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The Effect of Macroeconomic Variable on Islamic Commercial Bank Market Share

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ABSTRACT

This study aims to identify the effect of marcoeconomic variable on islamic commercial bank market share. Multiple linear regression is used to determine the effect on islamic commercial bank market share. The data used in this study is monthly inflation, BI 7 Days Reverse Repo, and JISDOR during 2018-2022. The result indicate that inflation has significant possitive effect on increasing islamic commercial bank market share. BI Days Reverse Repo (interest rate) has significant negative effect on increasing islamic commercial bank market share. While, Indonesian Rupiah to US Dollar exchange rate has no effect.

Keywords: inflation, interest rate, exchange rate, market share, islamic bank

INTRODUCTION

Banking in the era of the modern economy plays a vital role in maintaining economic stability. This happened because when economic conditions were experiencing a downward phase, one of the efforts to restore economic stability was by improving the banking sector. Therefore the banking industry development policy in Indonesia aims to achieve a healthy, strong and efficient banking system to create a balance in the financial system which in turn will stimulate the national economy in a sustainable manner (Ubaidillah, 2016)

The development of the Islamic economy in Indonesia has experienced rapid development. This is evidenced by the ranking of the states of global Islamic economy indicator 2022 where Indonesia has managed to rank 4th out of all countries. The rapid development of the Islamic economy in Indonesia was initially driven by the establishment of the first Islamic financial institution, namely Bank Muamalat Indonesia in 1991 which began operating in 1992. As a country with the largest Muslim population in the world, it can be said that it was too late to start the financial industry. sharia. Islamic banks in Indonesia itself emerged at the insistence of the Muslim community in Indonesia. This is done so that there are banks that can serve financial intermediation activities and financial transaction services in accordance with sharia principles. The development of Islamic banking according to (Umam in Anik et al., 2022) has become more rapid and solid in existence after the enactment of Law Number 21 of 2008 concerning Islamic Banking.

Islamic banks according to Article 1 paragraph (7) of Law Number 21 of 2008 concerning Islamic Banking are banks that carry out their business activities based on sharia principles and by type consist of Islamic Commercial Banks and Islamic

People's Financing Banks. Bank in Article 1 paragraph (2) is defined as a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and or other forms in the context of improving the people's standard of living. While sharia principles in article 1 paragraph (12) are defined as Islamic legal principles in banking activities based on fatwas issued by institutions that have the authority to issue fatwas in the sharia field.

Islamic banks in Indonesia as of December 2022 totaled 200 banks. Consists of 13 Sharia Commercial Banks, 20 Sharia Business Units, and 167 Sharia People's Financing Banks (OJK Sharia Banking Statistics December, 2022b). Before the emergence of the Islamic banking law, there were only three Islamic banks, but after the existence of this law the number of Islamic banks was able to increase many times.

The number of Islamic banks in Indonesia is experiencing rapid growth. However, the market share of Islamic banking in Indonesia is still relatively low when compared to the total banking market share as a whole.

Table 1.1 Development of Islamic Banks

Indicator	2020	2021	2022 (Desember)
Number of Bank Institutions	197	197	200
Total Assets (Rp Trillion)	608,9	693,8	802,26
Market share (%)	6,51%	6,74%	7,10%

Sumber : (OJK Sharia Banking Statistics December, 2022a)

Indonesian sharia banking market share based on OJK data as of December 2022 is 7.10%. This condition is far below the target that has been set, where in 2015 the target market share for Islamic banks that must be achieved is 15%, while the realization is only 4.83%, even seven years after the stated target has passed it still cannot be achieved (Abdullah in Anik et al., 2022). According to Jaya in Anik et al., (2022) a new company can be said to have an effective influence on the economy if its market share has reached at least 15%. This is certainly an irony considering that Indonesia, as previously mentioned, is a country with the largest Muslim population in the world, reaching 231 million people or 87.2% of the population.

Meanwhile, when compared, the market share of Islamic banks in Indonesia is lower than neighboring Malaysia. In 2020 Malaysia's sharia banking market share will reach 34.2% of the total banking market share (DDCAP, 2021). This needs to be evaluated, bearing in mind the potential market for Islamic banks in Indonesia is greater than in Malaysia.

The conditions that occur as described above emphasize that the control of Indonesian people's funds by Islamic banking is still very low. This indicates that the role of Islamic banking in the economy is only around 7.10%. Very not ideal compared to its potential, where 87.2% of Indonesia's population is Muslim. Sula in (Republika, 2011) emphasizes that the growth of Islamic banking must also be followed by growth in market share. This is because market share shows the existence of a business in an industry (Dwi Sari, Bahari and Hamat, 2013)

Market share is strongly influenced by several external factors which are macroeconomic variables including inflation rates, interest rates, and the rupiah exchange rate against the US dollar. influenced by macroeconomic symptoms such as interest rates, inflation, and changes in the rupiah exchange rate against the US dollar

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Budiyono (2021). Inflation has an impact on Islamic banks. When the inflation rate increases, Islamic banks will experience the risk of decreasing third party funds (DPK). This occurs because the rate of return on deposits at conventional banks is higher when inflation occurs. The research conducted by Amalia (2021) shows that inflation partially has a significant effect on the market share of Islamic banks.

Interest rates have an influence on Islamic banks even though Islamic banks do not recognize the interest system. This is because changes in interest rates at conventional banks will have an impact both directly and indirectly on Islamic banks as competitors to Islamic banks. If there is an increase in interest rates, it will also increase deposit rates at conventional banks, so that it is feared that it will cause a transfer of funds from Islamic banks to conventional banks (Perdana, Hamzah and Lubis, 2020). The research conducted by Amalia (2021) shows that interest rates partially have a significant effect on the market share of Islamic banks.

The rupiah exchange rate against the dollar also has an influence on Islamic banking. This is because the rupiah exchange rate against the US dollar represents the exchange rate from the rupiah to the US dollar and is used in various transactions, including international trade transactions, tourism (tourism), international investment, or short-term money flows between countries that cross geographical boundaries or legal boundaries (Utami, 2021). Exchange rates can affect Islamic banks because one of the activities of Islamic banks is trading foreign exchange (al-sharf), where banks will get exchange differences which will increase bank profitability (Hidayati, 2014). If the bank's profitability will increase, it will also be able to increase the market share of Islamic banks.

Islamic Commercial Banks (BUS) are Islamic banks which in their activities provide payment traffic services (Law Number 21 of 2008). Sharia Commercial Banks (BUS) are one type of Islamic bank in Indonesia in addition to the Sharia People's Financing Bank (BPRS) or which has now changed its name to the Sharia People's Economic Bank (BPRS) and the Sharia Business Unit (UUS) of Conventional Banks. BUS even though in terms of the number of banks it is the least compared to UUS and BPRS. Where there are 13 BUS banks, 20 UUS banks, and 167 BPRS banks. However, the total assets owned by BUS are the largest compared to other types of Islamic banks. BUS has total assets of Rp. 531.86 trillion, while UUS Rp. 250.24 trillion, and BPRS of Rp. 20.16 trillion. This shows that BUS dominate the Islamic banking industry by controlling 66.3% of the market share of Islamic banking in Indonesia (OJK Sharia Banking Statistics December, 2022b).

LITERATURE REVIEW

Several previous studies have been carried out, including the research of Anik, Salmia and Prastiwi (2022), This study aims to determine the influence of bank internal factors and macroeconomic factors on the market share of Islamic banking. Internal factors include Third Party Funds, profitability and non-performing loans. While external factors include the rupiah exchange rate. The results of this study indicate that Third Party Funds and profitability have an effect on the market share of Islamic banking, while exchange rates and non-performing loans have no effect on the market share of Islamic banking in Indonesia.

Research by Amalia (2021) This study aims to determine the effect of inflation, interest rates, profitability, capital, and liquidity on the market share of Indonesian Islamic banking in 2015-2019. This research uses multiple linear regression method with panel data. The results of the study show that inflation, interest rates and liquidity have a significant effect on market share, while bank profitability and capital do not have a significant effect on Islamic bank market share.

RESEARCH METHOD

In this study the population used was all Islamic Commercial Banks (BUS) which were officially registered and operating in Indonesia under the supervision of the Financial Services Authority (OJK) and Bank Indonesia in the 2018-2022 period. The sample used in this study is Islamic Commercial Bank performance data in the monthly OJK Islamic banking statistics report for 2018-2020, BPS inflation data, JISDOR BI exchange rate data, BI interest rate data for 2018-2020. The techniques used in collecting data in this study consisted of using documentation and literature study techniques. In this study, the data includes financial performance data obtained from Islamic Banking Statistics data for 2018-2022, Indonesian banking statistical data for 2018 to 2022 which are released monthly on the official website of the Financial Services Authority (www.ojk.go.id), and inflation data released monthly on the BPS website (www.bps.go.id), Bank Indonesia interest rates (BI 7 Days Reverse Repo) released monthly on Bank Indonesia's official website (www.bi.go.id). As well as data on the Jakarta Interbank SPOT Dollar Rate (JISDOR) which is published on the official website of Bank Indonesia (www.bi.go.id).

The independent variables in this study are inflation as X1, interest rates as X2, and the rupiah exchange rate against the US dollar as X3. While the dependent variable in this study is the market share of Islamic commercial banks in Indonesia. This study uses multiple linear regression analysis. This analysis tool is used because it is in accordance with the formulation of the problem, the research objective is to test the effect of several independent variables on the dependent variable. Multiple linear regression models were carried out to determine the effect between the dependent variable and the independent variable. Hypothesis testing is done after the multiple regression model is free from classic assumption violations, so that the test results can be interpreted correctly. The multiple linear regression model is indicated by the following equation:

$MS = a + \beta_1 Inf + \beta_2 IR + \beta_3 fx + e$

Description :

A	:	Constant
$\beta_1, \beta_2, \beta_3,$	:	Regression coefficient
MS	:	Islamic banking market share
Inf	:	Inflation rate (month to month)
IR	:	Interest rate
KDR	:	Kurs Jakarta Inter SPOT Dolar Rate (JISDOR)
e	:	Error term, the level of error in estimating research

Before carrying out multiple linear regression analysis, it is necessary to carry out the classical assumption test which consists of the normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test.

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Normality test is conducted to test whether the independent variable and dependent variable are normally distributed or not. A good regression model is having normal or close to normal data distribution. Normality can be done using the normal Probability Plot test. If the data bubbles spread around the diagonal line, it can be concluded that the observed data is normally distributed (Ghozali, 2016)

Multicollinearity test was conducted to determine whether there is a relationship between the independent variables in multiple regression. A good regression model should not have a correlation between independent variables. If the independent variables are correlated, then these variables are not orthogonal. Orthogonal variables are independent variables whose correlation values between independent variables are equal to zero. To test for multicollinearity, it can be seen from the tolerance value or variance inflation factor (VIF). If the analysis results show a VIF value below 10 and a tolerance value above 0.10, it can be concluded that the model is free from multicollinearity (Ghozali, 2016)

Autocorrelation test is a test that is used to test whether there is a correlation between confounding errors in period t. The autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding errors in period t and the confounding errors in the t-1 (previous) period. If there is a correlation, then there is called an autocorrelation problem (Ghozali, 2016). One of the methods for performing the autocorrelation test is using the Durbin-Watson test. The value on the Durbin-Watson test is called DWcount. The calculated DW value will be compared with the acceptance or rejection criteria which will be made with the dL and dU values based on the number of independent variables in the number of samples (n) and the regression model (k).

Heteroscedasticity aims to test for differences in the residual variance from one observation period to another. A good regression model is one where heteroscedasticity does not occur (Ghozali, 2016). To detect whether there is heteroscedasticity, a scatterplot graph is used. It is said to be free from heteroscedasticity if the dots formed must spread randomly.

After the classical assumption test is carried out and the results pass, then the hypothesis is continued. Hypothesis testing is a test used to determine the relationship of the variables to be studied. In this test using the Model Feasibility test (F test) and Partial Test (t test) and the Coefficient of Determination R Square (R^2).

The Regression Model Feasibility Test or also called the Simultaneous Test (F test) is used to determine whether all the independent variables jointly affect the dependent variable at a significant level of 0.05 (5%). The F test is also often referred to as a simultaneous test, to test whether the independent variables used in the model are able to explain changes in the value of the dependent variable or not. The method of testing in this F test is by using a table called the ANOVA (Analysis of Variance) table by looking at the significance value (Sig <0.05 or 5%). If the significance value is > 0.05 then Ha is rejected, otherwise if the significance value is <0.05 then Ha is accepted. Tests can also be carried out by comparing the calculated F values and F tables. If the F count > F table, it can be concluded that Ha is accepted. However, if F count <F table, then Ha is rejected.

The t-test or partial test is a test used to test whether each independent or partially independent variable or individual has a significant effect on the dependent or dependent variable at a significant level of 0.05 (5%) assuming the independent variable is of constant value (Susilawati, 2016). The t-test is used to test whether the independent variable has a significant impact on the dependent variable or not. The t test is used to determine the t-test hypothesis testing. If the t coefficient value is used as a measure, then the coefficient value needs to be compared with the t table value for the alpha level that has been determined with the appropriate degrees of freedom. The criteria used are rejecting H0 and accepting Ha if t count > t table, and accepting H0 and rejecting Ha if t count <t table. Testing can also be done by comparing the alpha significance, if the significance value is <0.05 then Ha is accepted, if the significance value is > 0.05 then Ha is rejected.

The coefficient of determination shows the ability of the regression line to explain the dependent variable Y which can be explained by the independent variable X. The coefficient of determination is between 0-1. If the coefficient of determination is 0 ($R^2 = 0$), it means that the variation from Y cannot be explained by X at all. Meanwhile, if the coefficient of determination is equal to 1 ($R^2 = 1$), it means that the variation of Y as a whole can be explained by X. The value of the coefficient of determination needs to be interpreted at the level of the relationship.

RESULTS

Classical Assumption Testing

Normality test

Normality test is conducted to test whether the independent variable and dependent variable are normally distributed or not. A good regression model is having a normal or close to normal data distribution (Ghozali, 2016). Normality can be done using the normal Probability Plot test.
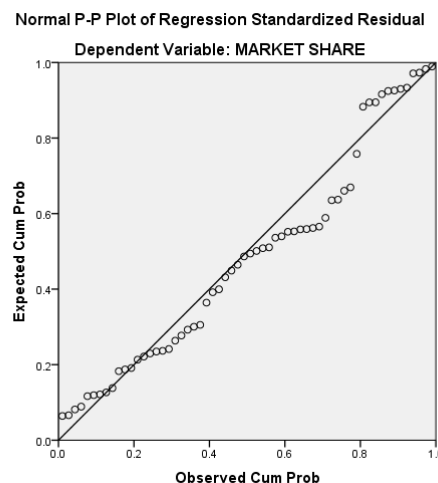

Image 1

P-Plot Normal Test Results

In the normality test using the Normal Probability Plot test, it shows that the bubble points spread around the diagonal line. This means that the data is normally distributed (passes the normality test).

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Multicollinearity Test

Table 1

Multicollinearity Test Results

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.	Collinearity Statistics Tolerance	VIF
1	(Constant)	.051	.012		4.127	.000		
	INFLATION	.140	.040	.490	3.523	.001	.738	1.355
	INTEREST RATE	-.109	.046	-.304	-2.346	.023	.847	1.180
	IDR/USD	-5.169E-7	.000	-.077	-.599	.551	.858	1.165

a. Dependent Variable: MARKET SHARE

In the multicollinearity test as shown in table 1, the tolerance values are 0.738, 0.847, 0.858, respectively. While VIF values are 1.355, 1.180, 1.165. These results indicate that the tolerance value is above 0.1 and the VIF value is <10 so that it can be said to pass the multicollinearity test.

Autocorrelation Test

Autocorrelation is a violation of the non-autocorrelation assumption. This is due to the correlation between disturbances in each observation. Autocorrelation can also be said that errors from certain period disturbances are correlated with disturbances from previous periods. To determine the presence of autocorrelation in this study, the Durbin-Watson test was used which can be seen in the table below:

Tabel 2

Autocorrelation Test Results with DW Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.448[a]	.201	.158	.00304	.201	4.695	3	56	.005	2.087

a. Predictors: (Constant), IDR/USD, INTEREST RATE, INFLATION
b. Dependent Variable: MARKET SHARE

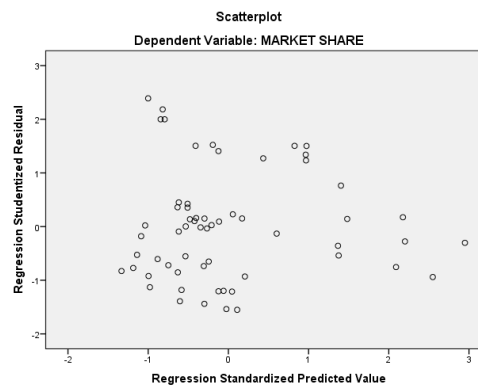Looking at table 2 above, it can be seen that:

N   = 60
d   = 2,087
dU   = 1,6889
4-dU   = 4-1,6889 = 2,3111

If dU < d < 4-dU, it means that there is no autocorrelation, positive or negative. Based on the results above, it can be concluded that 1.6889 < 2.087 < 2.3111, which means that there is no autocorrelation. In other words, this study passed the autocorrelation test.

Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from one residual observation to another. If the variance from the residual from one observation to another observation remains, it is called homoscedasticity and if it is different it is called heteroscedasticity. A good regression model is a model that does not have heteroscedasticity (Ghozali, 2016).

To determine heteroscedasticity, you can use the scatterplot graph, the points that are formed must spread randomly, spread both above and below the number 0 on the Y axis, if these conditions are met then there is no heteroscedasticity and the regression model is feasible to use. The results of the heteroscedasticity test using the scatterplot graph are shown in Image 2 below:

Source: processed secondary data (2023)

Image 1

Graphic Scatterplot

By looking at the scatterplot graph above, it can be seen that the dots spread randomly and do not form a particular pattern, and are spread both above and below the number 0 on the Y axis. It can be concluded that there are no symptoms of heteroscedasticity in the regression transformation model used.

Simultaneous Test Results (Test F)

The F test was conducted to determine the effect of the independent variables on the dependent variable simultaneously. The F test in this study was carried out using the SPSS 23 program. If the value of sign $\alpha < 0.05$ then Ho is rejected and sign $\alpha > 0.05$ then Ho is accepted. By using the significance of $\alpha = 5\%$ or 0.05.

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Table 3

F test results

ANOVAᵃ

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.000	3	.000	4.695	.005ᵇ
	Residual	.001	56	.000		
	Total	.001	59			

a. Dependent Variable: MARKET SHARE
b. Predictors: (Constant), IDR/USD, INTEREST RATE, INFLATION

Hypothesis test

Ha: Inflation Variables, Interest Rates and Exchange Rates simultaneously affect Market Share

From the results of the output above it is known that sig. of 0.005 <0.05. This means that there is influence of the Inflation Variables, Interest Rates and Exchange Rates together on the market share of Islamic Banks. This can also be known through F-count and F-table, based on the results of data processing, the results obtained are F-count = 4.695 and F-table = 2.536579 So 4.695 > 2.536579. So that Ha is accepted, meaning that inflation, interest rates and exchange rates simultaneously affect the market share of Islamic banks. This F test also means that the regression model used is correct (passes the model accuracy test).

Partial Test Results (t test)

The t test was conducted to determine the effect of the independent variables on the dependent variable partially

Table 4

t test results

Coefficientsᵃ

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.051	.012		4.127	.000		
	INFLATION	.140	.040	.490	3.523	.001	.738	1.355
	INTEREST RATE	-.109	.046	-.304	-2.346	.023	.847	1.180
	IDR/USD	-5.169E-7	.000	-.077	-.599	.551	.858	1.165

a. Dependent Variable: MARKET SHARE

First Hypothesis Testing
H1: The inflation variable has a significant effect on market share
From the results of data processing, the results obtained were t-count = 3.523 and t-table = 2.00324. Then t count > t table or 3.523 > 2.00324. So that H1 is accepted, meaning that inflation has a significant positive effect on the market share of Islamic banking with a positive correlation direction.
Second Hypothesis Testing
H2: Interest rate variable has no significant effect on market share

From the results of data processing, the results obtained were t-count = 1.288 and t-table = 2.00324. Then t count > t table or 2.346 > 2.00324. So that H1 is accepted, meaning that interest rates have a significant effect on the market share of Islamic banking with a negative correlation.

Third Hypothesis Testing

H2: The rupiah exchange rate variable against the US dollar has a significant effect on market share

From the results of data processing, the results obtained were t-count = 0.599 and t-table = 2.00324. Then t count < t table or 0.599 < 2.00324. So that H1 is rejected, meaning that the exchange rate has no significant effect on the market share of Islamic banking.

R-Square Determination Test

Table 5

Determination Coefficient Test

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.448ᵃ	.201	.158	.00304	.201	4.695	3	56	.005	2.087

a. Predictors: (Constant), IDR/USD, INTEREST RATE, INFLATION
b. Dependent Variable: MARKET SHARE

If seen from the value of Adjusted R-square shows 0.158. This means that the variables of inflation, interest rates and the rupiah exchange rate against the US dollar have a proportion of influence on market share of 15.8% while the remaining 84.2% (100% - 15.8%) are influenced by other variables that are not in the linear regression model the.

DISCUSSION

Inflation variable has a significant effect on Market Share

The results showed that inflation in the study period had a significant effect on market share. This is indicated by a significance value of 0.001 where this value is smaller than the value of α (0.05). It can be concluded that Ha1 is accepted, which means that partially inflation has a significant positive effect on market share.

The relationship between inflation and market share in this study has a positive correlation direction as indicated by the regression coefficient value of 0.140. Where this shows that every addition of 1 unit of inflation will increase 0.140 units of market share. These results show that in terms of the ability to deal with inflation, Islamic banks are stronger and more attractive than conventional banks. Islamic banks that have good risk management capabilities can effectively anticipate the effects of inflation (Nizar, 2020). This ability, according to Al Arif (2017) is due to the application of a profit-sharing system to Islamic bank operations. Inda and Rahma (2018) argues that in conditions of high inflation such as during the 1998 crisis, where many conventional banks went bankrupt, Islamic banks were still able to survive through the crisis. In addition, during the study period the inflation rate was relatively low and tended to be stable. Based on BPS data, the highest inflation was recorded in September 2022 at 5.95% while the lowest inflation was recorded in August 2020 at 1.32%.

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The results of this study are in line with research conducted by Nizar. H. Hadi (2020) which shows that inflation partially has a significant positive effect on market share.

The interest rate variable has a significant effect on market share

The results showed that interest rates during the study period had a significant negative effect on market share. This is indicated by a significance value of 0.023 which is smaller than the value of α (0.05). It can be concluded that Ha2 is accepted, which means that interest rates partially have a significant negative effect on market share. The increase in the interest rate (BI 7 days repo) set by Bank Indonesia will have an impact on reducing the market share of Islamic banks. This can be explained by the phenomenon of displacement risk where when there is an increase in interest rates, people are more interested in saving their funds in conventional banks compared to Islamic banks, because the interest paid by conventional banks will also increase due to rising interest rates, this transfer of funds will reduce party funds. the three Islamic banks which led to a decrease in the market share of Islamic banks. According to Perdanasari (2018) this happens because the majority of Islamic bank customers in Indonesia are not loyal customers but rational types of customers. When conventional banks are considered more profitable than Islamic banks, customers will transfer their funds to conventional banks.

The results of this study are in line with research conducted by Amalia (2021) and (Nizar, 2020) which shows that interest rates partially have a significant negative effect on market share.

The Exchange Rate Variable has no significant effect on the Market Share

The results showed that the rupiah exchange rate against the US dollar during the study period had no significant effect on market share. This is indicated by the significance value which shows the number 0.551 where this value is higher than the value of α (0.05). It can be concluded that Ha7 is rejected, which means that the rupiah exchange rate against the US dollar partially has a positive but not significant effect on market share.

The rupiah exchange rate against the US dollar has no significant impact on the market share of Islamic banks. According to Deasi Anggraini, Manager of Bank Syariah Mandiri in Prastiwi (2022) this is caused by Islamic banks which until now have not been massively involved in foreign exchange trading and transactions on the capital market. Islamic banks are still focused on the real sector.

The results of this study are in line with research conducted by Anik et al (2022) which shows that the rupiah exchange rate against the United States dollar partially has no significant effect on market share.

CONCLUSION

Based on the results of the research described above, it can be concluded that the inflation variable has a significant positive effect on the market share of Islamic banks, the interest rate variable has a significant negative effect on the market share of Islamic banks, the rupiah exchange rate variable against the United States dollar has no significant positive effect on market share Islamic Bank. The inflation variable has a significant positive effect on the market share of Islamic banks, which can be

explained in terms of the ability to deal with inflation. Islamic banks are stronger and more attractive than conventional banks. Islamic banks that have good risk management skills can effectively anticipate the effects of inflation. While the interest rate variable has a significant negative effect on the market share of Islamic banks, it can be explained by the phenomenon of displacement risk where when interest rates increase, people are more interested in saving their funds in conventional banks compared to Islamic banks, because the interest paid by conventional banks will also increase. As a result of rising interest rates, the transfer of these funds will reduce the third party funds of Islamic banks which causes a decrease in the market share of Islamic banks. The rupiah exchange rate against the US dollar has no significant effect on the market share of Islamic banks, this can be explained because until now they have not been massively involved in foreign exchange trading and transactions in the capital market. Islamic banks are still focused on the real sector. It is hoped that Islamic banks will be able to improve their performance so that ROA and DPK in Islamic banks are able to grow beyond conventional banks so that it will have an impact on increasing the market share of Islamic banks.

LIMITATION

The object of this research is still limited to Islamic Commercial Banks, there are still other types of Islamic banks that have not been examined in this study such as Islamic business units and Islamic people's financing banks due to the limitations of researchers.

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