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# Analysis Cost of Fund, Cost of Loanable Fund, and Overhead Cost on Mudharabah Profit Sharing at Islamic Commercial Banks

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**Abstract**

**Introduction:** The entire operation of Islamic banks is based on the mudharabah profit-sharing system. This system includes the collection system and the distribution system of funds, and results in higher prices for Islamic banks than conventional banks. The aim of this research is to ascertain the profit sharing ratio of mudharabah banks in this case using the components of cost of funds, cost of loanable funds, and overhead costs. **Research Methods:** The study's methodology is to employ a population of published financial data reports and collect a sample of 40 from each financial report presented annually from 2020-2023. The analysis test is used to measure the impact of each variable using descriptive tests, classical assumptions, and multiple linear regression. **Results & Conclusion:** The test results that have been carried out present data that the cost of funds (COF) has a negative effect on Mudharabah Profit Sharing, Cost Of Loanable Fund (COLF) has no effect on Mudharabah Profit Sharing, and Overhed Cost (OHC) has an influence on Mudharabah Profit Sharing at Islamic Banks in Indonesia with the period 2020-2023.

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## INTRODUCTION

Banks function as economic drivers and as intermediary institutions, Banks act as a financial link between parties who need funds (deficit of funds) and parties who have excess funds (surplus of funds) (Kurniawati, 2017). In recent years, the comparison between Islamic banks and conventional banks has become an interesting topic to analyze, especially in relation to fees and interest rates. In many countries, including Indonesia, Islamic banks have experienced rapid growth, both in the number of branches and assets under management (Khairunisa et al., 2020). However, many customers and industry players complain that Islamic bank services tend to be more expensive compared to conventional banks. This phenomenon raises the question of whether the higher costs in Islamic banks are due to different operational principles, which prioritize transactions in accordance with Islamic law, such as the prohibition of usury, gharar (uncertainty), and maysir (gambling). These principles affect the structure of operational costs, the products offered, and the way Islamic banks manage risk and profit margins.

Based on data from the Financial Services Authority (OJK), until 2023, although the assets of Indonesian Islamic banks continue to increase, their market share is relatively smaller than that of conventional banks. Islamic banks have limitations in terms of operational efficiency, which often results in higher service costs. For example, according to a report from Bank Indonesia, the average profit margin of Islamic banks in financing products such as murabahah and ijarah is higher than that of conventional credit products, due to profit-sharing mechanisms and interest avoidance (Yuda & Meiranto, 2010). In addition, a report from the Association of Indonesian Islamic Banks (ASBISINDO) shows that Islamic banks often face additional costs in terms of compliance with sharia regulations, such as stricter sharia audits and more complicated regulations in asset and liability management. This increases operating costs which in turn affects the price of products and services offered to customers.

The structure of third-party funds of Islamic banks still comes mostly from “expensive funds” such as deposits. Deposits are considered expensive funds because the percentage of profit sharing is greater than other third party funds, such as mudharabah savings. In fact, in 2021 the largest third party funds of Islamic Banks came from mudharabah deposits, which amounted to 51%, the rest came from mudharabah savings which amounted to 34% and wadiah demand deposits (based on BPS data). In addition, Conventional Banks have third party funds dominated by retail savings which have smaller interest costs. The Financial Services Authority (OJK) reported that the market share of Islamic banking had reached 6.65 percent as of February 2022. This is a challenge for Islamic banking in formulating strategies by innovating and being creative in low-cost fund products and conducting market segmentation . More precisely, Islamic banking was recorded to have a market share of IDR 681.95 trillion consisting of 65.47 percent of Islamic Commercial Banks (BUS), 32.03 percent of Islamic Business Units (UUS), and Islamic People's Financing Banks (BPRS) of 2.5 percent. Compared to conventional banking, the market share of

Islamic banking is still relatively small. The amount of core bank capital, total assets, and market share of Islamic banks in Indonesia are still very small (Suretno & Yusuf, 2021).

In the financial system, financing prices or deposit interest rates are one of the key factors that influence investment and consumption decisions. One important aspect that affects the price of financing offered by banks is the Cost of Fund (COF). Cost of Fund (COF) plays an important role in determining the level of profit ratio given by banks to customers for deposits. The calculation of COLF borrowed by the public on credit is related to the calculation of COF, which is why the calculation of COF is important. A high or low COF is very different for each bank depending on the way the bank structure is designed to obtain funds (Lumuko et al., 2024).

The growth of customer deposits results in an increase in liquidity which is offset by a decrease in the profit-sharing ratio of loans so as to generate sufficient returns to compensate depositors (Tumwine et al., 2022). Then the bank in determining the components of the formation of financing prices to remain stable will also pay attention to providing profit sharing rates to its borrowers to be able to cover the return of profit sharing rates to deposits, namely by paying attention to the COLF factor. Cost of Loanable Fund is the cost of funds issued by the bank after taking into account the reserve requirements that must be maintained by the bank, or commonly called the minimum liquidity reserve requirements. Some of these funds are given to customers in the form of placements, loans, and other means (Rivai, 2007).

The COLF (Cost Of Loanable Fund) value will fall if the financing margin will also fall, which can be more attractive to potential borrowers (Zein & Yafiz, 2023). Overhead Costs are costs that cannot be directly allocated to specific products in the production process. These costs include various expenses such as electricity costs, rent, indirect employee salaries, and maintenance costs needed to support the Company's operations, especially for improving efficient overhead cost management for banks, especially in the context of a rapidly evolving digital banking environment (Jarbou et al., 2024).

According to research conducted by Frinda Fraktika Devi and Suprayogi, the results of their research state that Cost Of Loanable Fund and Overhead Cost significantly affect mudharabah profit sharing, in other words, the higher the COLF ratio as a component of the financing ratio affects the determination of the mudharabah profit sharing ratio as well as overhead costs if the ratio is higher, it will affect the bank's margin. Then this research is also in line with research conducted by Oktaviani Rita Puspasari stating that Cost Loanable Fund also significantly affects the Profit Sharing Rate.

In research conducted by Tenny Badina (2017), the results of his research state that Cost Of Fund and Overhead Cost have a significant effect on financing pricing, where one of the components of financing pricing is mudharabah profit sharing. Overall, overhead costs, Cost Of Fund, and Cost Of Loanable Fund are interrelated in determining the cost structure and profitability of banks.

There is a fee paid by the customer for each activity carried out by the customer, this is the profit received by the bank. In this study, the variables used are cost of loanable funds, overhead costs and cost of funds. In the context of Islamic banking, cost of funds, overhead costs, and cost of loanable funds play an important role in determining the price of profit-sharing-based financing. Mudharabah profit-sharing-based financing pricing is a unique concept in Islamic banking, where the profit-sharing ratio is given based on the principle of fairness and does not disappoint the community. Thus, the article aims to provide a clearer picture of how Cost Of Loanable Fund, Overhead Cost, and Cost Of Fund affect the pricing of profit-sharing-based financing in the context of Islamic banking.

According to the background described on top, therefore, the writer is intrigued by the problems that arise using the components that form the financing price when determining the profit sharing rate. As a result, Islamic banks set higher prices than conventional banks. And in the end, causing customers to be less interested in switching to Islamic banks. With a study Entitled 'Analysis of Cost of Fund, Cost of Loanable Fund, and Overhead Cost on Mudharabah Results Share At Syariah General Banks Period 2020-2023'**.**

## RESEARCH METHOD

This study uses quantitative methods, quantitative methods are used in this study because for comparison in understanding the quantity of each variable. By using variable X1, namely Cost Of Fund, Cost Of Fund variable is the cost of the third principal deposit, which is in the form of current account services, savings profit sharing ratio, and deposit profit sharing ratio. Cost of Fund includes selective variable costs, the amount depends on the amount of each type of deposit that can be collected (Hadinoto, 2013). Variable X2 is Cost of Loanable Fund, Variable Cost of Loanable Fund is the cost of funds issued by the bank after taking into account the minimum mandatory liquidity reserves (reserve requirements) that must be maintained by the bank and the rest is channeled to customers in the form of placement of funds, in the form of credit and others (Rivai, 2007).

Then Variable X3 is Overhead Cost, Overhead cost is the cost incurred by the bank in carrying out its operations. Overhead costs include the cost of managing the business of the bank directly or indirectly affecting credit costs, such as the cost of managing bank infrastructure, human resource costs, promotion costs, salary costs, bank asset management costs, and operational costs (Kasmir, 2010). And variable Y is Mudharabah Profit Sharing. This study uses secondary data analysis using the Annual Report of Islamic Commercial Banks in Indonesia from 2020 to 2023 as objects and population, with 10 BUS as samples. Multiple regression models were used to conduct the analysis in this study. The data analysis technique was carried out using the Stata programme.

## RESULT AND DISCUSSION

1. Descriptive Statistical Test

Table 1. Descriptive Statistical Test Results

| Variable | Obs | Mean | Std. dev. | Min | Max |
|---|---|---|---|---|---|
| Mudharabah | 40 | 8.39675 | 2.877411 | 3 | 12.5 |
| COF | 40 | 0.081027 | 0.110596 | 0.013856 | 0.440775 |
| COLF | 40 | 0.899368 | 0.262624 | 0.196329 | 1.046711 |
| OHC | 40 | 0.558785 | 1.751365 | 0.009785 | 7.457281 |

Source: Data Processing Results, 2024

The descriptive statistical test's outcomes of the Cost Of Fund variable show a minimum value of 0.013856 which is the lowest Cost Of Fund belonging to Bank Aceh Syariah in 2022. And the maximum value of 0.440773 is the highest Cost of Fund belonging to Bank KB Bukopin Syariah in 2020 and on average 0.0810265, while the standard deviation is 0.1105958.

The results of the Cost Of Loanable Fund variable show a minimum value of 0.1963288 which is the lowest Cost Of Loanable Fund belonging to Bank Mega Syariah in 2021. And the maximum value is 1.046711 which is the highest Cost Of Loanable Fund belonging to Bank BTPN Syariah in 2021. And with an average of 0.8993677 and standard deviation value of 0.2626244.

The outcomes of the Overhead Cost variable have a minimum value of 0.009785 which is the lowest Overhead Cost belonging to Bank Victoria Syariah in 2023. And the maximum value is 7.4572811 and is the highest Overhead Cost belonging to Bank BCA Syariah in 2021. And on average 0.8993677 by showing a standard deviation value of 1.751365.

Then the outcomes of the descriptive statistical test of the dependent variable Mudharabah Profit Sharing state that the minimum value is 3 which is the lowest Mudharabah Profit Sharing belonging to Bank Riau Kepri Syariah. And the maximum value is 12.5. which is the highest Mudharabah Profit Sharing owned by Bank KB Bukopin Syariah. With an average number of 8.39675 and by showing a standard deviation value of 2.877411.

2. Selection of Regression Model

In this study, the panel data regression model estimation has three approach models, researchers chose a regression model from the three models available for panel data estimation in this study, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) by going through the Hausmen Test with the following hypothesis:

H0 : Random Effect Model

H1 : Fixed Effect Model

And the results of the selection of regression models that researchers do the selected model is the Fixed Effect Model with the following final results:

Table 2. Hausmen Test Results (FEM Model Selected)

| | (b) fe | (B) re | (b-B) Difference | sqrt (diag(V_b-V_B)) Std. err. |
|---|---|---|---|---|
| COF | -10.77637 | -3.669713 | -7.106658 | 2.368301 |
| COLF | -0.2394135 | -0.3521261 | 0.1127127 | 1.008854 |
| OHC | 0.3131877 | 0.2834652 | 0.0297225 | 0.0915918 |

b = Consistent under H0 and Ha; obtained from **xtreg**.
B = Inconsistent under Ha, efficient under H0; obtained from **Xtreg.**

Test of H0: Difference in coefficients not systematic

chi2(3) = (b-B)'[(V_b-V_B)^(-1)](b-B)
**= 9.08**
Prob>chi2 **= 0.0282**

Source: Data Processing Results, 2024

The preceding table shows the probability of 0.0282 <0.05, and the results show reject H0 and accept H1. This shows that the FEM model is better than the REM model and the Fixed Effect Model (FEM) is accepted.

3. Classical Assumption Test

   The classical assumption test is a statistical requirement that must be met in multiple linear regression analysis based on ordinary leas square (OLS). To ensure that the regression model obtained is the best model, in terms of estimation accuracy, unbiased, and consistent, it is necessary to test the classical assumptions (Juliandi, 2014).

   a. Normality Test

      The normality test is carried out to test whether in a regression model, an independent variable and the dependent variable or both have a normal or abnormal distribution. If a variable is not normally distributed, the statistical test results will decrease. In the data normality test, it can be done with the provisions that if the significance value is above 5% or 0.05, the data has a normal distribution. Meanwhile, if it produces a significant value below 5% or 0.05, the data does not have a normal distribution (Ghozali, 2016).

Table 3. Normality Test Results

Skewness and kurtosis tests for normality

| Variable | Obs | Pr (skewness) | Pr (kurtosis) | Adj chi2(2) | Prob>chi2 |
|---|---|---|---|---|---|
| resid | 40 | 0.002 | 0.0131 | 12.48 | 0.002 |

Source: Data Processing Results, 2024

From table 3, it might be concluded that the probability chi value is 0.0020 where the value is <0.05, meaning that this explains that there is a deviation because the data is not normally distributed. Because there is a normality test that does not meet the robust standard error on the regression model (the regression results used) with the following results :

Table 4. Robust Standard Error Test Results

Fixed-effects (within) regression
Group variable : ib

R-squared :

| | | | | |
|---|---|---|---|---|
| | Within | **=0.1757** | Number of obs | **= 40** |
| | Berween | **=0.2003** | Number of groups | **= 10** |
| | Overall | **=0.0796** | Obs per group : | |
| | | | min | **= 4** |
| | | | avg | **= 4.0** |
| | | | max | **= 4** |
| | | | F (3,9) | **= 1591.39** |
| corr | (u_i, Xb) | = -0.6618 | Prob > F | **= 0.0000** |

(Std. err. Adjusted for 10 clusters in ib)

| Mudharabah | Coefficient | Robust Std. err | t | P>(t) | [95% conf. | interval] |
|---|---|---|---|---|---|---|
| COF | -10.77637 | 4.177962 | -2.58 | 0.03 | -2022758 | -1.32517 |
| COLF | -0.2394135 | 0.1265102 | -1.89 | 0.091 | -0.5255994 | 0.046773 |
| OHC | 0.3131877 | 0.0121034 | 25.88 | 0.000 | 0.2858078 | 0.340568 |
| _cons | 9.310238 | 0.4423746 | 21.05 | 0.000 | 8.309517 | 10.31096 |

| | | |
|---|---|---|
| sigma_u | **3.4408755** | |
| sigma_e | **1.4616414** | |
| rho | **0.84713848** | (fraction of variance due to u_i) |

Source: Data Processing Results, 2024

b. Multicollinearity Test

Table 5. Multicollinearity Test Results

| Variable | VIF | 1/VIF |
|---|---|---|
| COF | 1.05 | 0.950499 |
| COLF | 1.04 | 0.963065 |
| OHC | 1.03 | 0.969655 |
| Mean VIF | **1.04** | |

Source: Data Processing Results, 2024

According on the Multicollinearity Test outcomes in the above table, it is evident that can be seen that the Variance Inflation Factor (VIF) value is 1.04, which means less than 10, this indicates that there is no multicollinearity problem.

c. Heteroscedasticity Test

Table 6. Heteroscedasticity Test Results

Breusch-Pagan/Cook-weisberg test for heteroskedasticity
ssumption : Normal error terms
Variable : Fitted values of mudharabah

H0 : Constant variance

chi2(1) **= 2.22**
Prob > chi2 **= 0.1358**

Source: Data Processing Results, 2024

According on the heteroscedasticity test outcomes shown in the table upper, it able to concluded that this model does not show heteroscedasticity because the probability chi-square value is 0.1358, This indicates that the value is higher than 0.05.

d. Autocorrelation Test

Table 6. Autocorrelation Test Results

**. Xtserial mudharabah cof colf ohc**
Wooldridge test for autocorrelation in panel data
H0 : nor first-order autocorrelation
F (1, 9) **= 2.439**
Prob > F **= 0.1528**

Source: Data Processing Results, 2024

According on the outcomes of the Autocorrelation Test on the data above, the probability F value is 0.1528 which means it is greater than 0.05. So finally, in the regression model carried out this doesn't happen autocorrelation.

4. Hypothesis Test
   a. F test

Table 7. F Test Results

| | |
|---|---|
| Number of obs | **= 40** |
| Number of groups | **= 10** |
| Obs per group : | |
| min | **= 4** |
| avg | **= 4.0** |
| max | **= 4** |
| F (3,9) | **= 1591.39** |
| Prob > F | **= 0.0000** |

Source: Data Processing Results, 2024

According on the data outcomes, the calculated F value of 1591.39> F table is 2.86 and sig value. 0.000 <0.05, meaning that simultaneously the Cost Of Fund, Cost Of Loanable Fund, and Overhead Cost variables affect Mudharabah Profit Sharing at Bank Syariah Indonesia.

   b. Test Coefficient of Determination

Table 7. R-Square Test Results

Fixed-effects (within) regression
Group variable : ib

R-squared :

| | |
|---|---|
| Within | **=0.1757** |
| Berween | **=0.2003** |
| Overall | **=0.0796** |

Source: Data Processing Results, 2024

Considering the information in the table above, there is an R-Square value of 0.1757. Based on this value, it can be interpreted that the effect of the Cost Of Fund, Cost Of Loanable Fund, and Overhed Cost variables on Mudharabah Profit Sharing at Islamic Commercial Banks is 0.1757 or 17.57%. Then, Consequently, it may be said that the ability of Cost Of Fund, Cost Of Loanable Fund, and Overhead Cost variables on Mudharabah Profit Sharing is able to explain the effect of Mudharabah Profit Sharing by 17.57%, while 82.43% is influenced by other factors.

c. Partial Regression Test

Table 8. Partial Regression Test Results (t test)

(Std. err. Adjusted for 10 clusters in ib)

| Mudharabah | Coefficient | Robust Std. err | t | P>(t) | [95% conf. | interval] |
|---|---|---|---|---|---|---|
| COF | -10.77637 | 4.177962 | -2.58 | 0.03 | -2022758 | -1.32517 |
| COLF | -0.2394135 | 0.1265102 | -1.89 | 0.091 | -0.5255994 | 0.046773 |
| OHC | 0.3131877 | 0.0121034 | 25.88 | 0.000 | 0.2858078 | 0.340568 |
| _cons | 9.310238 | 0.4423746 | 21.05 | 0.000 | 8.309517 | 10.31096 |
| sigma_u | **3.4408755** | | | | | |
| sigma_e | **1.4616414** | | | | | |
| rho | **0.84713848** | (fraction of variance due to u_i) | | | | |

Source: Data Processing Results, 2024

Based on table 8 above, it can be concluded as follows:

1) Effect of Cost of Fund on Mudharabah Profit Sharing
   Testing is done and with the following hypothesis:
   H0 : Cost Of Fund has no effect on Mudharabah Profit Sharing
   H1 : Cost Of Fund has a negative effect on Mudharabah Profit Sharing.
   Based on table 8, it can be seen that the probability value is 0.030 <0.05, then H0 is rejected and accepts H1, this explains the Cost Of Fund variable has a negative effect on Mudharabah Profit Sharing.
2) Effect of Cost Of Loanable Fund on Mudharabah Profit Sharing
   H0 : Cost Of Loanable Fund has no effect on Mudharabah Profit Sharing
   H1 : Cost Of Loanable Fund has a positive effect on Mudharabah Profit Sharing.
   Based on table 8, it can be seen that the probability value of 0.091 <0.05, then H0 is accepted and rejects H1, it explains that the Cost Of Loanable Fund variable has no effect on Mudharabah Profit Sharing.
3) Effect of Overhead Cost on Mudharabah Profit Sharing
   H0 : Overhead Cost has no effect on Mudharabah Profit Sharing
   H1 : Overhead Cost has a positive effect on Mudharabah Profit Sharing
   Based on table 8, as may be observed, the probability value of 0.000 <0.05, then H0 is declined and accepts H1, it explains that the Overhead Cost variable has a positive effect on Mudharabah Profit Sharing.

**Effect of Cost of Fund on Mudharabah Profit Sharing**

Considering the outcomes of hypothesis testing, Cost Of Fund has a negative and significant impact on Mudharabah Yield. The according show that H0 is rejected and then H1 is

acknowledged because the P-value (P>t) is smaller than 0.05, which is 0.030 with a coefficient value of -10.77637. A P-value of less than 0.05 indicates that the dependent variable significantly affects the independent variable. The negative coefficient value means that the effect is inversely proportional. So it is stated that Cost Of Fund has a negative effect on Profit Sharing of Sharia Banks in Indonesia in 2020 - 2023.

Cost of Fund is the cost or percentage that must be paid by the bank in every rupiah of funds collected from all sources before deducting mandatory liquidity (reserve requirements). The high and low Cost of Fund is influenced by several things, namely: 1) Legal Statutory Reserved Requirement (LRR) or Reserve Requirement (GWM), 2) The amount of cash that must be maintained by the bank, 3) The level of profit sharing ratio, 4) The structure of funds raised, 5) The place where the bank operates and 6) The performance of the bank (Riyadi, 2006).

Islamic banks in providing profit sharing will pay attention to Cost of Fund. The increase in Cost of Fund can affect management decisions in determining the profit sharing ratio of financing and marketing strategies to attract more deposits. Cost of Fund affects the profit sharing ratio that banks offer to customers. If the Cost Of Fund is high, the bank may offer a lower profit sharing ratio to customers. In this case, it will increase the mudhrabah profit sharing in Islamic banks.

Payment of Islamic bank mudhrabah products is in accordance with the mutual agreement at the beginning of the contract. If there is a cancellation agreement between each party or capital owner, this mudhrabah contract can also be cancelled. In this case, Islamic banks withdraw their capital from mudhrabah (Lena et al., 2022). Thus, mudharabah profit sharing will be affected by Cost of Funds and will be returned to the DPK.

In research conducted by Tenny Badina (2017), Cost Of Fund is a component in pricing, which has an impact on Islamic banking profits. This contradicts the study's findings which prove the fact that the Cost Of Fund variable has a negative effect on Mudharabah Profit Sharing. This means that Cost Of Fund determines the profit that can be obtained from investment. And if the Cost Of Fund is high, then the profit sharing will be lower because the bank needs costs to cover additional costs and maintain profit margins.

**Effect of Cost Loanable Fund on Mudharabah Profit Sharing**

Considering the outcomes of hypothesis testing, Cost Of Loanable Fund holds no effect on Mudharabah Profit Sharing. The results of hypothesis testing show that H0 is declined and H1 accepts it because the P-Value (P>t) is less than 0.05, which is 0.091 with a coefficient value of -0.2394135. A P-Value of less than 0.05 indicates that the dependent variable does not significantly affect the independent variable. The negative coefficient value means that the effect is negative.

This is because the structure and composition of funds, as well as the level of profit ratio and stock requirements affect the level of cost of loanable funds. Placement of Cost of Loanable

Fund that operates to generate income. And operating funds are calculated by the total of funds collected deducted by non-creditable funds (funds that are not placed on productive assets that are for reserve or precautionary purposes) (Sunia et al., 2021). Islamic banks will manage the funds collected after the funds are divided into mandatory liquidity reserves, which are then given in the form of loans. Therefore, the funds channeled in the form of financing (Cost Of Loanable Fund), do not affect the mudharabah profit sharing ratio to customers.

According of this research prove that Cost Of Loanable Fund variable holds no effect on Mudharabah Profit Sharing. The Cost Of Loanable Fund variable cannot determine the mudharabah profit sharing ratio in sharia banks, this contradicts research conducted by Devi and Suprayogi, 2018, this declares that the Cost Of Loanable Fund variable has a positive and significant effect on the Profit Sharing Rate.

**Effect of Overhead Cost on Mudharabah Profit Sharing**

Considering the outcomes of hypothesis testing show that H0 is declined and H1 is acknowledged. Overhead Cost has a positive and significant impact on Mudharabah Profit Sharing this is because the P-Value (P>t) is less than 0.05, which is 0.000. The P-Value is less than 0.05, it explains that the independent variable is significantly influenced by the dependent variable.

Overhead Cost serves to consider the operational costs borne by the bank. The bank here must still estimate from its assets so that its operational costs are relatively fulfilled. As a result, banks are required to estimate overhead costs first before pricing assets. Overhead Cost includes costs associated with the bank's struggles that affect credit (Zein, 2023).

With the increase in operational costs, and especially Overhead Cost, will also affect The extent of profit sharing in mudharabah. If level of bank funding results cannot be comparable to the level of the market profit ratio, then the allocation of bank financing funds may not be channelled, which means that the bank bears disproportionate costs.

The final result of this research explains the fact that Overhead Cost variable holds a positive effect on Mudharabah Profit Sharing. In other words, calculating the profit sharing ratio still uses the Overhead Cost component according to studies carried out by Devi and Suprayogi, 2018, and this is reinforced by the theory described by Taswan, 2010 which states that Overhead Cost as an influential component in determining the level of the bank's profit sharing ratio. This means that if overhead costs are high, the bank will adjust its mudharabah profit sharing structure, the greater the operating costs, the greater the profit sharing ratio obtained by the Islamic bank.

The results of this study are in line with Tenny Badina's research, which proves that Overhead Cost significantly affects the profit sharing ratio which reinforces the theory by Dendawijaya (2000) The policy on the provision of conventional bank lending rates pays attention

to and examines the following elements related to the determination of credit interest rates: 1) Cost of Fund, 2) Overhead Cost, 3) Bank Margin, 4) Banking Tax, and 5) Risk Premium.

## CONCLUSION

In conclusion from the data and results that have been done, it can be concluded that:

1. Cost Of Fund has a negative influence on the determination of mudharabah profit sharing ratio of Islamic banks, it is possible that greater the Cost Of Fund ratio, the smaller the determination of mudharabah profit sharing ratio of Islamic banks to customers. Cost Of Fund affects the profit sharing ratio offered to customers, so banks may provide a higher profit sharing ratio if the cost of funds is low.
2. Cost Of Loanable Fund does not have a significant influence on the determination of the profit sharing ratio of sharia bank mudharabah. Islamic bank will manage the funds collected after the funds are divided into mandatory liquidity reserves, which are then given in the form of loans. Therefore, funds channeled in the form of financing (Cost Of Loanable Fund), do not affect the mudharabah profit sharing ratio to customers.
3. Overhead Cost has a significant positive effect on mudharabah profit sharing of Islamic banks, meaning that overhead costs increase and mudharabah profit sharing will also follow. If overhead costs are high, the bank will adjust its mudharabah profit sharing structure, the higher the operating costs, the greater the profit sharing ratio obtained by Islamic banks.
4. This study answers the question about the phenomenon of people relating to the cost of sharia banks than conventional banks. This is due to the fact that the financing price components, namely Cost Of Fund and Overhead Cost have an effect on the mudharabah profit sharing of Islamic banks, but Cost Of Loanable Fun has no effect, on the mudharabah profit sharing of Islamic banks in Indonesia from 2020 to 2023.

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