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PERFORMANCE ANALYSIS OF THE ISLAMIC BANKING INDUSTRY IN INDONESIA FOR THE 2022-2024 PERIOD: SCP AND QUANTITATIVE REGRESSION APPROACHES

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Abstract

This study aims to analyze the performance of the Islamic banking industry in Indonesia during the period 2022-2024 using the Structure-Conduct-Performance (SCP) approach and quantitative regression. The data used is secondary data obtained from the annual financial statements of ten Islamic banks listed on the Indonesia Stock Exchange (IDX). Industry structure was analyzed using Market Share (MS), Concentration Ratio (CR4), Herfindahl-Hirschman Index (HHI), and Minimum Efficient Scale (MES). Firm behavior is measured through Capital to Labor Ratio (CLR), while firm performance is measured using Price-Cost Margin (PCM). Panel data regression method with Ordinary Least Square (OLS) approach was used in the analysis. The results show that the Islamic banking industry in Indonesia is in a tight oligopoly market structure with high entry barriers. The regression results show that CR4 and CLR variables have no significant effect on PCM partially, while operational efficiency (XEF) has a significant and positive effect. Simultaneously, all independent variables have a significant effect on PCM. This indicates that operational efficiency is a major factor in determining the profitability of the Islamic banking industry.

Keywords: Islamic Banking, SCP Approach, Company Performance, Panel Data Regression

Introduction

The banking industry is one of the most important industries for a country's economy because the system encourages the effectiveness of the transmission mechanism for the efficient allocation of financial resources (Warjiyo, 2006). Banks collect and distribute funds to the public. In addition to being channeled, the funds are also invested in companies that need them in order to drive the economy and support the country's economic growth.

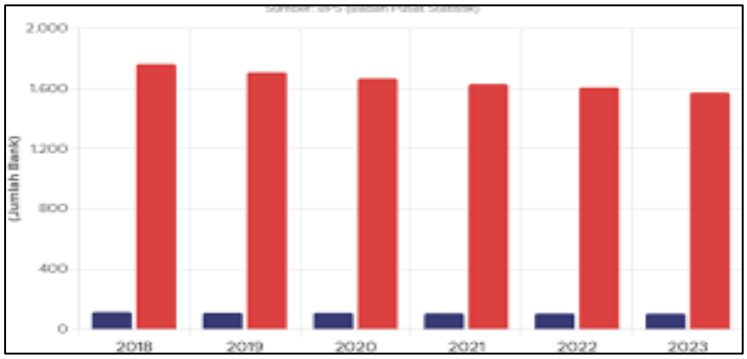

Figure 1
Number of Banks in Indonesia

However, according to BPS (Central Bureau of Statistics) data, banking in Indonesia has decreased in recent years. In 2018, the number of banks reached 1,879, but by 2023 this number decreased to 1,680 banks. Of this total, only 105 are commercial banks, and the rest are rural banks (BPR) totaling 1,575. The number of Islamic commercial banks in 2018 was 14 companies and decreased in 2023 to 12 companies. This decrease in the number of banks in Indonesia occurred due to the consolidation process such as mergers, acquisitions, and liquidation of banks that were considered less efficient or unable to meet the minimum capital requirements. In addition, advances in digital technology that encourage the efficiency of banking services also make it difficult for a number of small banks to compete and eventually merge or exit the market.

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Islamic banks are financial institutions that collect and distribute public funds in a halal manner according to Islamic principles, not only oriented towards material gain like conventional banks, but also emphasize spiritual and social welfare, so that for customers whose financial goals are in line with Islamic values, saving at Islamic banks provides worldly and ukhrawi benefits, although for those who are more focused on material aspects, the results may be less optimal (Sobarna, 2021).

When viewed from the market structure, Islamic banking has an oligopoly structure with the dominance of large companies only. Only a few banks control assets, loans, and third-party funds, so they have a very large role in determining competition in the Islamic banking industry. This phenomenon raises many questions, especially regarding the position and dynamics of Islamic banking in the midst of an evolving industry structure: What is the current market structure of the Islamic banking industry? How do Islamic banks behave in responding to the challenges of competition and the public's need for financial services that comply with Islamic principles? Is the operational efficiency and sharia principles applied able to produce competitive performance? And are the structure, behavior, and performance of Islamic banking able to create a resilient economy?

To answer this question, the Structure-Conduct- Performance (SCP) approach is used, which aims to see the extent to which market structure affects the behavior of Islamic banks, and how both have an impact on banking performance. In this study, structure is measured using market concentration ratio (CR4), behavior is seen from cost efficiency (XEF) and labor burden ratio (CLR), while performance is measured through Price Cost Margin (PCM) as an indicator of the bank's ability to generate profits after accounting for costs. To analyze the relationship between these three aspects in more depth, the multiple linear regression method is used, in order to determine the simultaneous effect of structure and behavior on the performance of Islamic banks. With this approach, it is expected that the research results can provide a comprehensive picture of the position and performance of Islamic banking in the midst of industry competition, and become a force for a more resilient economy.

Research conducted by Suhel (2015), with the title Structure and Performance Analysis: Study on the Islamic Banking Industry in Indonesia. The results show that the market structure using the concentration ratio shows an average figure above 75%, these results indicate that the Indonesian Islamic banking industry is in type 1 oligopoly conditions (tight oligopoly).

Research conducted by Eka (2015), with the title Analysis of Structure, Behavior, and Performance in the Islamic Banking Industry in Indonesia. The results showed that the Islamic banking industry in Indonesia is included in the Oligopoly market category. In addition, market concentration and market share have no significant effect on CLR, although simultaneously they have a significant effect. Meanwhile, CLR has a positive and significant effect on ROA, while the growth of murabaha financing has no significant effect on ROA, but simultaneously the two variables have a significant effect on the performance of Islamic banking reaching 73%.

Research conducted by Firdaus (2009). With the title Analysis of Market Structure and Performance of the Islamic Banking Industry in Indonesia (after the Islamic Banking Law No.10 of 1998). The results showed that the Islamic banking industry based on market share of assets, third party funds, and financing provided tended to be in the form of pure oligopoly type 1 (tight oligopoly) during the period 2004-2005. Research conducted by Handayani (2019). With the title Analysis of the Banking Industry in 2007-2016 with the SCP approach: Case Study of Indonesia and the Philippines. The results showed that the market structure of the Indonesian banking industry was in a tight oligopoly condition.

Methods

This study uses a quantitative approach with the Structure Conduct Performance (SCP) analysis framework to analyze the performance of the Islamic Banking industry in Indonesia. The data used is secondary data in the form of panel data sourced from the annual financial statements of several Islamic Banking companies listed on the Indonesia Stock Exchange (IDX). The companies we analyze include Bank Syariah Indonesia, Bank Muamalat Indonesia, Bank BTPN Syariah, Bank Panin Syariah, Bank Mega Syariah Indonesia, BCA Syariah, Bank Aladin Syariah, Bank Bukopin Syariah, Bank Jabar & Banten Syariah and Bank Victoria Syariah. Market structure measurement is done by calculating Market Share (MS), Concentration Ratio (CR4), Herfindahl Hirschman Index (HHI) and Minimum Efficient Scale (MES). Meanwhile, company behavior is measured through Capital to Labor Ratio (CLR) which describes the capital intensity of the company. And company performance is assessed through profitability indicators using Price Cost Margin (PCM).

According to (Mardia et al., 2021) the SCP approach is used to determine efficiency in the marketing system by looking at market structure, market behavior, and market performance in each marketing institution. Market structure can be measured by several elements, including:

a. Market Share (MS).

Market share serves to explain the position of a company in the industry. The greater the market share of

a company, the greater the profit the company enjoys from product sales and the increase in its share price (Amalia & Firmansyah, 2021).

b. Concentration Ratio 4 (CR4).

The value of the concentration ratio of an industry is the basis for determining the structure of an industry (Fitriyanti, 2015). The concentration ratio is measured to see the form of market competition based on the number and size of companies in the market. The concentration ratio measures the market share of the four largest companies in an industry from the total industry concerned (Amalia & Firmansyah, 2021). The concentration ratio equation can be formulated as follows.

$$CR4 = \sum_{i=1}^{n} Si$$

Description:
CR4 = Concentration Ratio of 4 Companies
Si = Market Share of Company i
The sum runs from i =1 to n (4 companies with the highest market share)

Tabel 1 CR4 Category

CR4 Value/Category	Market Structure
CR4 = 0 (Minimum)	Perfect Competition
0 < CR4 < 40 (low)	Monopolistic
40 < CR4 < 60 (lower middle)	Loose Oligopoly
60 < CR4 < 90 (upper middle)	Strict Oligopoly
90 < CR4 < 100 (high)	Dominant Firm
CR4 = 100	Monopoly

Source: Sheperd (1990)

c. Hirschan Herfindhal Index/Hirschman Herfindahl Index (HHI).

The Herfindahl index is defined as the sum of the power of two market shares of all companies in the industry (Sari, et al, 2019). HHI is the sum of the squares of the market shares of companies in a market. The formula of HHI is as follows.

$$HHI = \sum_{i=1}^{N} S^2$$

Description:
HHI = Hirschman Herfindahl Index
$S2$ = Market share of each company squared Sum of i -1 to N
N = Total number of companies

Tabel 2. HHI Criteria

HHI Value	Market Structure
0	Perfect Competition
0 < HHI < 0,2	Monopolistic
0,2 < HHI < 0,6	Oligopoly
>= 0,6	Monopoly

Source: Economycs of strategy

d. Market Entry Barriers/Minimum Efficiency Scale (MES).

Market entry barriers can be analyzed using the Minimum Efficiency Scale (MES). This analysis is carried out to see how many marketing institutions can enter to compete for market share (Hardianti et all. 2020). MES can be formulated as follows.

$$MES = \frac{output\ perusahaan\ terbesar}{output\ total} \times 100\%$$

Description:
MES = Minimum Efficiency Scale
Output of the largest firm = Revenue of the largest firm Total output = Total revenue of all firms

Capital Labor Ratio (CLR)

Firm behavior is measured through the Capital to Labor Ratio (CLR) which describes the capital intensity of the firm. Capital Labor Ratio (CLR) is used to see the production techniques used by an industry. The production technique is divided into two categories, namely capital-intensive production techniques and labor-intensive production techniques (Amalia & Firmansyah, 2021). The CLR value is obtained using the following formula.

$$CLR = \frac{Capital\ Cost\ Share}{Labor\ Cost\ Share}$$

Description:
CLR = Capital Labor Ratio
Capital Cost Share = Company Operating Costs
Labor Cost Share = Company Operating Income

If the CLR value > 1, the company is capital intensive. Conversely, if < 1, it is labor intensive (Amalia & Firmansyah, 2021).

Performance Indicator/Price-cost margin (PCM)

And the last is and company performance is assessed through profitability indicators using Price Cost Margin (PCM). Price-cost margin measures a company's ability to increase prices above production costs. The high PCM indicates efficient industry performance in minimizing costs so that the profits earned are greater (Amalia & Firmansyah, 2021). The equation used to measure PCM.SEME.

$$PCM = \frac{TR - TC}{TR}$$

Description:
PCM = *Price-cost margin*
TR = *Total Revenue*
TC = *Total Cost*

Thus, the SCP Model of this research is as follows.

$$PCM_{it} = b_0 + b_1 CR4_{it} + b_2 CLR_{it} + b_3 XEF_{it} + e_{it}$$

Description:
PCM = Price-Cost Margin for firm i at time t
b_0 = constant
$CR4_{it}$ = Concentration Ratio of the 4 largest firms i at time t
CLR_{it} = Ratio between total assets and total labor of firm i at time t
XEFit = Operating efficiency of firm i at period t
eit = residuals of firm i at time t
b1, b2, b3 = Coefficients

The analysis model used in this study is the Ordinary Least Square (OLS) method with a regression equation that explains the relationship between variables. This study uses the profit variable as the dependent variable that represents the company's performance, while the independent variables include CR4 which represents market concentration, CLR which describes the efficiency of capital utilization, and XEF as an operational efficiency control variable.

Panel Data Regression is a statistical analysis method that combines cross-sectional data and time-series data to study the relationship between dependent and independent variables. The cross-sectional component refers to the variation between observed units or individuals, while the time-series component refers to the variation within the observed time (Gujarati, 2004). Then the linear regression equation model on panel data is written as follows:

$$Y_{it} = \beta_0 + \beta_1 (X_1)_{it} + \beta_2 (X_2)_{it} + \beta 3 (X3)_{it} + e_{it}$$

Description:
Yit = Price-cost margin (PCM) of firm i at time t
β_0 = Constant
$\beta_1(X_1)it$ = Concentration Ratio 4 of firm i at time t
$\beta_2(X_2)it$ = Capital Labor Ratio of firm i at time t

β3(X3)it = XEF (internal efficiency) of firm i at time t
eit = Error or residual of company i at time t

The selection of the OLS model in panel data is based on consideration of its ability to estimate the linear relationship between the dependent and independent variables, after going through a series of classical assumption tests to ensure the validity of the research results. The use of a quantitative approach with the SCP paradigm is expected to provide a comprehensive picture of the dynamics of the banking industry in Indonesia.

Results and Discussions

Structure-Conduct-Performance (SCP) Analysis

1. Calculation of Structure.

In the SCP analysis, to find out the structure of the Islamic banking industry, it is done by measuring market share, HHI value, CR4, and MES. The measurement results can be seen in the following table.

Table 3. Results of MS, HHI, CR4, and MES data processing

Company Name	2021	2022	2023
MARKET SHARE			
BSI	0,18280114	0,43748873	0,45534456
MUAMALAT	0,04970012	0,19887694	0,14308188
BTPN	0,59426284	0,01157295	0,00940605
PANIN	0,00291903	0,00074826	0,00178551
MEGA	0,03670524	0,0198683	0,01576988
BCA	0,04067921	0,10374042	0,1016082
ALADIN	0,00307307	0,01441417	0,05162987
BUKOPIN	0,02538621	0,07180198	0,07515889
BJB	0,06209962	0,13773286	0,14462537
VICRORIA	0,00237352	0,43748873	0,0015898
HHI	0,396561169	0,26658748	0,267709198
CR4	0,889	0,878	0,845
MES	0,594262386	0,437488727	0,455344563

Source: BEI, data processed

Based on the results of the market share analysis obtained from the company's output divided by total output, it shows that the market share of each Islamic banking fluctuates every year. The greater the market share of a company means the greater the output or sales of the company. A large market share also indicates that the company has a dominant concentration in the industry. However, in this study, in 2021 the market share was held by BTPN banking, before in 2022 to 2023, BSI's market share increased rapidly making it the market leader in the Islamic banking industry with a market share of 0.45534456 in 2023. This means that more than 40% of Sharia banking users in Indonesia are BSI customers. This is because in 2021, the state-owned Islamic commercial banks, namely BRI Syariah, Mandiri Syariah, and BNI syariah merged and formed a new bank, namely BSI, making BSI the market leader in the Islamic banking industry. In addition, the strategy of using mobile banking and distributing qris at various merchants carried out by BSI was quite successful in attracting the attention of younger generation customers. In addition, the low cost of funds in every transaction has made BSI more attractive to Sharia banking customers.

Meanwhile, the value of HHI during the study period ranged from 0.2 to 0.3, this figure is still in the interval $0.2 < HHI < 0.6$. So based on these criteria, the type of market in the Islamic banking industry is an oligopoly market. The type of oligopoly in the Islamic banking industry belongs to a tight oligopoly because the CR4 value in this study is in the interval 60 to 90, namely 80. These results are supported by research on SCP Determination Analysis in the Islamic Banking Industry in Indonesia conducted by Imam Asngari (2015) which also resulted in a tight oligopoly market. This is due to the small number of companies in the Islamic banking industry. The Financial Services Authority noted that there are only ten national Islamic commercial banks so as to create exclusive conditions, where each company has more power with

interrelated strategies that make companies sensitive to each other's innovations. This is also supported by the MES result in this study which is more than 10%. This means that the barriers to entry into this industry are very high, making it difficult for small banks or new banks to enter. The results of the MES calculation of this study are also supported by research conducted by Saifudin Zuhri (2024) which states that Islamic banking has high entry barriers making it difficult for competitors to compete and causing companies in this industry to be few.

These conditions reflect the resilience and maturity of the national economic system. The decline in the number of Islamic banking in Indonesia is not merely due to setbacks, but rather an indication of banks that are adaptive to technological developments, have strong risk management, and are able to respond dynamically to market needs. In this context, the reduction in the number of players does not mean the weakening of the industry, but rather a filter towards a healthier, integrated and sustainable Islamic banking ecosystem in supporting national economic growth.

2. Calculation of Conduct

The measurement of Islamic banking performance in this study is done by calculating the CLR value. CLR is a calculation used to determine whether the company spends more on capital or labor. If CLR is > 1, it means that the company spends more on capital needs such as machinery and technology. The following are the results of this study's CLR calculation.

Table 4. CLR Result

Company Name	2021	2022	2023
BSI	5,592832	6,690322	7,569679
MUAMALAT	7,569698	10,97686	11,00931
BTPN	10,8047	11,63473	10,95767
PANIN	22,94032	21,17455	18,94635
MEGA	11,34325	10,94008	10,24221
BCA	22,31508	20,95622	16,20243
ALADIN	13,02178	19,41867	15,88283
BUKOPIN	4,566493	3,625968	3,209647
BJB	6,45332	5,641919	5,50103
VICRORIA	20,06897	61,18318	66,46795

Source: BEI, data processed

Based on the results of the calculation, it can be seen that all Islamic banks from 2021 to 2023 have a CLR value> 1. This means that the Islamic banking industry spends a lot of corporate spending on capital. This is because banks spend more on credit flow, funding, improving technology, and expanding merchant coverage than spending on their employees. There are even some banks that operate entirely online without employees and offices, such as Bank Jago, Bank Hanna, Neo Bank, and Blu Bank by BCA. This further strengthens the reason why the CLR value of the banking industry is capital intensive.

Well-capitalized banks are able to optimally perform their intermediation function, channel credit in a healthy manner, and absorb economic shocks without destabilizing the financial system. The more capital-intensive the banking industry is, the more prepared the national economy is to face risks and support long-term sustainable development.

3. Calculation Of Performance

Performance analysis in terms of performance is carried out with the PCM measure obtained from comparing the company's profit with revenue. The greater the PCM value indicates that the company has good performance in generating corporate profits. The results of the PCM measurement in this study can be seen as follows.

Tabel 5. PCM Result

Company Name	2021	2022	2023
BSI	1,409776536	1,716866086	1,933412201

MUAMALAT	0,015410959	0,02393617	0,014023732
BTPN	0,44454644	55,29494211	17,73186741
PANIN	23,85131195	59,03157399	21,15231674
MEGA	1,246684473	2,061229923	2,336400117
BCA	0,182845188	0,199864038	0,233632083
ALADIN	3,358349488	3,240168797	0,677727952
BUKOPIN	0,780422394	0,168520565	1,082412618
BJB	0,02999863	0,130184332	0,06244397
VICRORIA	0,161348153	0,239906103	0,949514563

Source: BEI, data processed

Based on the measurement results above, it can be concluded that the performance of banks in generating profits fluctuates greatly every year. This is due to the tight oligopoly market structure, where any innovation or price change from one business actor will be immediately responded to by other competitors. While this creates intense competition and impacts profit fluctuations, these dynamics are indicative of a resilient economy. The rapid response between market players shows that the banking industry, especially Islamic banking, is in an ecosystem that is adaptive, competitive, and responsive to change. This condition indicates high competitiveness and the ability of the financial sector to adjust to market dynamics, which is an important element in sustaining overall economic resilience and sustainability.

Model Selection Test

Panel data regression is conducted by first selecting one of three analysis models, namely the common effect model (CEM), fixed effect model (FEM), and random effect model (REM). Systematic model selection is done by testing the data with three tests, namely the chow test, hausman test, and lagrange multiplier test. If the test results are obtained in the form of the same model twice in a row, then the model is the selected model. The model selection test results from our research can be seen in table 1 below.

Tabel 6 Model Selection Results

Name Test	Probability	Hypothesis	Selected Model
Chow Test	0,2331 > 0,05	H0 accepted	CEM
Lagrange Multiplier Test	0,1322 > 0,05	H0 accepted	CEM

Source: BEI, data processed

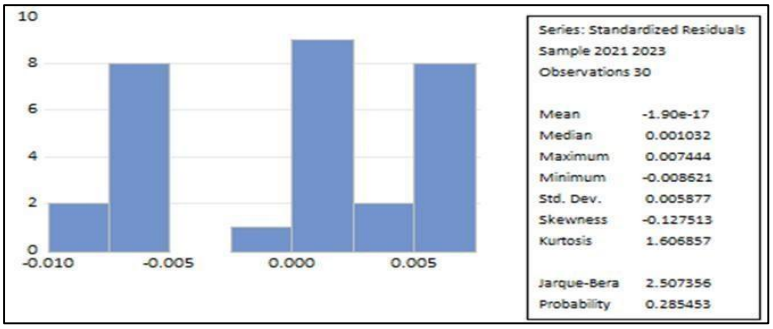
The result of the Chow test shows that the cross section Chi-square probability is 0.2331. With the hypothesis, H0 (CEM) is accepted if prob. > 0.05 and H1 (FEM) is accepted if if prob. < 0.05 Then H0 is accepted, meaning that in the chow test the selected model is the CEM model. Furthermore, the Lagrange Multiplier test is carried out to determine the Common or Random model, with the hypothesis, H0 (CEM) is accepted if prob. > 0.05 and H1 (REM) is accepted if prob. < 0,05. Based on the test results, the prob value is obtained. 0.1332, meaning that H0 is accepted or in the LM test also the selected model is the CEM model.

After conducting the model selection test and producing the same model twice in a row, it can be concluded that in this study the CEM model was chosen, meaning that the panel data in this study tends to be the same and not random.

Classical Assumption Test

This method is used to ensure that the regression model obtained is the best model, in terms of estimation accuracy, unbiased, and consistent, it is necessary to test classical assumptions (Juliandi et al., 2014).

1. Normality Test. Normality testing is a test used to analyze whether the data is normally distributed or not. The following are the results of the research test.



Source: BEI, data processed

Figure 2
Normality test results

Based on the results of the normality test with the JB Test, the probability value is 0.285453. This means that the data passes the normality test because the probability value is greater than the value of a = 5%, namely 0.487829> 0.05.

2. Multicollinearity Test. Multicollinearity testing is a test used to determine whether the independent variables are correlated or not. By looking at the correlation between independent variables is one way to detect symptoms of multicollinearity.

   Multicollinearity test with Matrix Correlation, where if the correlation matrix value between independent variables is less than 0.80, it means that all independent variables do not have multicollinearity.

Tabel 7. Multicollinearity Test Results

Test Name	Probability	Hypothesis	Selected Model
Chow Test	0,2331 > 0,05	H0 accepted	CEM
Lagrange Multiplier	0,1322 > 0,05	H0 accepted	CEM

Source: BEI, data processed

Based on the results of the multicollinearity test with Matrix Correlation, the matrix values between variables are all <0.80. This means that the variables in this study are not correlated with each other. The data in this study do not have multicollinearity problems.

3. Heteroscedasticity Test. The heteroscedasticity test looks at the inequality of the variance of the residuals for one observation to another. To determine whether there is a heteroscedasticity problem in a data with a significant level (a) of 5%, the criteria are as follows:
   - If the prob value. > 0.05 (5%), then the data does not have heteroscedasticity.
   - If the prob value <0.05 (5%), then the data has heteroscedasticity.

   The test results on our research data are as follows.

Tabel 8 Heteroscedasticity Test Results

Variable	prob	Criteria
XEF	0,9578	0,9578 > 0,05
CLR	0,2370	0,2370 > 0,05
CR4	0,7057	0,7057 > 0,05

Source: IDX, data processed

Based on the results of the heteroscedasticity test above, the prob value is obtained. Each variable is greater than the value of the significant level. Then the data does not have a heteroscedasticity problem, meaning that the level of data volatility in our study is not too volatile.

Multiple Linear Regression

Regression analysis in this study is conducted to determine whether the proxy of structure and performance in a company affects the performance of the company itself. In this study, we used the variable relationship between variables CR4 as a proxy of structure, and CLR and XEF as variables that represent the proxy of performance. After testing, the research regression results can be seen as follows.

Tabel 9 Linear Regression Results

Variable	T-test	F-test
XEF	0,0000	0.0000
CLR	0,3224	
CR4	0,9981	

Source: IDX, data processed

Then the equation model in this study is as follows:

$$PCM_{it} = -0{,}121320 - 1{,}97CR4_{it} + 7{,}86C.LR_{it} + 0{,}869652XEF_{it}$$

Interpretation:

- −0.121320 = It is the autonomous PCM value, meaning that when CR4, CLR, and XEF of a company are 0, the PCM value is -0.121320. This negative value indicates the strong influence of CR4, CLR, and XEF variables on PCM.
- −1.97CR4 = Is the magnitude of the influence of CR4 on PCM. A negative relationship means that every 1% increase in CR4 will reduce the value of PCM by 1.97%.
- 7.86CLR = Is the magnitude of the influence of CLR on PCM. A positive relationship means that every 1% increase in CLR will increase the value of PCM by 7.86%.
- 0.869652XEF = Is the magnitude of the effect of XEF on PCM. A positive relationship means that every 1% increase in XEF will increase the PCM value by 0.869652%.

As the market becomes more concentrated, competition may increase, or pricing efficiency may fall, resulting in a lower price-cost margin (PCM).

Partial Test (t-stat) and Simultaneous Test (F-stat)

The results showed that the prob. value of the CLR and CR4 variables is greater than 0.05, meaning that the effect of the CLR and CR4 variables is not significant on PCM. Meanwhile, the XEF variable has a prob. value of 0.000, meaning that the prob. is less than the significant level, so XEF has a significant effect on PCM. However, simultaneously, the prob. f-stat is 0.000 or smaller than the 5% level, meaning that the CR4, CLR, and XEF variables together have a significant effect on PCM.

R2 Coefficient of Determination Test

The coefficient of determination (R2) test in this study resulted in an adjusted r-square value of 0.991028. This means that the independent variables CLR, CR4, and XEF are able to represent their influence on PCM by 99%, while the remaining 1% is explained by other variables.

Conclusions

Based on the results of the analysis of the structure, behavior, and performance of the Islamic banking industry in Indonesia in the 2021-2023 period, it can be concluded that:

1. The market structure of the Islamic banking industry is classified as a tight oligopoly. This is indicated by the high CR4 value (>80%) and HHI between 0.2 and 0.3. This means that only a few large companies dominate the market share.
2. Industry behavior shows that all Islamic banks have a Capital to Labor Ratio value > 1, indicating that the industry is capital intensive, focusing on technology and infrastructure investment rather than labor.
3. Industry performance, measured using Price-Cost Margin (PCM), shows fluctuating results every year. This is influenced by the characteristics of oligopoly markets, which are sensitive to price changes and competitor innovation.
4. The regression results show that the CR4 and CLR variables have no significant effect on PCM partially, but the operational efficiency variable (XEF) has a positive significant effect. Simultaneously, the three variables have a significant effect on PCM.
5. The coefficient of determination (R^2) of 99% indicates that the regression model explains almost all the variation in performance (PCM) in this industry.

With these findings, it can be concluded that although the Islamic banking industry is in intense competition and shows fluctuations in profits, this is part of healthy market dynamics. The competitive market structure, capital-intensive characteristics, and adaptive ability to change indicate that Islamic banking has a strong foundation to continue to grow. Therefore, Islamic banking is proven to be able to become a resilient and competitive economic driver in the future.

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