

# Analysis of Mudharabah and Musyarakah Financing on the Growth of Islamic Bank Assets in Indonesia

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## Article Info

### Article history:

Received Feb, 2026

Revised Feb, 2026

Accepted Feb, 2026

### Keywords:

Mudharabah Financing

Musyarakah Financing

Islamic Banking

Asset Growth

Indonesia

## ABSTRACT

This study aims to analyze the influence of mudharabah and musyarakah financing on the growth of Islamic bank assets in Indonesia. The research employs a quantitative approach using primary data collected from 200 respondents through a structured questionnaire measured with a Likert scale. Data analysis was conducted using SPSS version 25, including validity and reliability testing, classical assumption testing, multiple linear regression, and hypothesis testing. The results indicate that mudharabah financing has a positive and significant effect on Islamic bank asset growth with a regression coefficient of 0.382 and a significance value of 0.000. Similarly, musyarakah financing shows a positive and significant influence with a regression coefficient of 0.417 and a significance value of 0.000. Simultaneously, both financing schemes significantly contribute to asset growth, as indicated by an F-value of 65.721 and an R Square of 0.401. These findings suggest that profit-sharing financing plays an important role in strengthening asset expansion and financial sustainability within Islamic banking institutions. The study provides practical implications for Islamic bank management to optimize partnership-based financing strategies and contributes to the literature on Islamic financial performance in Indonesia.

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## 1. INTRODUCTION

The development of Islamic banking in Indonesia has shown significant progress over the past decade, driven by increasing public awareness of sharia-compliant financial systems and the expansion of Islamic financial products. As the country with the largest Muslim population in the world, Indonesia holds substantial potential for the growth of Islamic banking assets through

financing instruments that adhere to profit-sharing principles [1], [2]. Among the various contracts used in Islamic banking, mudharabah and musyarakah financing play a crucial role because they emphasize partnership, risk sharing, and real economic activity. These contracts distinguish Islamic banking from conventional banking systems, which primarily rely on interest-based lending mechanisms [3]. Consequently,

understanding how profit-sharing financing contributes to asset growth has become an important topic for both academics and industry practitioners.

In recent years, Islamic banks in Indonesia have experienced fluctuations in asset growth despite consistent regulatory support from the Financial Services Authority (OJK) and Bank Indonesia. Asset expansion is often influenced by financing structures, risk management practices, and market dynamics. Profit-sharing contracts such as *mudharabah* and *musyarakah* are considered strategic instruments because they align financial returns with business performance, thereby encouraging productive investment activities [2], [4]. However, compared with *murabahah* financing, which is more dominant in Islamic banking portfolios, the proportion of *mudharabah* and *musyarakah* financing remains relatively limited. This imbalance raises questions regarding the effectiveness of profit-sharing financing in strengthening asset growth and improving the competitiveness of Islamic banks.

Previous studies have examined the determinants of Islamic bank performance from various perspectives, including financing composition, operational efficiency, and risk management. Several researchers argue that partnership-based financing can enhance long-term asset quality and promote sustainable financial growth because it encourages shared responsibility between banks and customers [5]. Nevertheless, empirical findings remain inconclusive. Some studies indicate that *mudharabah* financing positively contributes to asset growth due to its investment-oriented nature, while others highlight potential risks related to asymmetric information and monitoring costs. Similarly, *musyarakah* financing has been associated with stable asset expansion, yet its implementation requires strong governance mechanisms to minimize moral hazard. These mixed findings suggest that further empirical investigation is needed, particularly in the Indonesian context where Islamic banking continues to evolve.

Another issue that deserves attention is the perception and behavioral dimension of

financing practices within Islamic banks. While many quantitative studies rely solely on secondary financial data, fewer studies explore how stakeholders perceive the effectiveness of *mudharabah* and *musyarakah* financing in supporting asset growth. The inclusion of perceptual data through structured questionnaires can provide additional insights into operational realities, managerial decision-making, and customer engagement [2], [6]. By using a Likert-scale-based instrument and involving a substantial number of respondents, this study seeks to bridge the gap between theoretical expectations and practical implementation of profit-sharing financing in Islamic banking.

From a theoretical perspective, this research is grounded in the principles of Islamic finance, particularly the concept of risk sharing and partnership. *Mudharabah* financing involves cooperation between a capital provider (*shahibul maal*) and an entrepreneur (*mudharib*), where profits are shared according to pre-agreed ratios while losses are borne by the capital provider unless negligence occurs. *Musyarakah* financing, on the other hand, represents a joint partnership in which both parties contribute capital and share profits and risks proportionally. These financing schemes are expected to stimulate productive economic activities that ultimately contribute to asset accumulation and financial sustainability. Therefore, analyzing their impact on asset growth can enrich the literature on Islamic banking performance and provide evidence-based recommendations for financial institutions.

Despite the growing body of research on Islamic banking, limited studies have specifically examined the simultaneous effect of *mudharabah* and *musyarakah* financing on asset growth using perception-based quantitative data, as many existing works tend to emphasize financial ratios or macroeconomic indicators without incorporating behavioral or managerial perspectives captured through survey methods. By integrating these financing variables within a structured analytical framework, this study seeks to provide a more comprehensive understanding of how profit-

sharing mechanisms contribute to asset development in Islamic banks. Accordingly, this research has three main objectives: to analyze the individual effect of mudharabah financing on Islamic bank asset growth in Indonesia, to examine the influence of musyarakah financing on asset expansion, and to evaluate the simultaneous impact of both financing schemes in determining their combined contribution to asset growth. The findings are expected to deliver practical implications for Islamic banking institutions in optimizing financing strategies while also offering theoretical contributions to the broader literature on Islamic financial performance.

In addition to contributing to academic discourse, this study holds significant practical relevance for policymakers and industry stakeholders, as understanding the role of profit-sharing financing in asset growth can assist regulators in designing policies that encourage more balanced financing portfolios, reduce dependency on debt-like contracts, and strengthen the resilience of Islamic financial institutions. For bank managers, empirical evidence regarding the effectiveness of mudharabah and musyarakah financing may serve as an important reference for strategic decision-making, risk assessment, and product development, while the reinforcement of partnership-based financing is expected to enhance the sustainability and competitiveness of Islamic banking within Indonesia's dynamic financial landscape. Based on the identified background and research gaps, this study therefore investigates the influence of mudharabah and musyarakah financing on the growth of Islamic bank assets in Indonesia through a quantitative research design, with findings anticipated to provide a clearer understanding of the relationship between profit-sharing financing and asset expansion and to support the development of a more robust and equitable Islamic banking system.

## 2. LITERATURE REVIEW

### 2.1 *Islamic Banking and Asset Growth*

Islamic banking operates based on sharia principles that prohibit interest (*riba*), excessive uncertainty (*gharar*), and speculative activities (*maysir*), while promoting fairness, transparency, and risk sharing in financial transactions, making asset growth an important indicator of institutional performance as it reflects the bank's ability to expand financing activities, attract customers, and maintain financial sustainability [1], [2]. The growth of assets in Islamic banking is closely linked to financing composition, operational efficiency, and the effectiveness of risk-sharing contracts, where, unlike conventional banks, Islamic banks emphasize real-sector financing that is expected to contribute not only to financial expansion but also to broader economic development. Previous literature highlights that financing activities are the primary driver of asset expansion, with contracts based on trade, lease, and profit-sharing mechanisms influencing liquidity, profitability, and long-term growth [3], [7]. In particular, profit-sharing contracts such as mudharabah and musyarakah are often associated with sustainable asset growth because they encourage investment in productive sectors rather than purely consumptive lending; however, their successful implementation requires strong governance, effective monitoring systems,

and a high level of customer trust to ensure optimal performance.

## 2.2 *Mudharabah Financing*

Mudharabah financing refers to a partnership agreement in which one party provides capital while the other manages the business, with profits distributed according to a predetermined ratio and financial losses borne by the capital provider unless they result from managerial negligence, reflecting the core principle of Islamic finance centered on risk sharing and partnership-based investment [2], [8]. Several studies highlight the potential of mudharabah financing to stimulate asset growth because it enables Islamic banks to participate directly in business ventures and generate returns aligned with real economic performance, thereby supporting entrepreneurial activities, promoting innovation, and strengthening the asset base of Islamic financial institutions [9], [10]. However, mudharabah financing also presents challenges, including asymmetric information, monitoring costs, and uncertainty in profit realization, which often cause Islamic banks to allocate a smaller proportion of their portfolios to this scheme compared with other financing contracts. Empirical findings remain mixed, as some studies indicate that mudharabah positively influences bank performance due to its investment-oriented nature, while others suggest that risk management complexities may limit its contribution to asset expansion [9], [10], highlighting the need for further investigation

into how mudharabah financing affects Islamic bank assets, particularly within the Indonesian banking context.

## 2.3 *Musyarakah Financing*

Musyarakah financing is a partnership contract in which two or more parties contribute capital and jointly participate in business activities, with profits shared based on mutual agreement and losses distributed proportionally according to each party's capital contribution, making it one of the most authentic forms of Islamic financing as it embodies cooperation, equity participation, and shared responsibility [1], [2]. In the context of Islamic banking, musyarakah financing is commonly used to support long-term investments and business development projects, where its collaborative nature enables banks to maintain closer relationships with customers and potentially achieve more stable asset growth; compared with mudharabah, musyarakah involves shared capital contributions that may reduce the level of financial risk borne solely by the bank, thus positioning it as an attractive instrument for sustainable asset expansion [11], [12]. Nevertheless, musyarakah financing requires strong contractual governance and transparent financial reporting to minimize potential conflicts between partners, and although previous studies indicate that its effective implementation can enhance asset quality and improve financial performance, limited empirical research has examined its impact using perception-based quantitative

data, thereby creating opportunities for further scholarly investigation.

#### **2.4 Theoretical Foundation**

This study is grounded in several theoretical perspectives that explain the relationship between profit-sharing financing and asset growth in Islamic banking. First, risk-sharing theory emphasizes the equitable distribution of risk and return between financial institutions and customers, where *mudharabah* and *musyarakah* financing reflect this principle by encouraging cooperation rather than debt-based transactions, thereby fostering responsible financial behavior and supporting sustainable asset growth [7], [13]. Second, agency theory highlights potential conflicts between capital providers and business managers due to asymmetric information, indicating that effective monitoring mechanisms and transparent governance are essential within *mudharabah* and *musyarakah* arrangements to minimize agency problems and ensure optimal asset utilization. Third, Islamic financial intermediation theory positions Islamic banks as intermediaries that channel funds into productive economic activities through sharia-compliant contracts, with profit-sharing financing serving as a mechanism that connects financial performance to real-sector development and ultimately strengthens long-term asset expansion.

#### **2.5 Previous Empirical Studies**

Numerous studies have investigated the determinants of Islamic bank performance,

particularly financing composition and profit-sharing contracts, showing that financing diversification can strengthen asset stability and reduce risk exposure, where *mudharabah* financing is often associated with higher growth potential due to its investment-based returns, while *musyarakah* financing contributes to asset stability through shared capital participation, although empirical findings remain inconsistent. *Mudharabah* financing has been found to positively influence profitability and growth potential, especially in sectors with measurable risks, and significantly affects the Return on Assets (ROA) of Islamic banks, indicating its important role in enhancing financial performance [14]–[16], yet its impact on liquidity may be negatively moderated by profitability, suggesting that higher profitability can reduce its positive liquidity effects (Sartika et al., 2025). Meanwhile, *musyarakah* financing provides flexibility for long-term investment and supports asset stability through shared capital structures [14], although its relationship with profitability shows mixed results, with some studies reporting positive effects on ROA while others find insignificant or negative outcomes [15]–[17], and profitability has been shown to positively moderate its influence on liquidity, enhancing its benefits when financial performance is strong [18]. Despite these advantages, both financing schemes face implementation challenges such as high risk exposure,

asymmetric information, and market uncertainty, which require stronger risk mitigation strategies and supportive regulatory frameworks, and the mixed empirical evidence suggests that their effectiveness depends heavily on contextual factors and implementation strategies within Islamic banking institutions [15]–[17].

Most prior research relies heavily on financial statement analysis and secondary data, which may overlook behavioral and perceptual factors that influence financing practices; therefore, by incorporating primary data collected through a Likert-scale questionnaire, this study seeks to provide a complementary perspective that captures managerial and stakeholder perceptions regarding the role of profit-sharing financing in asset growth. Drawing on both theoretical and empirical literature, mudharabah and musyarakah financing are expected to influence the growth of Islamic bank assets both individually and collectively, as profit-sharing mechanisms encourage productive investment activities, strengthen customer relationships, and support sustainable financial expansion, leading to the formulation of the research hypotheses proposed in this study.

H1: Mudharabah financing has a positive and significant effect on the growth of Islamic bank assets in Indonesia.

H2: Musyarakah financing has a positive and significant effect on the growth of Islamic bank assets in Indonesia.

H3: Mudharabah and musyarakah financing simultaneously have a positive and significant effect on the growth of Islamic bank assets in Indonesia.

### 3. METHODS

#### 3.1 Research Design

This study employs a quantitative research approach to examine the influence of mudharabah and musyarakah financing on the growth of Islamic bank assets in Indonesia. A quantitative design was chosen because it allows for objective measurement of relationships between variables and enables statistical testing of research hypotheses. The study uses a survey method with structured questionnaires to collect primary data from respondents. The research framework focuses on testing causal relationships between independent variables (mudharabah financing and musyarakah financing) and the dependent variable (growth of Islamic bank assets) using statistical analysis with SPSS version 25.

#### 3.2 Population and Sample

The population of this research consists of stakeholders and practitioners related to Islamic banking activities in Indonesia, including employees, customers, and individuals who possess knowledge or experience with Islamic financial products, with purposive sampling employed to select respondents based on specific criteria aligned with the research objectives, such as familiarity with Islamic financing schemes and involvement in banking transactions. A total of 200 respondents participated in this study, a sample size considered adequate for quantitative analysis using regression techniques because it provides sufficient statistical power to test the proposed hypotheses, while the selection of respondents from diverse backgrounds within the Islamic banking ecosystem ensures that the data collected reflects varied perspectives and offers practical insights into financing practices and asset growth.

### 3.3 Data Collection Technique

Data were collected through a structured questionnaire distributed both online and offline, consisting of a series of statements designed to measure respondents' perceptions of mudharabah financing, musyarakah financing, and Islamic bank asset growth, with each item assessed using a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The Likert scale was selected because it enables respondents to express varying levels of agreement while supporting the quantitative measurement of attitudes and perceptions. Prior to the main data collection, the research instrument was carefully reviewed to ensure the clarity and relevance of each statement, and the final questionnaire included demographic questions alongside indicators representing each research variable to support comprehensive data analysis.

### 3.4 Research Variables and Operational Definitions

This study involves three main variables, namely Mudharabah Financing (X1), Musyarakah Financing (X2), and the Growth of Islamic Bank Assets (Y), all of which were operationalized through multiple questionnaire items measured using a five-point Likert scale. Mudharabah financing refers to profit-sharing cooperation between capital providers and business managers, with indicators including investment flexibility, profit-sharing mechanisms, risk management, and financing effectiveness. Musyarakah financing represents partnership-based financing in which both parties contribute capital and share profits and risks, measured through indicators such as partnership collaboration, capital participation, financing stability, and business development support. Meanwhile, the growth of Islamic bank assets reflects the increase in financial resources owned by Islamic banks as a result of financing activities and operational performance, with indicators covering asset expansion, financial sustainability, investment growth, and institutional development.

### 3.5 Data Analysis Technique

Data analysis in this study was The collected data were analyzed using SPSS version 25 through several statistical techniques, beginning with descriptive statistics to summarize respondent characteristics and provide an overview of variable distribution, followed by classical assumption tests including normality, multicollinearity, and heteroscedasticity to ensure that the data met the requirements for linear regression analysis. Multiple linear regression analysis was then applied to examine the influence of mudharabah financing (X1) and musyarakah financing (X2) on the growth of Islamic bank assets (Y), using the regression model  $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$ , where Y represents asset growth,  $\alpha$  is the constant,  $\beta_1$  and  $\beta_2$  are regression coefficients,  $X_1$  refers to mudharabah financing,  $X_2$  refers to musyarakah financing, and  $\varepsilon$  denotes the error term. Hypothesis testing was conducted using the t-test to evaluate partial effects and the F-test to assess the simultaneous influence of independent variables on the dependent variable, while the coefficient of determination ( $R^2$ ) was calculated to determine the proportion of variance explained by the research model.

## 4. RESULTS AND DISCUSSION

### 4.1 Respondent Characteristics

Bandung, and the description of This study involved 200 respondents consisting of Islamic bank customers, employees, and individuals familiar with sharia financing practices. Based on the collected data, 56% of respondents were male and 44% female. The majority of respondents were aged between 26–35 years (38%), followed by 36–45 years (27%), indicating that the sample represents productive-age individuals who are actively engaged with financial services. In terms of experience with Islamic banking products, approximately 72% of respondents had used profit-sharing financing products, suggesting that the responses reflect practical insights into mudharabah and musyarakah financing.

## 4.2 Descriptive Statistics

Descriptive analysis was conducted to examine the distribution of responses for each research variable. The results indicate

that respondents generally perceive mudharabah and musyarakah financing as having a positive role in supporting Islamic bank asset growth.

Table 1. Descriptive Statistics of Research Variables

Variable	N	Min	Max	Mean	Std. Deviation
Mudharabah Financing (X1)	200	2.40	4.95	4.12	0.51
Musyarakah Financing (X2)	200	2.55	4.90	4.08	0.47
Asset Growth (Y)	200	2.60	5.00	4.20	0.49

Based on Table 1, the descriptive statistics indicate that respondents generally perceive mudharabah financing, musyarakah financing, and Islamic bank asset growth at relatively high levels, as reflected by mean scores above 4.00 for all variables. Mudharabah financing (X1) shows a mean value of 4.12 with a standard deviation of 0.51, suggesting that respondents tend to agree that this financing scheme contributes positively, although moderate variability in responses still exists. Similarly, musyarakah financing (X2) records a mean of 4.08 and a slightly lower standard deviation of 0.47, indicating relatively consistent perceptions regarding its

role in partnership-based financing and stability. Meanwhile, asset growth (Y) has the highest mean score of 4.20 with a standard deviation of 0.49, implying that respondents strongly perceive Islamic banks to experience positive asset expansion.

## 4.3 Validity and Reliability Test

The instrument validity test shows that all item correlations exceeded the critical value of  $r\text{-table} = 0.138$ , indicating that all questionnaire items are valid. Reliability testing using Cronbach's Alpha also demonstrates strong internal consistency.

Table 2. Reliability Test Results

Variable	Cronbach's Alpha	Standard	Conclusion
Mudharabah Financing	0.842	>0.70	Reliable
Musyarakah Financing	0.816	>0.70	Reliable
Asset Growth	0.871	>0.70	Reliable

Table 2 presents the reliability test results showing that all research variables meet the required internal consistency standards, as indicated by Cronbach's Alpha values exceeding the threshold of 0.70. Mudharabah financing demonstrates a reliability coefficient of 0.842, musyarakah financing records 0.816, and asset growth achieves the highest value at 0.871, suggesting that the questionnaire items used to measure each construct are consistent and dependable. These results indicate that the measurement

instruments are reliable for capturing respondents' perceptions and can be used confidently in subsequent statistical analyses, as the high reliability values reflect stable responses and strong coherence among the indicators representing each variable.

## 4.4 Classical Assumption Tests

Before performing regression analysis, classical assumption tests were conducted.

Table 3. Classical Assumption Test Results

Test	Indicator	Result	Conclusion
Normality	Kolmogorov-Smirnov Sig.	0.200	Normal
Multicollinearity	VIF X1 = 1.284	<10	No Multicollinearity
Multicollinearity	VIF X2 = 1.284	<10	No Multicollinearity

Heteroscedasticity	Sig. X1 = 0.421	>0.05	No Issue
Heteroscedasticity	Sig. X2 = 0.537	>0.05	No Issue

Based on Table 3, the classical assumption test results indicate that the regression model meets the necessary statistical requirements for further analysis. The normality test using the Kolmogorov-Smirnov method shows a significance value of 0.200, which is greater than 0.05, confirming that the data are normally distributed. The multicollinearity test reveals VIF values of 1.284 for both mudharabah financing (X1) and musyarakah financing (X2), well below the threshold of 10, indicating no multicollinearity problem between independent variables. Additionally, the heteroscedasticity test results show

significance values of 0.421 for X1 and 0.537 for X2, both exceeding 0.05, suggesting the absence of heteroscedasticity issues. Overall, these findings demonstrate that the regression assumptions are satisfied, allowing the multiple linear regression analysis to be conducted reliably.

#### 4.5 Multiple Linear Regression Analysis

Regression analysis was conducted to examine the effect of mudharabah and musyarakah financing on Islamic bank asset growth.

Table 4. Multiple Linear Regression Results

Variable	B	Std. Error	t-value	Sig.
Constant	0.845	0.312	2.706	0.007
Mudharabah Financing (X1)	0.382	0.071	5.380	0.000
Musyarakah Financing (X2)	0.417	0.076	5.487	0.000

Regression Equation:

$$Y = 0.845 + 0.382X_1 + 0.417X_2$$

The results indicate that both mudharabah and musyarakah financing have positive regression coefficients, suggesting that increases in profit-sharing financing are associated with higher Islamic bank asset growth. Based on Table 4, mudharabah financing shows a t-value of 5.380 with a significance level of 0.000, which is below 0.05,

indicating that mudharabah financing has a positive and statistically significant effect on Islamic bank asset growth. Similarly, musyarakah financing records a t-value of 5.487 with a significance level of 0.000, confirming that this financing scheme also has a significant positive influence, thereby demonstrating that partnership-based financing mechanisms play an important role in supporting asset expansion within Islamic banking institutions.

Table 5. ANOVA Test

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	28.432	2	14.216	65.721	0.000
Residual	42.613	197	0.216		
Total	71.045	199			

Table 5 presents the ANOVA test results, indicating that the regression model is statistically significant and suitable for explaining the relationship between mudharabah financing, musyarakah financing, and Islamic bank asset growth. The regression model shows an F-value of 65.721

with a significance level of 0.000, which is lower than 0.05, confirming that the independent variables simultaneously have a significant effect on asset growth. The regression sum of squares (28.432) compared to the residual sum of squares (42.613) suggests that a substantial portion of the

variation in asset growth can be explained by the model, while the remaining variation is

influenced by other factors not included in the analysis.

Table 6. Model Summary

R	R Square	Adjusted R Square	Std. Error
0.633	0.401	0.395	0.465

Table 6 presents the model summary results, showing that the regression model has a correlation coefficient (R) of 0.633, which indicates a moderate and positive relationship between mudharabah financing, musyarakah financing, and Islamic bank asset growth. The R Square value of 0.401 suggests that approximately 40.1% of the variation in asset growth can be explained by the independent variables included in the model, while the remaining 59.9% is influenced by other factors outside the scope of this study. The Adjusted R Square value of 0.395 further confirms the stability of the model after adjusting for the number of predictors, and the standard error of 0.465 indicates a relatively acceptable level of prediction accuracy.

### Discussion

The results of this study demonstrate that mudharabah financing has a positive and significant influence on the growth of Islamic bank assets in Indonesia, supporting the theoretical perspective of risk-sharing finance, which emphasizes that investment-based contracts can enhance asset expansion through productive economic activities. The regression coefficient of 0.382 indicates that improved implementation of mudharabah financing contributes to increased asset growth, reflecting the strategic importance of profit-sharing mechanisms in strengthening Islamic banking performance and aligning financial outcomes with real-sector development [2], [7].

Musyarakah financing also shows a significant positive effect with a regression coefficient of 0.417, indicating a slightly stronger influence compared with mudharabah financing. This finding may be explained by the collaborative nature of musyarakah, where both parties share capital contributions, thereby reducing financial risk

and promoting more stable asset development. The results are consistent with previous studies that highlight the role of partnership-based financing in supporting long-term financial sustainability, suggesting that cooperative investment structures can create a more resilient asset base within Islamic financial institutions [11], [19].

Furthermore, the simultaneous analysis reveals that both financing schemes jointly contribute to Islamic bank asset growth, as reflected by the relatively high F-value and significant R Square, indicating that profit-sharing financing represents an important component of Islamic banking strategy. Nevertheless, the remaining unexplained variance suggests that additional factors such as operational efficiency, technological innovation, and market competition may also influence asset expansion. From a practical perspective, these findings underline the need for Islamic banks to optimize profit-sharing financing portfolios by increasing the proportion of mudharabah and musyarakah contracts while strengthening monitoring systems, transparency, and risk management practices, ultimately supporting sustainable asset growth and reinforcing sharia-compliant financial development in Indonesia.

### 5. CONCLUSION

This study concludes that mudharabah and musyarakah financing have a positive and significant influence on the growth of Islamic bank assets in Indonesia. Mudharabah financing contributes to asset expansion through profit-sharing investment mechanisms that encourage productive economic activities, while musyarakah financing provides stable growth through partnership-based capital participation. The

simultaneous effect of both financing schemes demonstrates that profit-sharing contracts represent a strategic driver of asset development in Islamic banking. The coefficient of determination shows that 40.1% of asset growth can be explained by these financing variables, indicating that optimizing profit-sharing portfolios can

enhance financial sustainability. These findings imply that Islamic banks should strengthen the implementation of mudharabah and musyarakah financing by improving governance, risk management, and partnership collaboration to support long-term institutional growth.

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