

ANALYSIS OF THE IMPACT OF MACROECONOMIC CRISES ON ISLAMIC BANKING FINANCING PERFORMANCE IN INDONESIA

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ABSTRACT

Islamic banking plays an important role in maintaining national financial stability through its intermediation function based on Sharia principles. Although Islamic banks are theoretically considered more resilient to economic shocks due to their profit-and-loss sharing mechanism and close linkage to the real sector, in practice they operate within the same macroeconomic environment as conventional banks and are therefore exposed to macroeconomic crises. This study aims to analyze the impact of macroeconomic conditions, represented by inflation, the BI Rate, and exchange rates, on Islamic banking financing in Indonesia.

This research employs a quantitative approach using monthly time-series secondary data from January 2023 to December 2025, obtained from the Financial Services Authority (OJK), Bank Indonesia, and CEIC Data. The data are analyzed using multiple linear regression with the Ordinary Least Squares (OLS) method to examine the relationship between macroeconomic variables and Islamic bank financing.

The results show that inflation, the BI Rate, and exchange rates have a positive and statistically significant effect on Islamic banking financing on a partial basis. Simultaneously, these macroeconomic variables also have a significant influence on Islamic bank financing. The high coefficient of determination indicates that variations in Islamic banking financing are largely explained by macroeconomic conditions during the study period.

The findings suggest that rising inflation increases demand for real-sector financing, the BI Rate affects Islamic bank financing through indirect monetary transmission mechanisms, and exchange rate fluctuations raise financing needs due to changes in production and trade costs. The originality of this study lies in its simultaneous and comprehensive analysis of macroeconomic variables on Islamic banking financing in the post-global economic turbulence period.

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Introduction

One of the key efforts to maintain the resilience of a country's financial system is ensuring the stability of the banking sector. In Indonesia, Islamic banking has long contributed as an integral part of the national financial system by consistently adhering to profit-sharing principles and the prohibition of *riba* and *gharar*. All transactions and operational processes in Islamic banking are closely linked to the real sector. Theoretically, this operational model is believed to possess greater resilience compared to the conventional banking system in facing global economic shocks. However, in practice, Islamic banking operates within the same macroeconomic environment as conventional banking; therefore, it is not isolated from the impacts of macroeconomic crises.

Macroeconomic crises are generally characterized by volatility in key economic variables such as inflation, interest rates, and exchange rates. These variables can exert substantial pressure on Indonesia's financial system. Inflation refers to a sustained increase in the general price level across the economy. High inflation places significant pressure on Islamic banking, particularly in terms of financing performance and customers' repayment capacity. As inflation rises, prices of goods and living costs increase, leading to a decline in household purchasing power. For micro, small, and medium enterprises (MSMEs), production costs also rise, which reduces profit margins and increases the risk of default. Consequently, the risk of Non-Performing Financing (NPF) in Islamic banking tends to increase. Overall, Indonesia's inflation rate remained within Bank Indonesia's target range of 1.5–3.5 percent during the 2023–2025 period, despite experiencing fluctuations due to subsidy policies and food price dynamics (Indonesia, 2025).

Although Islamic banks do not apply interest in their contractual transactions, changes in interest rates still affect the stability of Islamic banking. When Bank Indonesia raises policy interest rates, conventional banks become more attractive to depositors. As a result, fund transfers from Islamic banks to conventional banks may occur, leading to displacement risk. This condition forces Islamic banks to tighten their liquidity management. Interest rate policy during 2023 to early 2024 tended toward monetary tightening, followed by gradual easing in 2025 as inflation became more controlled (Kontan.co.id, 2025).

From a macroeconomic perspective, various economic activities involve transactions in sectors that require payments in foreign currencies. In this context, a depreciation of the rupiah places a significant burden on firms that rely on foreign currencies, primarily due to rising costs of imported raw materials. This condition is particularly relevant for murabahah-based financing contracts. Exchange rate volatility is often associated with a deterioration in the asset quality of Islamic banks, especially during periods of heightened currency fluctuations.

Table 1
Indonesia's Macroeconomic Data (Inflation, Interest Rate, Exchange Rate)

Year	Inflation (YoY)	BI Rate (%)	Average Exchange Rate (USD/IDR)
2022	± 5.51%	~3.50% – 4.25%	± 15,000 – 15,500
2023	2.61%	5.75%	± 15,500 – 15,800
2024	1.57%	6.25%	± 15,800 – 16,000
2025	2.92%	5.75% → 5.50% → 4.75%	~16,600 – 16,800

Sumber Data : Badan Pusat Statistik, Bank Indonesia, CEIC Data

From the table above, it can be observed that the annual inflation rate represents the percentage change in the Consumer Price Index (CPI) from December of the previous year to December of the respective year. In 2022, inflation reached 5.51 percent; in 2023, inflation declined to 2.61 percent (December 2023); in 2024, inflation further decreased to 1.57 percent (December 2024); and in 2025, inflation increased to 2.92 percent (December 2025) (Statistics Indonesia, n.d.). Interest rates increased gradually to around 5.75–6.25 percent to address inflationary pressures during 2023 to early 2024. In 2025, interest rates began to decline from 5.75 percent to 5.50 percent and further to approximately 4.75 percent by the end of 2025 (Bank Indonesia, 2025). Meanwhile, the exchange rate exhibited a depreciating trend from early 2022 to 2025, driven by both external and domestic pressures. The average exchange rate for 2025 is estimated to range between approximately IDR 16,600 and IDR 16,800 per USD based on historical exchange rate data and market reports (CEIC Data, 2025).

Furthermore, macroeconomic variables such as inflation, interest rates, and exchange rates collectively affect the profitability of Islamic banks. A study conducted by Mariska et al. (2025) demonstrates that inflation, interest rates, and exchange rates influence the Return on Assets (ROA) of Islamic banks in different ways; however, overall, the findings indicate a strong linkage between macroeconomic conditions and the financial performance of Islamic banks. Nevertheless, the study by Mariska et al. focuses solely on profitability outcomes and does not fully capture the multidimensional impact of macroeconomic factors. In contrast, the present study considers indirect interest rate transmission mechanisms as well as interactions between macroeconomic variables and customer behavior or strategic decision-making in Islamic banking.

Another study by Ritonga, Imsar, and Bi Rahmani (2025) examines the effects of macroeconomic variables—namely inflation, the BI Rate, and exchange rates—specifically on murabahah financing at Bank Syariah Indonesia, using a Vector Error Correction Model (VECM) to analyze both short-term and long-term effects. However, the present study does not limit its focus to murabahah financing alone, but rather examines Islamic banking financing as a whole.

Additionally, Al Arif and Rahmawati (2024) analyze the impact of macroeconomic variables—including the production index, inflation, exchange rates, the BI Rate, and the Composite Stock Price Index (IHSG)—on the profitability of the Islamic banking industry using a VECM approach. Their findings indicate that all macroeconomic variables significantly affect Islamic banking profitability. Although both studies employ macroeconomic variables, the present research differs in its analytical focus by emphasizing the broader performance of the Islamic banking industry rather than profitability alone.

Another relevant study by Itsnaini et al. (2024) focuses on the influence of macroeconomic factors on the market share of Islamic banks in Indonesia. However, the study does not evaluate how these macroeconomic variables affect internal operational functions and institutional stability, such as asset quality, liquidity, and profitability. Moreover, the study does not explore the mechanisms underlying the insignificance of inflation or interest rates on market share, nor does it explain how Islamic banks maintain resilience amid macroeconomic volatility. Therefore, further research is needed to address these gaps by adopting a more comprehensive approach to assessing the impact of macroeconomic crises on the Islamic banking industry.

Finally, this study is justified by the rapid growth of the Islamic banking industry in Indonesia, as reflected in its expanding assets, financing, and third-party funds. Consequently, its role in maintaining economic stability has become increasingly evident.

The impact of macroeconomic crises on the Islamic banking industry is not only relevant to the Islamic finance literature but also serves as a critical reference for formulating adaptive policies aimed at strengthening the resilience and stability of the Islamic financial sector. This study also fills gaps in previous research, which tends to examine macroeconomic variables partially by focusing on a single bank performance indicator. The primary objective of this study is to analyze the impact of macroeconomic variables—represented by inflation, interest rates, and exchange rates—on the overall performance of the Islamic banking industry.

Methods

This study employs a quantitative research approach, which emphasizes theory testing through the measurement of variables using numerical data and statistical analysis (Sugiyono, 2022). This approach was chosen because the study aims to empirically examine the impact of macroeconomic crises on the performance of the Islamic banking industry in an objective and measurable manner. The study utilizes secondary time-series data covering the period from 2023 to 2025. Secondary data refer to data obtained by researchers from existing sources rather than collected directly from the field (V. Wiratna Sujarweni, 2022).

Data on the Islamic banking industry were obtained from the Financial Services Authority (OJK), the Indonesia Stock Exchange (IDX), and supporting data on the performance of the Islamic banking and financial sector in the capital market. Meanwhile, macroeconomic data for Indonesia—including inflation, the BI policy rate, and the rupiah exchange rate—were sourced from CEIC Data. The use of secondary data from official institutions is intended to ensure the validity, reliability, and consistency of the research data (Bungin, n.d.).

According to Sugiyono (2022), a research variable is anything in any form that is determined by the researcher to be studied in order to obtain information related to it. The variables in this study consist of:

1. Independent Variables (X) – Macroeconomic crises, represented by inflation (X₁), interest rates (X₂), and exchange rates (X₃).
2. Dependent Variable (Y) – Financing Received Islamic Bank (PYD)

Data collection was conducted using the documentation method, which involves collecting data through written documents, official reports, and statistical archives (V. Wiratna Sujarweni, 2022). The data were downloaded from the official websites of OJK, IDX, and CEIC Data and subsequently organized into time-series tables according to the research period. Data analysis was carried out using multiple linear regression, a statistical method used to determine the effect of more than one independent variable on a single dependent variable (Ghozali, n.d.).

Result

This study aims to analyze the effects of inflation, the BI Rate, and the exchange rate on Islamic bank financing (PYD). The analytical method employed is multiple linear regression using the Ordinary Least Squares (OLS) approach with monthly data covering the period from January 2023 to December 2025, comprising 36 observations.

Table 2. Results of Multiple Linear Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.201408	0.044424	-27.04382	0.0000
INFLASI	2.678690	0.060945	43.95227	0.0000
BI_RATE	3.167948	0.064132	49.39730	0.0000
KURS	0.198601	0.024488	8.110139	0.0000
R-squared	0.989647	Mean dependent var		0.860000
Adjusted R-squared	0.988676	S.D. dependent var		0.126220
S.E. of regression	0.013431	Akaike info criterion		-5.678004
Sum squared resid	0.005773	Schwarz criterion		-5.502058
Log likelihood	106.2041	Hannan-Quinn criter.		-5.616594
F-statistic	1019.623	Durbin-Watson stat		2.370792
Prob(F-statistic)	0.000000			

Sumber: Processed data, Eviews

1. Regression Equation

Based on the regression estimation results, the following equation is obtained:

$$\text{PYD} = -1.2014 + 2.6787 \text{ Inflation} + 3.1679 \text{ BI Rate} + 0.1986 \text{ Exchange Rate} + e$$

The equation indicates that inflation, the BI Rate, and the exchange rate have a positive relationship with Islamic bank financing. However, the constant term is negative, suggesting that in the absence of changes in inflation, the BI Rate, and the exchange rate, Islamic bank financing tends to decline.

2. Partial Test (t-test)

The t-test results show that all independent variables have a significant effect on Islamic bank financing.

- **Inflation** has a coefficient of 2.6787 with a probability value of 0.0000 (< 0.05), indicating that inflation has a positive and significant effect on Islamic bank financing.
- **BI Rate** has a coefficient of 3.1679 with a probability value of 0.0000, indicating that the BI Rate has a positive and significant effect on Islamic bank financing.
- **Exchange Rate** has a coefficient of 0.1986 with a probability value of 0.0000, indicating that the exchange rate has a positive and significant effect on Islamic bank financing.

Thus, partially, all tested macroeconomic variables are proven to significantly affect Islamic bank financing.

3. Simultaneous Test (F-test)

The F-statistic value of 1019.623 with a probability of 0.0000 (< 0.05) indicates that inflation, the BI Rate, and the exchange rate simultaneously have a significant effect on Islamic bank financing.

4. Coefficient of Determination (R²)

The R-squared value of 0.9896 and the adjusted R-squared value of 0.9887 indicate that 98.96 percent of the variation in Islamic bank financing can be explained by inflation, the BI Rate, and the exchange rate. The remaining 1.04 percent is influenced by other factors

outside the model, such as third-party funds (DPK), financing quality, and internal conditions of Islamic banks.

5. Autocorrelation Test

The Durbin–Watson statistic of 2.3708 indicates the absence of autocorrelation, suggesting that the regression model is valid and satisfies the classical assumption requirements.

Discussion

1.1 The Effect of Inflation on Islamic Bank Financing

The results of the study indicate that inflation has a positive and significant effect on Islamic bank financing. This finding suggests that an increase in inflation is followed by an increase in the disbursement of Islamic bank financing. Under inflationary conditions, business actors tend to increase their demand for working capital in order to maintain business continuity, thereby raising the demand for financing from Islamic banks.

From the perspective of Islamic economics, financing based on contracts such as *murabahah*, *mudharabah*, and *musyarakah* plays an important role in supporting the real sector. Therefore, rising inflation can strengthen the role of Islamic banks as financial intermediaries that channel funds into productive economic activities.

1.2 The Effect of the BI Rate on Islamic Bank Financing

The findings show that the BI Rate has a positive and significant effect on Islamic bank financing. Although Islamic banks do not apply an interest-based system, changes in the BI Rate still exert an indirect influence through monetary transmission mechanisms, such as adjustments in profit-sharing ratios and financing margins.

An increase in the BI Rate may encourage customers to shift from conventional banks to Islamic banks, thereby increasing the potential for financing disbursement. This finding reinforces the view that conventional monetary policy continues to affect the performance of Islamic banking within a dual banking system.

1.3 The Effect of the Exchange Rate on Islamic Bank Financing

The exchange rate is proven to have a positive and significant effect on Islamic bank financing. Exchange rate fluctuations influence international trade activities and the cost of imported raw materials, which ultimately increase financing needs in the business sector.

Islamic banks play a role in providing financing based on principles of fairness and partnership to support the real sector affected by exchange rate movements. Therefore, exchange rate stability becomes an important factor in sustaining the growth of Islamic bank financing.

1.4 The Simultaneous Effect of Inflation, the BI Rate, and the Exchange Rate on Islamic Bank Financing

Based on the results of the simultaneous test (F-test), inflation, the BI Rate, and the exchange rate jointly have a significant effect on Islamic bank financing. This is evidenced by a high F-statistic value with a significance level below 0.05, indicating that the regression model is appropriate for explaining variations in Islamic bank financing.

The simultaneous effect demonstrates that Islamic bank financing is strongly influenced by overall macroeconomic conditions rather than by a single variable alone. Inflation reflects price stability and household purchasing power, the BI Rate represents

the direction of monetary policy, and the exchange rate captures the external stability of the economy. These three variables interact in shaping the business climate and financing decisions in the Islamic banking sector. Under rising inflation, working capital requirements in the business sector tend to increase. At the same time, BI Rate policy affects public preferences in saving and allocating funds, including to Islamic banks.

Meanwhile, exchange rate fluctuations affect production costs, trade, and investment, particularly for firms dependent on imported raw materials or export markets. The combination of these factors simultaneously drives an increase in demand for Islamic bank financing.

The findings of this study confirm that although Islamic banks operate based on profit-sharing principles and do not apply an interest-based system, they are not immune to the influence of monetary policy and national macroeconomic conditions. Within a dual banking system, changes in policy and overall macroeconomic stability inevitably affect the financing performance of Islamic banks. Moreover, the high coefficient of determination indicates that most variations in Islamic bank financing during the study period can be explained by the combined effects of inflation, the BI Rate, and the exchange rate. This suggests that the effectiveness of Islamic banks in performing their intermediation function is highly dependent on macroeconomic stability and the effectiveness of monetary policy.

Therefore, the results of this study imply the importance of strong synergy between monetary authorities and the Islamic banking industry in maintaining inflation stability, managing benchmark interest rate policy, and ensuring exchange rate stability in order to support sustainable growth of Islamic bank financing in line with Sharia principles.

Conclusion

Based on the results of multiple linear regression analysis using monthly data from January 2023 to December 2025, it can be concluded that inflation, the BI Rate, and the exchange rate have a significant effect on Islamic bank financing.

Partially, inflation has a positive and significant effect on Islamic bank financing. This indicates that rising price levels increase the demand for working capital and real sector financing, thereby expanding financing disbursement by Islamic banks. The BI Rate also has a positive and significant effect on Islamic bank financing. Although Islamic banks do not apply an interest-based system, benchmark interest rate policy continues to influence financing through monetary transmission mechanisms, such as adjustments in financing margins and profit-sharing ratios, as well as shifts in public preferences toward the Islamic banking system. Furthermore, the exchange rate has a positive and significant effect on Islamic bank financing. Exchange rate fluctuations affect trade activities and production costs, which ultimately increase financing demand from the business sector toward Islamic banks.

Simultaneously, inflation, the BI Rate, and the exchange rate are proven to have a significant effect on Islamic bank financing. The high coefficient of determination indicates that these macroeconomic variables play a highly dominant role in explaining variations in Islamic bank financing during the study period. Therefore, it can be concluded that macroeconomic stability is a key factor in promoting the growth of Islamic bank financing. Accordingly, strong coordination between monetary authorities and the Islamic banking industry is required to maintain the sustainability of the intermediation function in accordance with Sharia principles.

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