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THE INFLUENCE OF LIQUIDITY, SOLVENCY AND FINANCING DISTRIBUTION ON THE PROFITABILITY OF ISLAMIC COMMERCIAL BANKS IN INDONESIA (PERIOD 2022-2024)

Abdushamad Abdushamad[1a], Ana Fitria[2b], Akmal Riza[3c]
[123]Department of Sharia Banking, Faculty of Islamic Economics and Business, Universitas Islam Negeri Ar-Raniry, Banda Aceh, Indonesia
210603060@student.ar-raniry.ac.id[a], ana.fitria@ar-raniry.ac.id[b], akmalriza@ar-raniry.ac.id[c]

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Corresponding author:
Abdushamad
Lorong Ibnu Sina No.2, Darussalam, Kopelma Darussalam, Kec. Syiah Kuala, Kota Banda Aceh, Aceh 23111
Email: shamad1234477@gmail.com

ABSTRACT

One of the primary metrics used to evaluate the success of Indonesia's Islamic Commercial Banks (BUS) is profitability. The purpose of this study is to examine how the financing distribution (FDR), solvency (DER), and liquidity (CR) affected BUS's return on assets (ROA) during the period. Multiple linear regression was used to evaluate 39 observations of secondary data from 13 BUS. The findings show that ROA is positively and significantly impacted by CR and FDR, but not significantly by DER. These three factors together account for 62% of the variation in ROA. The findings emphasize the necessity of good liquidity management and funding distribution optimization in increasing the profitability of Islamic banks in Indonesia. This study's practical implications give management insights for boosting liquidity and financing methods in Islamic banking institutions, hence strengthening financial performance.

Keywords: Financing Distribution, Islamic Commercial Bank, Liquidity, Profitability, Solvency

ABSTRAK

Salah satu indikator utama yang digunakan untuk mengevaluasi keberhasilan Bank Umum Syariah (BUS) Indonesia adalah profitabilitas. Tujuan dari penelitian ini adalah untuk menguji bagaimana distribusi pembiayaan (FDR), solvabilitas (DER), dan likuiditas (CR) memengaruhi pengembalian aset (ROA) BUS selama periode tersebut. Regresi linier berganda digunakan untuk mengevaluasi 39 observasi data sekunder dari 13 BUS. Temuan menunjukkan bahwa ROA dipengaruhi secara positif dan signifikan oleh CR dan FDR, tetapi tidak signifikan oleh DER. Ketiga faktor ini bersama-sama menyumbang 62% dari variasi ROA. Temuan ini menekankan perlunya manajemen likuiditas yang baik dan optimalisasi distribusi pendanaan dalam meningkatkan profitabilitas bank syariah di Indonesia. Implikasi praktis studi ini memberikan wawasan manajemen untuk meningkatkan likuiditas dan metode pembiayaan di lembaga perbankan Islam, sehingga memperkuat kinerja keuangan.

Kata Kunci: *Penyaluran Pembiayaan, Bank Umum Syariah, Likuiditas, Profitabilitas, Solvabilitas*

A. INTRODUCTION

Islamic banking in Indonesia has grown significantly since the introduction of Law Number 21 of 2008, which established the legislative framework for regulating and safeguarding the business. This development is seen by the growing number of Islamic financial organizations, namely Islamic Commercial Banks (BUS), Islamic Business Units (UUS), and Islamic Rural Banks (BPRS). According to the 2025 Islamic Banking Statistics released by the Financial Services Authority (OJK), the sector includes 14 BUS, 32 UUS, and 164 BPRS with total assets reaching Rp897.62 trillion and financing amounting to Rp673.45 trillion. This quick increase demonstrates the growing demand for Sharia-compliant financial services, which is motivated by both religious beliefs and a desire for ethical financial activities. This rising trend in institutional growth is also indicative of a shift in public trust toward Islamic banking, emphasizing banks' position as value-driven organizations rather than just financial facilitators. Some scholars also emphasize that the resilience of Islamic banking in Indonesia also stems from its risk-sharing principles, which distinguish it from conventional banking systems (Ascarya, Suharto, & Husman, 2022).

The growth of the Islamic banking network reflects a rise in public faith in Islamic banks. This is because each bank's development is heavily driven by public faith in its ability to mobilize and distribute funds. Islamic banks operate in accordance with *falah*, which promotes societal wealth and well-being (Darmalaksana, 2022).

They serve not just as profit-driven financial institutions, but also as organizations that value sustainability and social responsibility. Profits created by Islamic banks are crucial, not only for the benefit of the owners or founders, but also for company expansion and the provision of services to clients. This accords with Sharia values that prioritize justice and the welfare of the community (Juhro, Syarifuddin, & Sakti, 2025).

When these ideals are linked to financial performance, profitability becomes an important indication for determining whether Islamic banks can reconcile their twin purpose of commercial success and Sharia-based social aims. According to Kasmir(2019), profitability is a ratio that measures a company's capacity to make profits. This ratio measures the efficacy of a company's management. In essence, it indicates the company's earning potential from sales and investment revenue. Profitability is crucial information for investors and management, but it also represents a bank's overall financial viability. As a result, monitoring profitability ratios is critical for Islamic bank management to remain competitive and provide additional value to stakeholders (Nisa, Andriansyah, & Hasan, 2023). The profitability ratio is a crucial measure in evaluating the financial performance of Islamic banks, as it provides confidence to investors and shareholders regarding the bank's stability and efficiency in operations. Ratios such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM) are vital indicators of management's ability to generate profits (Faizah, Ariyadi, Rina, & Rezkiani, 2024).

However, assessing liquidity in relation to profitability often presents a challenge. Banks must balance the need to invest depositors' funds to earn profits while simultaneously maintaining sufficient reserves to cover possible withdrawals at any time. In essence, banks must always be able to meet their payment obligations. Within this study, liquidity is represented by the Short Term Mismatch, commonly referred to as the Current Ratio. This metric indicates the capacity of Islamic banks to meet short-term liabilities through their short-term assets. A higher Current Ratio reflects stronger liquidity, demonstrating greater ability to fulfill short-term commitments (Zaharum, Latif, Isa, & Hanafi, 2022). In addition to liquidity, solvency also reflects the capacity of Islamic banks to meet their obligations. The solvency ratio illustrates a company's ability to cover its long-term liabilities or all obligations if liquidation occurs (Coulon, 2020). This can be measured using long-term elements such as fixed assets and long-term debt. The Debt to Equity Ratio (DER) compares total debt to total equity, with an ideal balance required between the two (Sigalingging & Pangaribuan, 2022). DER is used as a solvency indicator on the basis that a higher DER signifies weaker solvency. A high DER points to a greater dependence on debt, which raises the likelihood of financial distress if obligations cannot be met. Monitoring DER therefore provides valuable insights into the bank's capital structure and its level of solvency risk.

According to Law Number 21 of 2008 on Islamic Banking, Article 4, Islamic Banks and Islamic Business Units (UUS) are mandated to mobilize and distribute public funds. The central function of banks is financing activities, which serve as the primary source of profit. The distribution of financing is closely tied to profitability, as greater financing can potentially boost returns, provided that risks are managed effectively (Mallick & Yang, 2011). The degree of financing distribution can be measured through the Financing to Deposit Ratio (FDR), which compares the total financing extended to the community with the total third-party funds collected by the (Rizky, Tamara, & Hadiani, 2023). Recent findings suggest that while FDR reflects financing aggressiveness, its impact on profitability remains inconclusive, with some studies reporting insignificant effects on ROA (Fitriana, Yuni, & Sopingi, 2024). The trend of Return on Assets (ROA) in Islamic Commercial Banks (BUS) showed fluctuations during the 2022–2024 period. In 2022, ROA was recorded at 2.00%, then decreased to 1.88% in 2023, before climbing again to 2.07% in 2024. These variations in ROA affect the bank's effectiveness in using assets to produce net income. A declining ROA can also influence the three aspects of health assessment as outlined in the circular issued by the Financial Services Authority (OJK).

These dynamics reflect that BUS performance in 2022–2024 was not consistent, as indicated by the alternating rise and fall in profitability. Various factors may affect bank profitability, including liquidity, solvency, and financing distribution. Profitability itself is considered one of the most accurate indicators of company performance, with higher profitability reflecting stronger financial health. Bank Indonesia Circular No. 06/23/DPNP dated May 31, 2004, establishes three ratios as benchmarks of bank profitability: Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM). ROA, in particular, measures the average profit generated per unit of assets, with a bank categorized as sound if its ROA reaches at least 1.5%. In this study, ROA is used as the measure of profitability. ROA is calculated by dividing net income by total assets, thus reflecting how efficiently a bank utilizes its assets and how effectively management generates profits (Rizky et al., 2023).

The development of Islamic banking in Indonesia reflects growing public trust. Profitability serves as a key

indicator in assessing the performance and operational sustainability of BUS in the country. However, OJK statistical data show that ROA for BUS in 2022–2024 fluctuated, indicating instability in financial management. This underscores the need for in-depth research on internal factors that may affect profitability, particularly liquidity, solvency, and financing distribution. Furthermore, inconsistencies across previous empirical studies further strengthen the urgency of this research, as highlighted by recent findings in Indonesia and abroad (Puspitasari & Muflih, 2024). The researcher chose liquidity, solvency, and financing distribution as the independent variables in this study because these factors play a vital role in assessing a company's performance and offer a comprehensive view of its financial health as well as potential for profit growth. Moreover, the mixed findings of previous studies motivated this research, which examines the effect of liquidity, solvency, and financing distribution on the profitability of Islamic commercial banks in Indonesia during the 2022–2024 period.

Meanwhile, previous research has analyzed the factors influencing the profitability of Islamic banking, much of it has been limited to individual institutions, short periods, or one or two financial parameters. This study is unique in that it analyzes the 13 Islamic Commercial Banks operating nationwide between 2022 and 2024 and combines three main financial indicators (liquidity (CR), solvency (DER), and funding distribution (FDR)) into a unified analytical framework. This technique provides a more comprehensive understanding of how internal financial management elements affect the profitability (ROA) of Islamic banking in Indonesia. Furthermore, by compiling post-pandemic financial performance data, this study offers an updated understanding of the sector's recovery and resilience.

B. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Liquidity and Profitability

Liquidity is a bank's ability to meet its short-term obligations and ensure smooth operational activities. The Current Ratio (CR) is a common proxy for liquidity, as it measures the adequacy of current assets to cover current liabilities. According to Prochnow (1949) Anticipated Income Theory, a bank's liquidity is not only about asset conversion but also its ability to generate anticipated income to cover obligations, linking liquidity management to profitability. Empirical studies provide mixed evidence. Humairah, Andriansyah, and Badjie (2023) found that both liquidity (measured by CR) and leverage positively and significantly affect ROA in Indonesian Islamic banks, demonstrating that stronger liquidity enables operational expansion and profitable asset deployment.

Also, study by Asrandi, Kara, and Parmitasari (2023) on Islamic commercial banks in Indonesia established that CR, alongside DER, significantly influences financial performance, particularly when moderated by digital innovations like Islamic Fintech. Yet, there is still research highlights that liquidity does not always enhance profitability in Islamic banks. For instance, Nugroho, Riyanti, and Hakim (2023) revealed contrasting results, indicating that liquidity (CR) had no substantial influence on profitability (ROA). Taken together, these findings provide counter-evidence to the hypothesis that liquidity (CR) consistently improves profitability (ROA) in Islamic banks. Instead, they highlight that maintaining too much liquidity may constrain profit generation, while insufficient liquidity risks financial stability. Therefore, the first hypothesis is:

H_1: Liquidity (CR) has a partial effect on Profitability (ROA) in Islamic Commercial Banks in Indonesia

Solvency and Profitability

The link between solvency and profitability is based on Financial Intermediation Theory, in which banks handle both external and internal money to create revenue. According to Financial Intermediation Theory, banks are intermediary entities that connect parties who have funds (savers) with parties who want funds (borrowers). Banks alter in three ways: (a) liquidity (changing short-term cash into long-term financing), (b) scale, and (c) risk. Marinković (2009) mathematical model shows that the solvency ratio (capital to liabilities) is positively related to the net interest margin, but negatively related to the liquidity ratio under certain conditions. This suggests a trade-off between solvency, liquidity, and profitability.

Debt to Equity Ratio (DER) improves Return on Assets (ROA) in Islamic banks (Nazir et al., 2018). The research demonstrates that a capital structure with an acceptable mix of equity may help a bank produce profits from its total assets. In this context, a good solvency level demonstrates the bank's capacity to handle financing sources efficiently and endure long-term financial risks, which leads to higher profitability. In contrast, Pratama and Rohmawati (2022) research indicated that DER had no significant influence on ROA in Indonesian Islamic Commercial Banks between 2016 and 2020. These findings suggest that variances in funding patterns and capital management practices among Islamic banks can lead to variations in the link between solvency and profitability.

In other words, a high DER does not automatically imply better financial success if it is not accompanied by good capital usage and risk management.

These inconsistent findings suggest that the link between solvency ratios and profitability in Islamic banks is variable and contextual, dependent on internal financial situations, risk management practices, and Sharia-based financing features. Furthermore, research on the effect of DER on ROA in the Islamic banking industry is sparse, allowing this study to expand the empirical knowledge of how capital structure influences Islamic bank profitability. Based on the theoretical underpinning of Financial Intermediation Theory and these diverse empirical data, the second hypothesis in this study is as follows:

H_2: Solvency (DER) has a partial effect on Profitability (ROA) in Islamic Commercial Banks in Indonesia

Financing Distribution and Profitability

In the context of Islamic banking, the relationship between financing and profitability is explained not only through Financial Intermediation Theory Allen and Santomero (2001); Drissi and Angade (2019) but also through Risk-Return Trade-Off Theory, which emphasizes the balance between the level of risk taken and the potential profit earned (Kühn(2006). The Financing to Deposit Ratio (FDR) reflects the core mission of Islamic banks, which is to channel third-party funds into productive financing. A higher FDR suggests a better financial intermediation function and a higher potential for profitability, assuming that the risk of non-performing financing (NPF) remains manageable. As a result, the efficiency of Islamic banks' intermediation functions is significantly dependent on the balance of financing expansion, asset quality, and liquidity risk management.

Numerous studies have examined at the impact of the Financing to Deposit Ratio (FDR) on Return on Assets (ROA) in Islamic banks, however the results vary widely. Several studies discovered that the FDR has a considerable positive influence on ROA implying that the more third-party funds routed into productive financing, the better the bank's capacity to earn profits (Fadhilah & Nisa, 2024; Simatupang & Franzlay, 2016; Sulistyorini, Sarasmitha, June, & Jauhari, 2024). This shows the efficacy of the intermediation role as well as the efficiency of financing risk management, with additional financing having the potential to drive growth in margin income and profit sharing if handled properly. Conversely, some studies have shown a significant negative relationship between the FDR and ROA (Fauziah, Mai, & Purbayati, 2022; Rusydiana & Prakoso, 2021). This means that an increase in the FDR ratio actually reduces bank profitability, which can occur if financing expansion is carried out excessively without considering the quality of financing and borrowers' capabilities. Under these conditions, the risk of non-performing financing increases, thereby depressing bank revenue and profits.

On the other hand, a number of studies have also discovered that the FDR has an insignificant effect on ROA Irham and Indriani (2025); Nurdahlia, Kasmawati, and Munika (2022); Sjarief, Ghoni, and Affandi (2023), suggesting that profitability cannot yet be directly impacted by the amount of financing disbursed. Relatively low profit margins, ineffective funding arrangements, or the existence of other factors including operational effectiveness, liquidity control, and market risk that have a greater influence on Islamic banks' financial performance might all be contributing factors to this situation. The diversity of research results indicates that the relationship between FDR and profitability is dynamic and contextual, depending on the bank's internal conditions, financing quality, and the stability of the financial system in general. Therefore, this gap in empirical findings serves as the basis for this study to re-examine the effect of the FDR ratio on ROA in Islamic commercial banks in Indonesia in a more recent period. Considering the theoretical foundations of Financial Intermediation and the Risk-Return Trade-Off, as well as various previous empirical findings, the third hypothesis of this study is formulated as follows:

H_3: Financing Distribution (FDR) has a partial effect on Profitability (ROA) in Islamic Commercial Banks in Indonesia

C. RESEARCH METHODOLOGY

This research uses a quantitative, associative approach, which aims to analyze the relationship between independent and dependent variables based on numerical data. This method is based on the positivist paradigm, where research results are measured through statistical procedures to test formulated hypotheses (Sugiyono, 2017). The relationships examined in this study include the influence of liquidity, solvency, and financing distribution on the profitability of Islamic Commercial Banks (BUS) in Indonesia. The data used are secondary data obtained from official publications of the Financial Services Authority (OJK), specifically the Islamic Banking Statistics (SPS) and the annual financial reports of Islamic Commercial Banks for the 2022–2024 period. This data includes key financial ratios, income statements, and balance sheets relevant to measuring the research variables.

The research population includes all Islamic Commercial Banks registered with the OJK during the observation period. The sample selection was conducted using purposive sampling based on the following criteria: (1) banks registered with the Financial Services Authority (OJK) during 2022–2024, (2) having complete financial reports, and (3) actively disbursing financing during the period. Based on these criteria, 13 Islamic Commercial Banks were selected with a total of 39 time series data observations.

The banks are:

1. PT. Bank Aceh Syariah
2. PT. BPD Riau Kepri Syariah
3. PT. BPD Nusa Tenggara Barat Syariah
4. PT. Bank Muamalat Indonesia
5. PT. Bank Victoria Syariah
6. PT. Bank Jabar Banten Syariah
7. PT. Bank Syariah Indonesia.,Tbk
8. PT. Bank Mega Syariah
9. PT. Bank Penin Dubai Syariah, Tbk
10. PT. Bank Syariah Bukopin
11. PT. BCA Syariah
12. PT. Bank Tabungan Pensiun Nasional
13. PT. Bank Aladin Syariah, Tbk

This study uses four main variables:

Table 1. Operational Definitions of Variables

Variables	Definition	Indicator	Scale
Liquidity (X_1)	Liquidity is measured using the Current Ratio (CR), a ratio calculated by comparing current assets with current liabilities. This ratio indicates how well current assets can cover current liabilities in the near term	CR = Current Assets / Current Liabilities × 100%	Ratio
Solvency (X_2)	The solvency ratio is calculated using the Debt to Equity Ratio (DER), which is the relative proportion of equity and debt allocated to finance a company's operations or assets	DER = Total Debt / Equity × 100%	Ratio
Financing Distribution (X_3)	Financing distribution, as measured by the Financing to Deposit Ratio (FDR), measures the amount of funds provided by banks in the form of financing compared to the amount of funds received from third parties. This ratio reflects the bank's effectiveness in channeling collected funds to the public	FDR = Total Financing / Third Party Funds × 100%	Ratio
Profitability (Y)	Financing distribution, as measured by the Financing to Deposit Ratio (FDR), measures the amount of funds provided by banks in the form of financing compared to the amount of funds received from third parties. This ratio reflects the bank's effectiveness in channeling collected funds to the public	ROA = Net Profit / Total Assets × 100%	Ratio

Data analysis was conducted using multiple linear regression analysis with the help of SPSS version 28 software. The regression model used in this study is formulated as follows:

$$Y = a + b_1 X_1 + b2 X_2 + b_3 X_3 + e$$

Where:

a = constant,

b_1–b_3 = regression coefficient, and

e = error term

Before hypothesis testing, classical assumption tests were conducted to ensure the feasibility of the regression model. These tests included:

1. Normality test, to ensure the residuals are normally distributed;
2. Multicollinearity test, to detect high correlations between independent variables;

3. Heteroscedasticity test, to test for equality of variance between residuals; and
4. Autocorrelation test, to detect relationships between residuals between observation periods.

The results of the classical assumption tests indicated that the data met the criteria for normality, were free from multicollinearity, had no heteroscedasticity, and no autocorrelation. Therefore, the regression model was deemed suitable for hypothesis testing. Next, a t-test was conducted to see the effect of each independent variable on profitability (significant if $p < 0.05$), an F-test to assess the influence of independent variables simultaneously (significant if $p < 0.05$), and an R^2 test to measure the model's ability to explain variations in profitability. The R^2 value ranges from 0 to 1, where a value closer to 1 indicates that the regression model has a greater ability to explain variations in profitability, while a low value indicates that there are other variables outside the model that also influence profitability (Ghozali, 2018).

D. RESULT AND DISCUSSION

Descriptive data is statistical information used to describe or illustrate the main characteristics of a data set. Jugmental's research data describes the entire population studied. The following are descriptive statistics for the variables liquidity (CR), solvency (DER), financing distribution (FDR), and profitability (ROA) at Islamic commercial banks in Indonesia for the period 2022-2024.

Table 2. Descriptive Statistics Analysis Results

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Liquidity (CR)	39	.61	58.3203	4.8949	9.57112
Solvency (DER)	39	.02	8.36	2.0480	2.04673
Financing Distribution (FDR)	39	.00	1.14	.6815	.28552
Profitability (ROA)	39	-.07	.08	.0064	.02424
Valid N (listwise)	39				

Descriptive analysis results show that the average liquidity ratio (CR) of Islamic commercial banks for the 2022–2024 period was 4.89 with high variation (std. dev. 9.57; the minimum value is 0.61 and the maximum is 58.3203), indicating differences in the ability of banks to meet short-term obligations. The average solvency ratio (DER) of 2.05 (the values range from 0.02 to 8.36) indicates a relatively stable capital structure. The average financing distribution ratio (FDR) of 0.68 (The minimum is 0.00 and the maximum is 1.14) indicates an optimal level of intermediation, while the average profitability (ROA) of 0.0064 (The range is from -0.07 to 0.08) indicates a relatively low but positive profit level.

Table 3. Normality Test Results

One-Sample Kolmogorov-Smirnov Test			
			SMEAN (RE2)
N			39
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		.35599362
Most Extreme Differences	Absolute		.079
	Positive		.052
	Negative		-.079
Test Statistic			.079
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.778
	99% Confidence Interval	Lower Bound	.767
		Upper Bound	.788

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.
e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.

The results of the normality test using the One-Sample Kolmogorov-Smirnov Test show that the Asymp. Sig. (2-tailed) value is 0.200, which is greater than 0.05. This indicates that the data are normally distributed. Thus, it

can be concluded that the regression model in this study fulfills the normality assumption and is suitable for further analysis.

Table 4. Multicollinearity Test Result

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.274	.045		6.059	.000		
	Liquidity (CR)	.033	.007	.519	4.557	.000	.860	1.163
	Solvency (DER)	.004	.004	.108	.933	.357	.830	1.206
	Financing Distribution (FDR)	.175	.053	.384	3.286	.002	.817	1.223
a. Dependent Variable: ROA								

Each variable has a tolerance value greater than 0.10, and all independent variables have a Variance Inflation Factor (VIF) value less than 10. Therefore, it can be concluded that there is no correlation among the independent variables in the regression model used in this study.

Table 5. Heteroscedasticity Test Results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Liquidity (CR)	.019	.005		3.883	.000
	Solvency (DER)	-.002	.002	-.465	-1.140	.261
	Financing Distribution (FDR)	-3.2196	.000	-.139	-.855	.398
	Profitability (ROA)	.001	.001	.486	1.194	.240
a. Dependent Variable: ABS						

The results of the heteroscedasticity test using the Glejser method show significance values of 0.261 for liquidity, 0.398 for solvency, and 0.240 for financing distribution. Since all these values are greater than 0.05, it can be concluded that the independent variables in this study do not exhibit heteroscedasticity. Thus, the regression model can be considered free from heteroscedasticity problems.

Table 6. Autocorrelation Test Results

Runs Test	
	SMEAN(RES_2)
Test Value[a]	-.00128
Cases < Test Value	19
Cases >= Test Value	20
Total Cases	39
Number of Runs	16
Z	-1.295
Asymp. Sig. (2-tailed)	.195
a. Median	

The autocorrelation test conducted using the run test method produced a significance value of 0.195, which is higher than 0.05. This result indicates that the research data meet the autocorrelation assumption, meaning there is no autocorrelation present between the independent variables and the dependent variable.

Table 7. Multiple Linear Regression Test Results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.274	.045		6.059	.000
	Liquidity (CR)	.033	.007	.519	4.557	.000
	Solvency (DER)	.004	.004	.108	.933	.357
	Financing Distribution (FDR)	.175	.053	.384	3.286	.002
a. Dependent Variable: Profitability (ROA)						

The results of the multiple linear regression test yielded the following equation:

$$ROA = 0.274 + 0.033CR + 0.004DER + 0.175FDR + e$$

Liquidity and Profitability

Anticipated Income Theory Prochnow (1949) which holds that a bank's liquidity is a reflection of both its ability to generate anticipated income to meet future obligations and its ability to convert assets into cash, is supported by the positive and significant influence of liquidity (CR) on profitability. Higher liquidity boosts profitability, according to the coefficient of 0.033, which implies that Islamic banks with enough liquid assets are better equipped to run their businesses and seize investment opportunities.

CR significantly and favorably affects ROA, according to the partial test (t-test) results (Sig. <0.05). Asrandi et al. (2023); Humairah et al. (2023) also found that ROA in Indonesian Islamic banks is favorably and significantly impacted by liquidity (as assessed by CR). This proves that sufficient liquidity promotes profit production and allows for seamless operations. It is in contrast to Nugroho et al. (2023) who found no discernible effect of liquidity on profitability. This suggests that too much liquidity might lower profitability by preventing funds from being used for financing that is productive. This finding thus demonstrates the need of maintaining an ideal amount of liquidity because too much liquidity reduces earning potential, while too little liquidity jeopardizes stability.

Solvency and Profitability

According to the regression results, profitability is positively but insignificantly impacted by solvency (DER) (b = 0.004; Sig. > 0.05). This suggests that while greater leverage tends to boost profitability by increasing financial resources, among Indonesian Islamic commercial banks, the impact is not statistically significant. The results are consistent with the Financial Intermediation Theory Scholtens and Wensveen (2003), which highlights the role of banks as intermediaries in transforming liquidity, scale, and risk. However, the insignificant result implies that increased debt financing does not necessarily improve profitability unless it is accompanied by effective risk management and productive asset utilization. This is in line with Pratama and Rohmawati (2022), who found that DER had no significant impact on ROA in Islamic banks, possibly because of conservative capital structures or limited leverage in Sharia-compliant institutions. On the other hand, Nazir et al. (2018) reported a significant positive effect of DER on ROA, demonstrating that effective capital management can boost profitability.

Financing Distribution and Profitability

FDR has the model's strongest positive and significant coefficient (b = 0.175; Sig. < 0.05), suggesting that increasing the finance distribution significantly boosts profitability. This bolsters the ideas of the Risk–Return Trade-Off Theory Kühn(2006)) and Financial Intermediation Theory Allen and Santomero (2001); Drissi and Angade (2019) which contend that banks' profitability hinges on striking a balance between risk management and financing expansion. Empirical investigations back up this result. Fadhilah and Nisa (2024); Simatupang and Franzlay (2016); Sulistyorini et al. (2024) discovered that FDR has a considerable positive impact on ROA, indicating the usefulness of Islamic banks' intermediate function when financing quality is maintained.

In contrast, Rusydiana and Prakoso (2021) revealed negative consequences, showing that excessive financing without sensible risk assessment might result in increased non-performing financing (NPF) and reduced profitability. Other research, such as Sjarief et al. (2023) showed no significant link, suggesting that profitability may also be influenced by other contributing factors such as efficiency and liquidity management. The current study's findings are consistent with the bulk of research, which shows a positive association between FDR and ROA, reiterating that effective finance distribution is a crucial predictor of profitability in Islamic banks, as long as financing risks are controlled.

Table 8. Simultaneous Test Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.398	3	.133	18.509	.000[b]
	Residual	.244	34	.007		
	Total	.641	37			

a. Dependent Variable: Profitability (ROA)
b. Predictors: (Constant), Liquidity (CR), Solvency (DER), Financing Distribution (FDR)

The simultaneous test (F-test) produced a computed F-value of 18.509 with a significance threshold of 0.000 < 0.05, suggesting that the three independent variables have a high degree of predictive potential to account for changes in Indonesian Islamic commercial banks' profitability throughout the course of the research. As a result, the

regression model that was employed is seen to be suitable and reliable for characterizing the connections among the variables under investigation. This finding also lends support to the Financial Intermediation Theory, which holds that capital structure, liquidity management, and the efficiency of the financing intermediation function all interact simultaneously to produce bank financial performance, which cannot be explained by a single factor.

Table 9. Results of the Coefficient of Determination (R^2)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.788[a]	.620	.587	.08464
a. Predictors: (Constant), (DER), (CR), (FDR)				

With an adjusted R^2 value of 0.620, the three independent variables account for 62% of the variance in profitability, indicating the model's good explanatory power for the research. Meanwhile, the remaining 38% is impacted by non-model factors such as operational efficiency ratio, cost of funds, asset quality, and macroeconomic conditions, as well as Bank Indonesia's monetary policy. These findings suggest that internal variables directly connected to the intermediation role and financial management have a greater impact on the profitability performance of Islamic banks in Indonesia than external factors. To preserve long-term profitability, bank management must balance all three characteristics at the same time.

E. CONCLUSION

The purpose of this study is to examine the impact of liquidity (CR), solvency (DER), and financing distribution (FDR) on the profitability (ROA) of Islamic commercial banks in Indonesia between 2022 and 2024. The findings show that liquidity (CR) and financing distribution (FDR) have a positive and significant impact on profitability, however solvency (DER) has no meaningful impact. These findings demonstrate that current asset management and the efficacy of the intermediation function play critical roles in growing Islamic bank profitability, although capital structure disparities have no direct impact on financial performance. Overall, the study model explains 62% of the variation in profitability, implying that Islamic banks' financial performance is heavily influenced by internal management efficiency and productive financing strategies.

Limitations

The brief observation period (2022–2024) does not adequately capture the dynamics of the Islamic banking industry over the long run. The results cannot necessarily be extrapolated to conventional banks or non-bank financial entities because the research object is restricted to Indonesian Islamic commercial banks. Additionally, only CR, DER, and FDR are employed as independent variables; operational efficiency, bank size, and asset quality are not taken into account. The accuracy and completeness of the statistics are additionally constrained by reliance on secondary data from Financial Services Authority (OJK) financial reports.

Implications

The study's findings highlight the significance of effective liquidity management techniques and maximizing the distribution of profitable financing from the perspective of management in order to boost Islamic banks' profitability. These findings can help regulators like the OJK and Bank Indonesia create policies that support the stability and long-term profitability of the Islamic banking industry. From a scholarly perspective, this study adds to the empirical body of knowledge on the correlation between profitability and financial measures in the context of Islamic banking and serves as a foundation for more thorough follow-up research.

Suggestions for Future Research

To capture longer-term patterns and more comprehensive economic cycles, it is advised that future studies prolong the observation time. To provide a more complete view, the study goals might potentially be broadened by contrasting regular and Islamic banks. Furthermore, a more thorough knowledge of the factors influencing profitability would be possible with the inclusion of variables such asset quality, bank size, cost of funding, and operational efficiency. The study findings might also be enhanced from a practical and policy perspectives by using a mixed-methods approach that combines quantitative analysis with in-depth interviews with bank management.

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