); the null hypothesis is accepted, suggesting that NPF has no significant effect on the ROA of Islamic banks worldwide; The impact of DAR (X3) on ROA (Y). DAR (X_3) obtains a *p*-value of 0.0000 (< 0.05); the null hypothesis is rejected, indicating a significant influence of DAR on the ROA of Islamic banks worldwide; The impact of DPK (X4) on ROA (Y). DPK (X_4), with a *p*-value of 0.1032 (> 0.05), does not lead to the rejection of the null hypothesis, indicating that DPK has no significant effect on profitability (ROA)

F Test for Simultaneity

The results of the *F*-test show that *F* = 15.06501 with a *p*-value of 0.000000, which is clearly below the significance level of 0.05. This indicates that NPM, NPF, DAR, and DPK collectively have a significant effect on the profitability (ROA) of Islamic banks worldwide.

Test for Coefficient of Determination

The coefficient of determination analysis shows an Adjusted R-squared value of 0.362360. This indicates that the combination of NPM, NPF, DAR, and DPK explains approximately 36.24% of the variation in the ROA of global Islamic banks, while the remaining 63.76% is likely attributable to other variables not included in this study.

Net Profit Margin (NPM) and the Profitability of Islamic Banks Worldwide

The Net Profit Margin (NPM) variable is found to significantly influence the profitability (ROA) of Islamic banks worldwide. Accordingly, Islamic banks must carefully consider both internal and external factors that shape the relationship between NPM and ROA. An increase in NPM is generally associated with a corresponding rise in ROA, reflecting improved financial performance. One of the key drivers of this relationship is the productivity of Islamic banks' assets on a global scale, which plays a central role in enhancing NPM and, consequently, overall profitability.

Banks that operate efficiently and succeed in optimizing the utilization of their assets tend to achieve higher levels of profitability. This condition is reflected in increased ROA values, which signal an improvement in the institution's overall earnings performance (Shoumi & Wardana, 2024). In this context, Islamic banks at the global level should prioritize strategies aimed at strengthening NPM, such as enhancing operational efficiency, improving asset productivity, and mitigating financing risks. The successful implementation of these measures will, in turn, contribute to higher ROA values and reinforce the profitability of the international Islamic banking sector.

Non-Performing Financing (NPF) and the Profitability of Islamic Banks Worldwide

When examined individually, Non-Performing Financing (NPF) does not exhibit a significant effect on the Return on Assets (ROA) of Islamic banks at the global level. Although an increase in NPF can potentially reduce ROA, as higher levels of problematic financing are associated with declining profitability, a low NPF ratio does not appear to influence ROA in this context. This outcome may be attributed to the fact that financing activities across Islamic banks in various countries have not yet achieved optimal efficiency and continue to encounter challenges in distribution to customers. Consequently, the relatively low level of non-performing financing does not exert a substantial impact on ROA performance.

Debt to Asset Ratio (DAR) and the Profitability of Islamic Banks Worldwide

The Debt-to-Asset Ratio (DAR) significantly affects the profitability (ROA) of Islamic banks worldwide. An increase in DAR tends to reduce profitability, as a higher reliance on debt increases financial risk and the potential for default. Conversely, a lower DAR contributes positively to profitability by reducing financing risks and strengthening financial stability across Islamic banks globally. A decline in DAR enhances the ability of

Islamic banks to fund their operations more efficiently, thereby supporting higher levels of profitability. Enhancing banking performance has a direct positive effect on the profits generated. A high Debt-to-Asset Ratio (DAR) reflects suboptimal performance in Islamic banks, which in turn results in a decline in ROA. This occurs because a debt-dominated funding structure increases financial obligations and heightens the associated risks. To address this, Islamic banks should allocate funds more efficiently by prioritizing financing activities that generate higher profit-sharing returns, thereby improving overall profitability as reflected in ROA.

Third-Party Funds (DPK) and the Profitability of Islamic Banks Worldwide

Third-Party Funds (DPK) do not show a significant partial effect on the profitability (ROA) of Islamic banks at the global level. This finding suggests that the mobilization of DPK does not directly translate into higher ROA, as the collected funds must first be effectively allocated to financing activities. The extent to which DPK contributes to profitability therefore depends on how efficiently these funds are managed and disbursed into productive sectors. Islamic banks worldwide must strengthen their management practices to ensure that their role is not confined solely to mobilizing public deposits but also extends to effectively channeling these funds into financing activities. Achieving higher profitability requires aligning fund mobilization with efficient disbursement strategies, thereby ensuring that the substantial volume of collected funds is optimally transformed into significant profits through prudent and well-managed financing.

NPM, NPF, DAR, DPK, and the Profitability of Islamic Banks Worldwide

Third-Party Funds (DPK) are found to have no significant partial effect on the profitability (ROA) of Islamic banks at the international level. This implies that the mobilization of DPK does not inherently lead to an increase in ROA, as the collected funds must first be allocated and managed effectively within financing sectors. To enhance profitability, Islamic banks should ensure that fund mobilization strategies are closely aligned with efficient disbursement practices, thereby enabling substantial deposits to be transformed into meaningful profits through prudent financing management.

CONCLUSION

The results of the partial analysis indicate that Net Profit Margin (NPM) and Debt-to-Asset Ratio (DAR) exert a significant influence on the Return on Assets (ROA) of Islamic banks worldwide, while Non-Performing Financing (NPF) and Third-Party Funds (DPK) do not demonstrate a significant partial effect. However, when examined simultaneously, all four variables—NPM, NPF, DAR, and DPK—collectively have a significant impact, explaining variations in the profitability of Islamic banks at the global level. Based on these findings, it is recommended that the 20 sampled Islamic banks strengthen strategies to improve profit efficiency, conduct comprehensive risk assessments, and maintain the quality of financing to minimize the incidence of non-performing loans. Furthermore, prudent management of the debt-to-asset ratio is essential to enhance resilience against financial pressures, while the effective utilization of collected funds should be prioritized through productive financing to maximize profitability.

REFERENCES

Andhani, D. (2019). Pengaruh debt to asset ratio (DAR) dan debt to equity ratio (DER) terhadap net profit margin (NPM) serta dampaknya terhadap harga saham pada perusahaan elektronik di Bursa Efek Tokyo tahun 2007-2016. *Jurnal SEKURITAS: Saham, Ekonomi, Keuangan dan Investasi,* *3*(1), 45–64. https://doi.org/10.32493/skt.v3i1.3262

Boukhatem, J., & Moussa, F. B. (2017). The effect of Islamic banks on GDP growth: Some evidence from selected MENA countries. *Borsa Istanbul Review, 18*(3), 231–247. https://doi.org/10.1016/j.bir.2017.11.004

Dessriadi, G. A., Harsuti, H., Muntahanah, S., & Murdijaningsih, T. (2022). Pengaruh kebijakan dividen, leverage dan profitabilitas terhadap nilai perusahaan LQ-45 yang terdaftar di Bursa Efek Indonesia. *Ekonomis: Journal of Economics and Business, 6*(1), 195. https://doi.org/10.33087/ekonomis.v6i1.506

Dewi, A. S., Wardana, G. K., & Yuliana, I. (2025). The effect of NPM, NPF, DAR, CIR, and DPK on profitability (ROA) of Islamic banks in the world. *LAA MAISYIR: Jurnal Ekonomi Islam, 12*(1), 142–157. https://doi.org/10.24252/lamaisyir.v12i1.56469

Hidayat, A. R., & Trisanty, A. (2020). Analisis market share perbankan syariah di Indonesia. *At-Taqaddum, 12*(2), 183–200. https://doi.org/10.21580/at.v12i2.6449

Hodi, H., & Wardana, G. K. (2023). Pengaruh DPK, pembiayaan mudharabah, NPF terhadap ROA bank umum syariah di Indonesia. *I-Economics: Jurnal Penelitian Ekonomi Islam, 9*(2), 164–181. https://doi.org/10.19109/ieconomics.v9i2.19720

Indartini, M., & Mutmainah. (2024). Analisis data kuantitatif uji instrumen, uji asumsi klasik, uji korelasi dan regresi linier berganda (Vol. 14, No. 5). Lakeisha, Klaten.

Ishak, I. M., & Pakaya, S. I. (2022). Pengaruh non-performing financing (NPF) terhadap return on asset (ROA) di perbankan syariah Indonesia (studi kasus pada bank umum syariah yang terdaftar di OJK tahun 2013-2020). *JAMBURA: Jurnal Ilmiah Manajemen dan Bisnis, 5*(1), 66–70. https://doi.org/10.37479/jimb.v5i1.14235

Ismail. (2010). *Manajemen perbankan: Dari teori menuju aplikasi* (1st ed.). Kencana.

Junaidi. (2019). *Processing data penelitian kuantitatif menggunakan Eviews*. Wordpress.

Kasmir. (2014). *Dasar-dasar perbankan*. PT Raja Grafindo Persada.

Kasmir. (2015). *Dasar-dasar perbankan*. PT Raja Grafindo Persada.

Khasanah, U., & Wicaksono, A. T. S. (2021). Intermediary performance of Islamic banks in the disruption era: Does it contribute to economic growth? *Banks and Bank Systems, 16*(1), 103–115. https://doi.org/10.21511/bbs.16(1).2021.10

Laylia, N., & Munir, M. (2022). Pengaruh CR, DER dan NPM terhadap harga saham dengan EPS sebagai variabel moderasi. *Jurnal Ekonomi dan Bisnis, 10*(2), 201–206. https://doi.org/10.34308/eqien.v10i2.584

LM RISMAN, L. (2020). Pengaruh FDR dan DAR terhadap ROA (studi pada PT. Bank Muamalat Indonesia tahun 2015-2020).

Marliastutik, I. S., & Wardana, G. K. (2024). Bukti return saham perbankan syariah di Asia: EPS, PER, NPM, dan ROE dengan nilai tukar sebagai variabel moderasi. *Nisbah: Jurnal Perbankan Syariah, 10*(1), 59–73. https://doi.org/10.30997/jn.v10i2.15767

Masruroh, S. A., & Wardana, G. K. (2022). The influence of asset growth, profitability, and firm size on the capital structure of Islamic banking in the world period 2011-2020. *Journal of Economics, Finance and Management Studies, 5*(6), 1594–1603. https://doi.org/10.47191/jefms/v5-i6-11

Mardiatmoko, G. (2020). Pentingnya uji asumsi klasik pada analisis regresi linier berganda (studi kasus penyusunan persamaan allometrik kenari muda [Canarium Indicum L.]). *BAREKENG: J. Math. & App., 14*(3), 333–342. https://doi.org/10.30598/barekengvol14iss3pp333-342

Miranti, T., Muasaroh, Z., Rahmawati, B., Meylianingrum, K., Jaya, T. J., Tibrizi, A., & Wicaksono, S. (2025). The role of Islamic banking, macroeconomics factor, and regulation in Islamic moral economy: Evidence from OIC countries using panel GMM. *11th International Islamic Economic System Conference 2025 (IIECONS 2025)*.

Mufidah, F., Purnama, S., & Hasanudin, E. (2021). Pengaruh net interest margin (NIM) dan net profit margin (NPM) terhadap return saham pada perusahaan perbankan yang terdaftar di Bursa Efek Indonesia. *Jurnal Studia Akuntansi dan Bisnis (The Indonesian Journal of Management & Accounting), 9*(1), 65–76. https://doi.org/10.55171/jsab.v9i1.574

Muhammad, R., & Azmiana, R. (2021). Determinan struktur modal perbankan syariah Asia dan Eropa. *Media Riset Akuntansi, Auditing & Informasi, 21*(1), 51–74. https://doi.org/10.25105/mraai.v21i1.9089

Nabela, I. N., Fitriano, Y., & Hidayah, N. (2023). Pengaruh net profit margin (NPM), return on asset (ROA), return on equity (ROE) terhadap nilai perusahaan PT. Astra International TBK tahun 2017-2021. *EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis, 11*(2), 1153–1168. https://doi.org/10.37676/ekombis.v11i2.3889

Prasetyoningrum, A. (2015). *Risiko bank syariah*. Pustaka Pelajar.

Putra, S. E., & Wardana, G. K. (2022). Pengaruh pembiayaan murabahah, KAP dan DPK terhadap earning after tax pada bank umum syariah di Indonesia. *Jurnal Ilmiah Ekonomi Islam, 8*(2), 2281–2288. https://doi.org/10.29040/jiei.v8i2.5197

Ranaswijaya, Kristin, A., & Muhlis, M. (2019). Analisis determinan efisiensi bank umum syariah Indonesia dengan variabel moderating profitabilitas. *MALIA: Journal of Islamic Banking and Finance, 3*(1), 73. https://doi.org/10.21043/malia.v3i1.8091

Roficoh, L. W. (2018). Tinjauan empirik perkembangan sistem ekonomi syariah di Eropa. *Ijtihad: Jurnal Hukum dan Ekonomi Islam, 12*(1), 44. https://doi.org/10.21111/ijtihad.v12i1.2547

Sari, I., & Aisyah, N. (2022). Pengaruh FDR, PSR, zakat performance ratio, dan dana pihak ketiga terhadap market share dengan ROA sebagai variabel mediasi. *Jurnal Ilmiah Ekonomi Islam, 8*(3). https://doi.org/10.29040/jiei.v8i3.6766

Sari, T. E., Wahyuni, S., & Hasan, Z. (2024). Theoretical analysis of the effectiveness of the Sharia financial system in facing the global economic crisis. *Rihlah Iqtishad: Jurnal Bisnis Dan Keuangan Islam, 1*(2), 56–70.

Sopingi, I. (2024). Pengaruh dana pihak ketiga dan financing to deposit ratio terhadap profitabilitas bank syariah. *Jurnal Ekonomi, Manajemen dan Perbankan, 10*(1), 31–38. https://doi.org/10.35384/jemp.v10i1.485

Soukotta, R. A., Manoppo, W., & Keles, D. (2016). Analisis profitabilitas pada Pt. Bank Negara Indonesia 1946 Tbk. *Jurnal Administrasi Bisnis*, 1–8. https://doi.org/10.35797/jab.v4.i4

Shoumi, I. N. H., & Wardana, G. K. (2024). Penentuan nilai perusahaan dengan kebijakan dividen sebagai variabel moderasi: Bukti perbankan Islam di dunia. *Jurnal Ekonomi Islam Maliki, 4*(1), 27–42. https://doi.org/10.18860/miec.v4i1.26956

Subekti, W. A. P., & Wardana, G. K. (2022). Pengaruh CAR, asset growth, BOPO, DPK, pembiayaan, NPF dan FDR terhadap ROA bank umum syariah. *INOBIS: Jurnal Inovasi Bisnis dan Manajemen Indonesia, 5*(2), 270–285. https://doi.org/10.31842/jurnalinobis.v5i2.229

Wardana, G. K., & Abdani, F. (2023). Bukti efisiensi bank syariah di Indonesia dan Malaysia: ROA, bank size dan NPF. *Jurnal Ilmiah Bisnis dan Ekonomi Asia, 17*(1), 30–41. https://doi.org/10.32815/jibeka.v17i1.1026

Wardana, G. K., & Barlian, N. A. (2022). Determinant of Islamic banks on the world capital structure. *IQTISHODUNA: Jurnal Ekonomi Islam, 11*(2), 197–208. https://doi.org/10.54471/iqtishoduna.v11i2.1874

Wardana, G. K., Barlian, N. A., & Ichsan, C. F. A. (n.d.). World sharia banking capital structure: Value, size, profitability and dividend policy. *Proceedings of the International Conference of Islamic Economics and Business (Iconies, 10)*(1), 231–242.