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DO FINTECH ADOPTION AND FINANCIAL PERFORMANCE AFFECT ISLAMIC BANK MARKET SHARE? A FEM APPROACH

Danial Muhammad Wirdyansyah[1], Shafira Apriliesya[2] Azzahra, Rahma Nazila Ramadhani[3]
[1*,2] Faculty of Islamic Economics and Business, Sunan Gunung Djati State Islamic University Bandung
[3]Faculty of Sharia and Law, Sunan Gunung Djati State Islamic University Bandung
Corresponding Author Email: danmuhammadw@gmail.com
danmuhammadw@gmail.com[1], shafiraapriliesya2215@gmail.com[2], lalanazila015@gmail.com[3]

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ABSTRAK

Penelitian ini mengkaji dampak adopsi teknologi finansial (fintech) terhadap pangsa pasar pada tujuh Bank Umum Syariah (BUS) selama periode observasi tiga tahun (2021–2023). Dengan menggunakan pendekatan kuantitatif melalui Fixed Effects Model (FEM) dan data panel yang diperoleh dari laporan keuangan, hasil penelitian menunjukkan bahwa adopsi fintech berpengaruh positif dan signifikan secara statistik terhadap peningkatan pangsa pasar, dengan nilai p-value sebesar 0.000. Layanan seperti mobile banking, sistem pembayaran digital, dan platform pembiayaan daring turut meningkatkan aksesibilitas layanan keuangan syariah serta memperkuat inklusi keuangan. Pesatnya ekspansi fintech di negara-negara berkembang menjadikan transformasi digital sebagai faktor kunci dalam meningkatkan daya saing perbankan syariah. Oleh karena itu, diperlukan regulasi yang mendukung inovasi fintech sekaligus menjamin kepatuhan terhadap prinsip-prinsip syariah. Selain itu, penguatan keamanan siber, peningkatan pengalaman pengguna, serta integrasi solusi keuangan berbasis kecerdasan buatan diyakini dapat semakin mendorong pertumbuhan pangsa pasar perbankan syariah. Temuan ini memberikan wawasan yang berharga bagi bank syariah dalam merumuskan strategi bisnis berbasis fintech, sekaligus menjadi dasar bagi penelitian lanjutan terkait keberlanjutan jangka panjang dari adopsi fintech dalam ekosistem perbankan syariah.
Kata kunci: Pangsa Pasar; Kinerja Keuangan; Perbankan Syariah; Fixed Effect Model

ABSTRACT

This study explores the impact of fintech adoption on the market share of seven Islamic Commercial Banks (BUS) over a three-year observation period (2021-2023). Using a quantitative approach based on the Fixed Effects Model (FEM) and panel data from financial statements, the results indicate that fintech adoption has a positive and statistically significant effect on market share, with a p-value of 0.000. Services such as mobile banking, digital payment systems, and online financing platforms contribute to increasing the accessibility of Islamic financial services and strengthening financial inclusion. Emerging

markets are experiencing a rapid expansion of fintech, making digital transformation a key factor in enhancing the competitiveness of Islamic banking. Therefore, regulations are needed that support fintech innovation while ensuring compliance with Shariah principles. In addition, strengthening cybersecurity, improving user experience, and integrating artificial intelligence-based financial solutions can further increase the market share of Islamic banking. The findings offer valuable insights for Islamic banks in developing fintech-based business strategies, as well as a basis for further research to examine the long-term sustainability of fintech adoption within the Islamic banking ecosystem.
Keywords: *Market Share; Financial Performance; Islamic Banking; Fixed Effect Model.*

A. INTRODUCTION

Over the past decade, the advancement of financial technology (fintech) has disrupted the global financial sector, including Islamic banking. (Panjaitan, 2023). According to research by (Cupian & Akbar, 2020) there are at least four types of fintech that have developed in Indonesia, including mobile banking, which has proven to enhance accessibility and efficiency in Sharia financial services. In their study, Cupian & Akbar (2020b) state that the use of fintech in Sharia banking services can increase market share in the short term. Several countries within the Organization of Islamic Cooperation (OIC) have begun utilizing fintech to expand Sharia-based financial inclusion, opening new opportunities to enhance access to more efficient and transparent financial services. (Prihartama & Mukhsin, 2024).

Indonesia, as the country with the largest Muslim population in the world, totaling 245,973,915 individuals or approximately 87.08% of the total population in the first semester of 2024, possesses significant potential for the development of Islamic banking (Millah et al., 2025). According to (OJK, 2023), The market share of Islamic banking in Indonesia remains relatively small and is growing slowly. In 2020, the market share was recorded at 6.51%, increasing to 7.2% in 2023. This sluggish growth presents a significant challenge for Islamic banks in competing within the national banking industry, which is predominantly dominated by conventional banks (Syarifah Isnaini et al., 2022). The Financial Services Authority (OJK) aims to increase the market share of Islamic banking to 10% by 2027. However, in reality, the progress toward this target remains relatively slow (OJK, 2023).

To date, existing research tends to focus more on analyzing financial factors such as Return on Assets (ROA), Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR), Non-Performing Financing (NPF), and Return on Equity (ROE) in influencing the profitability of Islamic banks (Masruron & Sholihah, 2022). Unfortunately, studies that specifically link financial performance with the market share of Islamic banking remain limited. On the other hand, the role of Islamic fintech in supporting the growth of Islamic banks' market share has not received adequate attention, particularly concerning both short-term and long-term relationships (Cupian & Akbar, 2020). This study refers to several relevant theories, such as the Theory of Financial Intermediation, which explains the role of Islamic banks as financial intermediaries that can enhance efficiency through integration (Okello et al., 2025). Furthermore, the *Theory of Banking Performance* emphasizes the significance of financial ratios such as Return on Assets (ROA), Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR), Non-Performing Financing (NPF), and Return on Equity (ROE) in influencing the profitability of Islamic banks (Do et al., 2020). Furthermore, the *Technology Acceptance Model* (TAM) and the *Diffusion of Innovation* (DOI) theories emphasize that the adoption of new technologies, including Islamic fintech, has the potential to expand service access and enhance the competitiveness of Islamic banks (Kumar & Dami, 2021).

The urgency of this research lies in the low market share of Islamic banking despite the large Muslim population (M. Masykur Hadi et al., 2024). This condition necessitates Islamic banks to integrate financial technology to strengthen their market position (Cupian & Akbar, 2020). This study seeks to analyze the influence of Islamic fintech as an independent variable, along with financial performance variables such as CAR, ROA, NPF, and FDR, on the market share of Islamic banks, with the aim of providing effective strategic recommendations. Academically, this research is expected to provide empirical evidence regarding the relationship between Islamic fintech and the market share of Islamic banks. From a practical perspective, the findings can serve as a reference for Islamic banks in designing digital strategies and more optimal financial management. Additionally, this study aims to offer recommendations for regulators, such as the Financial Services Authority (OJK), in formulating policies that support the integration of Islamic

banking and fintech to foster the growth of the Islamic financial industry in Indonesia.

In Islamic banking, several key financial performance indicators are critically important. The Capital Adequacy Ratio (CAR), as defined by Dendawijaya (2005 : 121) in (Septiana & Artati, 2022) measures the proportion of a bank's risk-weighted assets—including credit exposures, investments, securities, and receivables from other banks—that are financed by its own capital, in addition to external funding sources such as customer deposits and borrowings. In other words, CAR serves as a critical performance metric that evaluates a bank's capital sufficiency in supporting risk-bearing or risk-generating assets (Utami & Muslikhati, 2019). Furthermore Taufik (2017) defines Return on Assets (ROA) as a profitability indicator that assesses a bank's earnings relative to its total assets, demonstrating how effectively the bank utilizes its asset base to generate profits (Singh et al., 2023). *Non-Performing Financing* (NPF**)** refers to financing that is in default or at risk of default, serving as a key indicator of a bank's asset quality (Havidz & Setiawan, 2015). *Financing to Deposit Ratio* (FDR), calculated as the ratio between total financing disbursed and total third-party funds collected, reflects a bank's liquidity position and its effectiveness in channeling (Kartika et al., 2020). Meanwhile, Islamic fintech is defined as the provision of Sharia-compliant financial services that connect fund providers and recipients through electronic systems via internet networks (Imani et al., 2023). This study focuses on five key variables selected based on core performance indicators that have been shown to most significantly influence the profitability and market share of Islamic banks in previous research. Other variables such as Return on Equity (ROE) and Third-Party Funds (DPK) were excluded due to their relatively insignificant impact in prior studies (Muhammad Yusuf & Rahmadani Hidayat, 2022).

Several previous studies have discussed various factors influencing the market share of Islamic banking. (Masruron & Sholihah, 2022) found that CAR has a significant effect on the market share of Islamic banks, while (Anik et al., 2022) showed that ROA has a significant impact on market share. Research by (C. Sari, 2021) identified that NPF has a significant negative effect on market share, whereas (Marlinda, Oktaria, Habriyanto, 2024) found that FDR has a significant positive

effect. Another study more focused on the fintech aspect was conducted by (Cupian & Akbar, 2020), which found that collaboration between Islamic banks and fintech companies positively impacts ROA and ROE in the short term.

While previous studies have made significant contributions, there are several gaps that still need to be addressed. First, most previous studies used data only up to 2022, thus not accounting for the latest developments in Islamic fintech and Islamic banking. Second, previous studies only focused on financial performance variables such as ROA, CAR, FDR, NPF, and ROE without considering the role of Islamic fintech as a moderating variable in increasing Islamic banks' market share. Third, most studies used conventional regression methods that can only analyze static relationships, thus unable to capture short-term and long-term relationships simultaneously. These research gaps have become increasingly relevant to address, given that the Islamic financial industry is currently undergoing significant transformation driven by digital innovation and the growing demand for Sharia-compliant financial services.

The Islamic financial industry, particularly Islamic banking and Islamic fintech, has undergone rapid transformation in response to the increasing demand for Sharia-compliant financial services. Amidst this growth, Islamic banks face mounting challenges in maintaining and expanding their market share, especially as Islamic fintech emerges as a viable alternative for financial transactions. While existing literature has extensively examined the role of financial performance in influencing market share, the impact of Islamic fintech—particularly the number of its users—on the competitive position of Islamic banks remains underexplored.

Furthermore, there is a limited number of empirical studies that simultaneously assess both the short-term and long-term relationships between financial performance, Islamic fintech usage, and market share within a unified analytical framework. Understanding these dynamics is critical for Islamic banks to adapt their strategies in a fast-evolving digital financial ecosystem.

In response to these research gaps, this study aims to investigate the effect of Islamic banks' financial performance on their market share, and to assess whether the number of Islamic fintech users influences this relationship. The analysis also incorporates the Fixed Effect Model (FEM) to explore both short- and long-term

interactions among the variables. This research contributes novelty in two main ways: by employing the most recent data available up to 2023, which reflects current trends in the Islamic financial sector; and by introducing Islamic fintech users as a variable that potentially enhances the link between financial performance and market share in Islamic banking.

Thus, this study is expected to make important contributions in formulating optimal strategies for Islamic banks to utilize fintech in order to increase market share, while also serving as a reference for regulators in supporting the development of the Islamic financial industry in Indonesia.

B. RESEARCH METHODOLOGY

1. Data

This study adopts a quantitative approach to objectively and measurably examine the relationships among variables. The data utilized are derived from the annual reports of Islamic banks and official publications of the Financial Services Authority (OJK) for the period 2021–2023. Information from these sources serves as the foundation for conducting an in-depth empirical analysis.

2. Population and Sample

Referring to the Islamic Banking Statistics published by the Financial Services Authority (OJK) in 2023, the population of Islamic Commercial Banks (Bank Umum Syariah/BUS) in Indonesia reached a total of 13 banks. To obtain comprehensive data, the researcher employed purposive sampling to filter this population based on the following criteria:

a. Islamic Commercial Banks (BUS) registered with the Financial Services Authority (OJK) during the period 2021–2023.
b. BUS with complete financial reports for the years 2021–2023.
c. BUS that provided data on the number of financial technology (mobile banking) users during the 2021–2023 period.

Based on these criteria, the research sample was determined as follows:

Table 1. Results of Purposive Sampling

No	Criteria	Total
1	Islamic Commercial Banks (BUS) registered with the Financial Services Authority (OJK) in 2023	13
2	BUS with complete financial reports for the period 2021–2023	13
3	BUS with available data on the number of fintech (mobile banking) users for the period 2021–2023	(6)
Number of banks meeting the criteria		7
Research Period		3
Total Research Sample		21

Source: Data processed (2025)

After examining the aforementioned criteria, 7 out of 14 Islamic Commercial Banks (BUS) were eliminated from the sample for failing to meet criterion number 3. Specifically, PT. Bank Aceh Syariah, PT. Bank Victoria Syariah, PT. Bank Mega Syariah, PT. Bank Panin Dubai Syariah, Tbk, PT. Bank Syariah Bukopin, and PT. Bank Tabungan Pensiunan Nasional did not explicitly and regularly report the number of mobile banking users in their annual reports. The details of the 7 BUS that met the criteria are as follows.

Table 2. Sample Description

No	Code	Islamic Commercial Bank (BUS)
1	BRKS	PT. Bank Riau Kepri Syariah
2	NTB	PT. BPD NTB Syariah
3	BMI	PT. Bank Muamalat Indonesia
4	BJBS	PT. Bank Jabar Banten Syariah
5	BSI	PT. Bank Syariah Indonesia
6	BCAS	PT. Bank BCA Syariah
7	BLS	PT. Bank Aladin Syariah

Source: Data processed (2025)

3. Variable Operations

This study involves several independent variables, namely CAR, ROA, NPF, FDR, and FINTECH, with Market Share (MS) as the dependent variable. CAR reflects capital adequacy, ROA represents profitability, NPF indicates the quality of financing, while FDR represents liquidity. The FINTECH variable is measured based on the number of customers using mobile banking applications each year.

Table 3. Operationalization of Variables

Variables	Code	Definition	Source
Market Share (Y)	MS	A ratio that indicates the dominance of Islamic banks in the industry, calculated per 100 (%)(Afifah et al., 2025).	OJK
Capital Adequacy Ratio (X1)	CAR	A ratio that shows the extent to which a bank's risky assets are financed by its own capital, apart from other sources of funds, calculated per 100 (%) (Masruron & Sholihah, 2022).	Annual Report of Islamic Banks
Return on Assets (X2)	ROA	A profitability ratio that measures profit relative to the use of assets, calculated per 100 (%) (Yuliana et al., 2021).	Annual Report of Islamic Banks
Non-Perfoming Financing (X3)	NPF	A financing risk ratio; a high value indicates poor quality, calculated per 100 (%) (Saputra, 2014).	Annual Report of Islamic Banks
Financing to Deposit Ratio (X5)	FDR	FDR measures the proportion of third-party funds channeled, calculated per 100 (%) (Oktaria Marlinda et al., 2023).	Annual Report of Islamic Banks
Number of Mobile Banking Users (X6)	FINTECH	The number of new mobile banking users per year as an indicator of digital service adoption, calculated by the number of users (Valda et al., 2024).	Annual Report of Islamic Banks

Source: Data processed (2025)

The Fintech variable in this study is measured based on the number of customers who download the mobile banking application each year. This indicator is selected because it reflects the extent of digital service adoption in Islamic banking. The more downloads, the higher the adoption of financial technology among customers. Mobile banking not only facilitates transactions but also enhances operational efficiency and the competitiveness of Islamic banks in the digital era. With the growing development of fintech services, Islamic banks can reach more customers, provide more accessible services, and ultimately strengthen their market position (Fattah et al., 2022).

4. Conceptual Framework

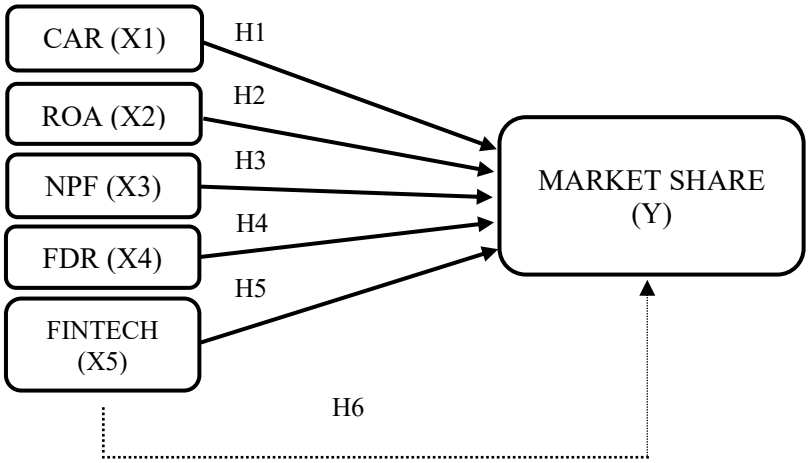

Figure 1. Conceptual Framework

Description

→ : The Partial Influence of Independent Variables on the Dependent Variable

⇢ : The Simultaneous Influence of Independent Variables on the Dependent Variable

5. Research Hypotheses

H1: CAR has a positive effect on market share

H2: ROA has a positive effect on market share

H3: NPF has a negative effect on market share

H4: FDR has a positive effect on market share

H5: FINTECH has a positive effect on market share

H6: CAR, ROA, NPF, FDR, and FINTECH have a significant effect on market share

6. Data Analysis Techniques

In this study, an analysis method is needed that can capture the dynamics of the relationship between financial variables across Islamic banks over a specific period. The chosen research model is the Fixed Effect Model (FEM) because it can accommodate the unique characteristics of each bank that remain unchanged throughout the study period. The main advantage of FEM is its ability to control for unmeasured factors that remain constant over time, thus producing more accurate estimates and reducing bias from omitted variables. (Noviana, 2020).

According to Lismawati (2020), to determine the best model among the

Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), there are three testing stages that must be conducted:

a. Chow Test (CEM vs FEM)

$\mathbf{H_0}$ (>0.05): The CEM model is more appropriate

$\mathbf{H_a}$ (<0.05): The FEM model is more appropriate

b. Haustman Test (FEM vs REM)

$\mathbf{H_0}$ (>0.05): The REM model is more appropriate

$\mathbf{H_a}$ (<0.05): The FEM model is more appropriate

c. Breusch Pagan-Legrange Multiplier Test (REM vs CEM)

$\mathbf{H_0}$ (>0.05): The CEM model is more appropriate

$\mathbf{H_a}$ (<0.05): The REM model is more appropriate

After determining the most appropriate model, the data will be analyzed using regression analysis, T-test (partial), and F-test (simultaneous) to test all the hypotheses that have been formulated.

The equation model to be used is as follows:

$$\boldsymbol{MS = \beta_0 + \beta_1 CAR_t + \beta_2 ROA_t + \beta_3 NPF_t + \beta_4 FDR_t + \beta_5 LN(FINTECH)_t + \varepsilon}$$

With the following notation:

MS = *Market Share*	$\boldsymbol{\beta_0}$ = Constant value
$\boldsymbol{t}$ = Time series for the period 2021–2023	$\boldsymbol{\beta_t}$ = Regression coefficient
	$\boldsymbol{\varepsilon}$ = Error (5%)

LN is used on the FINTECH variable to normalize the data, reduce heteroscedasticity, and facilitate the interpretation of elasticity.

C. RESULTS AND DISCUSSION

1. Results

a. Panel Data Regression Model Test

There are three panel data regression models focused on this study, namely the Common Effect Model (CEM), Fixed Effect Model

(FEM), and Random Effect Model (REM). The following are the results from the regression tests for each model:

Common Effect Model (CEM)

Table 4. Results of CEM Regression Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.312483	0.259225	-1.205448	0.2588
CAR	0.000381	0.000262	1.458160	0.1788
ROA	0.010018	0.006412	1.562396	0.1526
NPF	-0.008236	0.023746	-0.346858	0.7367
FDR	0.000511	0.000369	1.385652	0.1992
FINTECH	0.029854	0.017388	1.716908	0.1201

Source: Eviews 12 Output (processed data)

Fixed Effect Model (FEM)

Table 5. Results of FEM Regression Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.453164	0.296743	-4.897043	0.0002
CAR	-8.72E-05	0.000645	-0.135274	0.8942
ROA	0.048478	0.015447	3.138403	0.0068
NPF	-0.175869	0.069731	-2.522098	0.0235
FDR	-0.000201	0.001116	-0.179853	0.8597
FINTECH	0.130826	0.022959	5.698194	0.0000

Source: Eviews 12 Output (processed data)

Random Effect Model (CEM)

Table 6. Results of REM Regression Test
Dependent Variable: MS
Method: Panel EGLS (Cross-section random effects) Date: 03/27/25

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.018782	0.098838	-10.30758	0.0000
CAR	0.000516	0.000158	3.276240	0.0051
ROA	0.031005	0.003940	7.869786	0.0000
NPF	-0.020814	0.016663	-1.249079	0.2308
FDR	0.000584	0.000257	2.269759	0.0384
FINTECH	0.083874	0.007021	11.94619	0.0000

Source: Eviews 12 Output (processed data)

The next step in determining the best model for statistical analysis in this study will involve three tests: the Chow Test, the Hausman Test, and the Breusch-

Pagan Lagrange Multiplier Test.

b. Chow Test

The Chow Test, or in Eviews 12 software referred to as the Likelihood test, aims to determine the best model between CEM and FEM. If the probability value is >0.05, then H_0 is accepted, and if it is <0.05, H_a is accepted. The results of the Chow Test are presented in the following table:

Table 7. Results of the Chow Test
Redundant Fixed Effects Tests Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.	Result
Cross-section F	110.938603	(6,9)	0.0000	H_0 ditolak
Cross-section Chi-square	90.655786	6	0.0000	

Source: Eviews 12 Output (processed data)

The decision-making process in this test is based on the F-statistic value shown in Table 7, which is 0.000. This value is smaller than 0.05, so it can be concluded that H_0 is rejected, and the Fixed Effect Model (FEM) is chosen as the selected model.

c. Hausman Test

The second step in selecting the best model is the Hausman Test to determine which is superior between the FEM and REM models. If the probability value >0.05, then H_0 is accepted, and if the probability value is <0.05, H_a is accepted. The results of the Hausman Test are presented in the following table:

Table 8. Results of the Hausman Test
Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq Statistic	Chi-Sq d.f.	Prob.	Result
Cross-section random	196.493381	5	0.0000	H_0 Rejected

Source: Eviews 12 Output (processed data)

The probability value shown in Table 8 is 0.000 < 0.05, indicating that H_0 is rejected and the Fixed Effect Model (FEM) is selected as the appropriate model. The Breusch-Pagan Lagrange Multiplier Test was not

conducted, as it is essentially intended to determine the better model between the Common Effect Model (CEM) and the Random Effect Model (REM). However, based on the previous two tests, FEM outperforms both models. Therefore, it can be concluded that the best-fitting model for this study is the Fixed Effect Model (FEM).

2. Panel Data Regression Model Analysis (FEM)

Table 9. Results of Panel Data Regression Test (FEM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Result
C	-1.453164	0.296743	-4.897043	0.0002	Significant
CAR	-8.72E-05	0.000645	-0.135274	0.8942	Not Significant
ROA	0.048478	0.015447	3.138403	0.0068	Significant
NPF	-0.175869	0.069731	-2.522098	0.0235	Significant
FDR	-0.000201	0.001116	-0.179853	0.8597	Not Significant
FINTECH	0.130826	0.022959	5.698194	0.0000	Significant
R-squared	0.726079	Mean dependent var		0.131686	
Adjusted R-squared	0.634772	S.D. dependent var		0.218850	
S.E. of regression	0.132260	Akaike info criterion		-0.973137	
Sum squared resid	0.262391	Schwarz criterion		-0.674702	
Log likelihood	16.21793	Hannan-Quinn criter.		-0.908369	
F-statistic	7.952053	Durbin-Watson stat		1.311435	
Prob(F-statistic)	0.000778				

Source: Eviews 12 Output (processed data)

Table 9 presents the results of the panel data regression test of five independent variables on Market Share (MS) as the dependent variable, both partially and simultaneously. The resulting regression model equation is as follows:

$$MS = -1.4531639632 - 8.72475089596e\ CAR_{it} + 0.0484781058866\ ROA_{it} - 0.17586873979\ NPF_{it} - 0.000200724157001\ FDR_{it} + 0.1308255746\ LN(FINTECH)_{it} + 0.05$$

The constant value in the equation is (-1.4531639632), which means that if all tested variables remain constant, the market share will be (-1.4531639632). The coefficient of ROA shows a value of 0.0484781058866, indicating that if ROA increases by 1%, the market share will increase by 0.0484781058866. The coefficient value of NPF is (-0.17586873979), meaning that if NPF increases by 1%, the market share will decrease by (-0.17586873979). Furthermore, the coefficient of FDR reaches (-0.000200724157001), indicating that if FDR increases by 1%, the market share will decrease by (-0.000200724157001). Lastly, the coefficient value of FINTECH is 0.1308255746. Since in practice the LN (natural logarithm) is applied in calculating this variable, it can be concluded that if the FINTECH variable increases by 1%, the market share will increase by 0.1308255746.

3. Partial Test (T-Test) Result Analysis

Table 9 presents the p-value for each independent variable in relation to market share. The probability value for the CAR variable in relation to market share is 0.8942 > 0.05 (at the 5% error level), indicating that CAR does not have a significant effect on market share, and therefore, H1 is rejected.

Secondly, the p-value for the ROA variable in relation to market share is 0.0068 < 0.05, with a positive coefficient, meaning that ROA has a positive and significant effect on market share, and H2 is accepted.

Thirdly, the probability value for the NPF variable in relation to market share is 0.0235 < 0.05, with a negative coefficient, meaning that NPF has a negative and significant effect on market share, and H3 is accepted.

Fourth, the FDR variable in relation to market share shows a probability value of 0.8597 > 0.05, representing that FDR does not have a significant effect on market share, and therefore, H4 is rejected.

Fifth, the p-value for the FINTECH variable in relation to market share is 0.0000 < 0.05, with a positive coefficient, indicating that FINTECH has a positive and significant effect on market share, and H5 is accepted.

These five independent variables represent a 63.4% increase and decrease in market share, as shown by the Adjusted R-squared value of 0.634772 in Table 9, while 36.6% of the change in market share is influenced by other variables not included in this study.

4. Analysis of F-Test Results (Simultaneous Test)

The decision from the F-test is made by observing the probability value (Prob(F-statistic)) presented in Table 9. The probability value for F is 0.000778 < 0.05 (at the 5% error level), which indicates that, collectively (simultaneously), the variables CAR, ROA, NPF, FDR, which are represented as "financial performance of Islamic banks," and FINTECH, have a significant effect on the increase and decrease of market share. Therefore, H6 is accepted.

5. Discussion

a. Effect of CAR on the Market Share of Islamic Banks

Bank Indonesia and the Financial Services Authority (OJK) have established a requirement that every bank must maintain a minimum CAR of 8% to ensure resilience against potential financial risks (Bintoro, 2022). A high CAR reflects a strong capital reserve to cover losses, increases customer confidence, and maintains banking stability. However, this study shows that CAR does not have a significant effect on the market share of Islamic banks ($p = 0.8942 > 0.05$), which contrasts with the findings of Masruron (2022), which showed a positive effect. CAR plays a more significant role in maintaining financial stability than in driving market share growth.

a. The Effect of ROA on the Market Share of Islamic Banking

A high ROA indicates that a bank is effectively managing its assets to generate profit, which in turn can enhance competitiveness and customer trust. (Norfa A. Yusuf, Prof. Dr. Rusman Soleman, and Dwi Yana Amalia Sari Fala 2024) in a study by Yuliana (2021) states that ROA has a significant positive effect with a p-value of 0.000<0.05. The results of this study show that ROA has a positive and significant impact on the market share of Islamic banks ($p = 0.0068 < 0.05$), indicating that as ROA increases, the market share grows larger. Banks with high ROA tend to be more

efficient in their operations, allowing them to offer services at more competitive costs and invest in digitalization and financial technology development (Pahlevi & Anwar, 2022). Therefore, Islamic banks need to optimize operational efficiency through digitalization, service automation, and fintech innovation to improve profitability and expand market share, while ensuring that financing and investment strategies remain profitable in the long term (Tsakila et al., 2024).

c. The Effect of NPF on the Market Share of Islamic Banks

A high NPF reflects a greater credit risk due to an increase in problematic financing The results of this study indicate that NPF has a negative and significant effect on the market share of Islamic banks ($p = 0.0235 < 0.05$), which aligns with the findings of (Wahyunitasari et al., 2024). The results of this study indicate that NPF has a negative and significant effect on the market share of Islamic banks ($p = 0.0235 < 0.05$), which aligns with the findings of Saputra (2014). A high NPF indicates a significant amount of problematic financing, which reduces customer and investor trust and limits the bank's ability to distribute new financing, thereby hindering market share growth. (Nurhaliza, 2024).

d. The Effect of FDR on Islamic Banking Market Share

The Financing to Deposit Ratio (FDR) is a ratio that indicates the proportion of third-party funds successfully channeled by a bank into financing. The higher the FDR, the greater the proportion of funds used for financing, which reflects the bank's strategy in utilizing the available funds (Nura et al., 2023) The results of this study show that FDR does not significantly affect the market share of Islamic banks ($p = 0.8597 > 0.05$), which is in contrast to Oktaria Marlinda (2023) finding, which mentions a positive impact. FDR is more representative of the bank's fund allocation strategy rather than a factor that attracts customers. Market share is more influenced by service quality, product innovation, and ease of digital access, as customers now prioritize transaction speed and cost transparency. Without digital innovation, banks with high FDR will still struggle to increase their market share.

e. The influence of FINTECH on the market share of Islamic banking

In Islamic banking, fintech includes services such as mobile banking, sharia-compliant e-wallets, and digital financing platforms that align with sharia principles. The presence of fintech allows Islamic banks to reach a wider customer base without geographical limitations, thus increasing market share (Ali et al., 2022). The results of this study show that fintech has a significant positive effect on market share ($p = 0.0000$). The greater the adoption of technology in Islamic banking services, the larger the market share that can be captured. Fintech plays a significant role in improving service accessibility, especially for communities in remote areas, through mobile banking, internet banking, and digital applications. Technologies such as e-wallets, QR code payments, and e-commerce integration facilitate transactions and enhance customer loyalty. Furthermore, fintech supports Islamic banks with AI for credit risk analysis, big data for product personalization, and blockchain for transaction security (Yuliza, 2023).

6. The Impact of Market Share Growth on Community Welfare

The digitalization of Islamic banking opens up significant opportunities for more people to access financial services that are fairer and in line with Islamic principles. With increasingly advanced technology, Islamic banks can now reach a larger number of customers, including those who previously struggled to access financial services. The financing process has become faster and more efficient, while operational costs are reduced, increasing the competitiveness of Islamic banks compared to conventional banks (Rosdaliva, 2024). As market share grows, more people begin to trust and switch to Islamic financial services, making this system stronger and more influential in the economy(Nuraini, 2023).

Beyond the growth in numbers, the development of Islamic banking also has a tangible impact on the welfare of society. With wider access to financing, particularly for SMEs, more businesses can grow and create new job opportunities, which ultimately improves the standard of living for many people (Mustari, 2024). Additionally, the public has a better alternative to avoid high-interest loans that often burden their finances (Hidayat et al., 2025). In the long run, a stronger Islamic financial ecosystem will shape a more just, sustainable, and equitable economy.

With continuous innovation, Islamic banking can become a more inclusive financial solution and benefit a broader range of people (Z. P. Sari & Huda, 2025; Tsakila et al., 2024).

D. CONCLUSION

This research shows that the adoption of fintech has a positive and significant impact on the growth of market share in Islamic banking in Indonesia. Digital services such as mobile banking, digital payments, and online financing platforms have improved accessibility and participation of customers in the Islamic financial ecosystem. With the rapid expansion of fintech in emerging markets, digital transformation has become a key strategy for Islamic banks to enhance competitiveness and expand the reach of Sharia-compliant financial services. Furthermore, the increase in financial inclusion through fintech contributes to economic growth and community welfare, especially for the micro, small, and medium enterprises (MSMEs) sector, which is a key pillar in the Islamic financial system. From a policy perspective, the findings emphasize the importance of regulations that support fintech innovation while ensuring compliance with Sharia financial principles. Islamic banks also need to invest in cybersecurity, improve user experience, and develop AI-based solutions to strengthen their competitiveness in the digital era. Moving forward, further research is needed on the sustainability of fintech adoption in Islamic banking, including analysis of operational efficiency and its impact on the long-term profitability of Islamic banks.

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