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THE INFLUENCE OF FINANCIAL RATIOS AND INDUSTRY SPECIFICS ON THE PROFITABILITY OF SHARIA BANKING COMPANIES WITH CREDIT RISK AS MODERATOR

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Abstract

The main objective of this research is to examine the influence of the current ratio, debt to equity ratio and industry specifics on the profitability of companies, with credit risk as a moderating variable, in Islamic banking companies listed on the Financial Services Authority (OJK). The population in this study includes all banking companies registered with the Financial Services Authority (OJK) from 2019 to 2023. The analysis used includes panel data selection tests, multiple linear regression tests, and hypothesis testing using Eviews 12. This study found that the current ratio can affect a company's profitability because the company has enough current assets to cover its short-term liabilities, while the debt to equity ratio and industry specifics do not affect the company's profitability. This research has novelty by using a specific industry as a moderating variable. Additionally, the benefits of this research can provide information related to the factors that influence the profitability of Islamic banking companies, both positively and negatively, so that companies can maintain or improve their profitability. Furthermore, for investors, this research can also serve as a consideration for assessing the profitability of Islamic banking companies before investing.
Keywords : Current Ratio; Debt to Equity Ratio; Industry Specifics; Profitability; Credit Risk.

Abstrak

Tujuan utama dalam penelitian ini untuk melihat pengaruh current ratio, debt to equity ratio dan spesifik industri terhadap profitabilitas perusahaan dengan risiko kredit sebagai pemoderasi pada perusahaan perbankan syariah yang terdaftar di OJK. Populasi dalam penelitian ini adalah seluruh Perusahaan Perbankan yang terdaftar di Otoritas Jasa Keuangan (OJK) dengan rentan 2019 sampai 2023. Analisis yang digunakan adalah uji seleksi data panel, uji linear berganda dan uji hipotesis menggunakan Eviews 12. Dalam penelitian ini di temukan bahwa current ratio dapat mempengaruhi profitabilitas perusahaan hal ini dikarenakan perusahaan memiliki cukup aset lancar untuk menutupi kewajiban jangka pendeknya sementara debt to equity ratio dan spesifik industri tidak dapat mempengaruhi profitabilitas perusahaan. Penelitian ini memiliki keterbaruan yaitu menggunakan spesifik industri sebagai variabel moderasi. Selain ini manfaat dari penelitian ini dapat memberikan memberikan informasi terkait faktor-faktor yang mempengaruhi profitabilitas perusahaan perbankan syariah baik mempengaruhi secara positif maupun negatif sehingga perusahaan dapat menjaga atau meningkatkan profitabilitas perusahaan. Selain itu bagi para investor penelitian ini juga bisa menjadikan bahan pertimbangan untuk menilai profitabilitas perusahaan perbankan syariah sebelum berinvestasi.
Kata kunci: Current Ratio; Debt To Equity Ratio; Spesifik Industri; Profitabilitas; Risiko Kredit

Introduction

The banking sector in Indonesia is an intriguing example to observe. As a vital sector in the Indonesian economy, banking has managed to sustain and continuously evolve amidst economic dynamics. Rapid changes and developments occur within this sector in terms of transaction volume, public fund mobilization, and profitability. Profitability is an indicator that reflects a company's ability to generate profit from its sales, asset utilization, and capital (Julita, 2023). Based on data from the Financial Services Authority (2022), the profitability of Islamic Commercial Banks in Indonesia showed an interesting trend from 2018 to 2022, measured by Return on Assets (ROA). In 2018, these banks had an ROA of 1,28%, which then significantly increased to 1,73% in 2019, reflecting an improvement in efficiency and the ability to generate profit from their assets. However, in 2020, the ROA decreased to 1,40%, likely due to the impact of the COVID-19 pandemic affecting banking activities and the global economy. Nevertheless, in 2021, the ROA recovered to 1,55%, showing signs of recovery. The peak occurred in 2022, with an ROA reaching 2%, the highest figure during the observation period, indicating that Islamic banks in Indonesia managed to improve their operational efficiency and asset profit generation despite fluctuations during the pandemic. However, profitability is considered good if it is above 5%, so even though there has been an increase, the ROA of Islamic Commercial Banks in Indonesia has not yet reached the optimal profitability standard. (Agustin et al., 2023).

In this study, profitability is measured using return on assets (ROA). ROA is chosen as the metric for measuring profitability because all companies in the sample operate within the same sector, making ROA a good indicator of how effectively a company generates profit from its assets. The higher the ROA value, the better the company's profitability, as it indicates that the company can generate greater profit from its assets (Noviyanti & Ruslim, 2021). The increase in a company's profitability is usually influenced by two factors: liquidity and leverage. Every company strives to enhance its ROA because it demonstrates the company's efficiency in utilizing assets to generate profit. There is a trade-off between liquidity and leverage with profitability, where an increase in one aspect may sacrifice the other (Sari & Dwirandra, 2019). This attracts investors to purchase the company's shares, which in turn can increase the stock price and the rate of return on shares.

Liquidity ratios are measures used to evaluate a company's ability to meet its short-term financial obligations using easily liquidated assets. Liquidity ratios typically include the current ratio and the quick ratio. The current ratio measures a company's ability to pay its short-term obligations using assets that can be quickly sold, while the quick ratio measures the same ability but excludes inventory (Rojulmubin et al., 2023). A high liquidity ratio indicates that the company has a good ability to meet its financial obligations, while a low liquidity ratio can be a sign of potential liquidity problems.

Additionally, investors typically evaluate a company's capital structure using solvency ratios. Solvency ratios are financial metrics used to assess a company's capital structure, which refers to the composition of funding sources used by the company to finance its operations (Tuda & Dambe, 2023). Solvency ratios provide insight into the proportion of equity capital and borrowed capital (debt) utilized by the company. These ratios usually include the debt-to-equity ratio and the debt-to-total-assets ratio, among others. The debt-to-equity ratio measures the proportion of borrowed capital used by the company compared to the equity invested by the owners or shareholders (Pambudi, 2023). Solvency ratios help investors and creditors assess the company's financial risk level and provide an overview of the company's liabilities and its flexibility in managing debt obligations (Harilawang et al., 2021). The higher the solvency ratio, the larger the proportion of borrowed capital in the company's capital

structure, which will reduce the company's profitability ratio because the company's profits must be used to cover the debt (Suteja, 2023). Conversely, the lower the solvency ratio, the greater the proportion of equity in the company's capital structure, which is generally considered safer by investors and creditors.

Industry specifics also influence profitability through market share of assets, which plays a role in increasing a bank's profitability. This is evident from several studies conducted by researchers that indicate the asset market share of banks. The increase in market share achieved by more efficient banks is associated with a positive relationship between company revenue and market structure. Conversely, this can negatively affect inefficient banks. Currently, with the majority of Indonesia's population being Muslim, there is a demand to follow Sharia law. One way to adhere to this is by choosing products from Sharia financial institutions, such as Sharia banks. Sharia banks are known for not implementing interest (riba), which is considered contrary to Sharia principles. The development of the Sharia banking industry is quite promising and continues to grow each year. Given the importance of the role of Islamic banks in Indonesia, because the majority of Indonesia's population is Muslim, it is necessary to improve the performance of Islamic banks in the eyes of customers and investors to ensure that banking remains healthy and efficient.

Based on previous research, the findings have been inconsistent, thus requiring further testing. This study builds upon the research by Bushashe, (2023) and Hantono et al., (2019). Similarities include the use of the independent variables current ratio and debt to equity ratio, along with the dependent variable, which is company profitability. Company profitability serves as an indicator of the company's ability to generate profit with all the capital employed in it. The difference from the previous study lies in the addition of a moderating variable, namely credit risk. This is because the main operational activities of banking companies involve lending to customers, so the researchers use credit risk as a moderating variable. Another difference lies in the research object and the method of data analysis. The aim of this study is to examine the effects of current ratio, debt to equity ratio, and industry specificity on profitability, with credit risk as a moderating variable. The benefits of this research can provide insights into the factors that influence the profitability of Islamic banking companies, both positively and negatively, enabling these companies to maintain or enhance their profitability.

Signaling theory, first introduced by Spence in his research titled Job Market Signaling, posits that signals or signs provided by the sender (information owner) serve to convey relevant pieces of information to the receiver. The goal is for the receiver to adjust their behavior based on their understanding of these signals. In the context of corporate economics and finance, signaling theory explains that companies use specific signals to communicate information about their internal conditions to the market (Elwisam et al., 2024).

Signaling theory in the context of its relationship with profitability suggests that signals provided by companies to the market can influence investor perceptions and actions, which in turn can affect the financial performance of the company. When a company sends positive signals to the market, such as having strong market dominance, good risk management, or stable financial performance, this can enhance investor confidence. This confidence can then encourage investors to provide capital, buy company shares, or offer loans at lower interest rates. In essence, signaling theory explains how information communicated by companies to the market can influence market perceptions, investor confidence, and ultimately the financial performance of the company, including its profitability (Haryanto, 2016). Understanding these signals allows companies to optimize their communication strategies to enhance market understanding and confidence in their performance.

Current Ratio and Profitability of Sharia Banking

The liquidity ratio, known as the Current Ratio (CR), describes a company's ability to meet its short-term obligations as they come due (Angelina et al., 2020). A high current ratio will affect the company's profitability positively because it is sufficient to pay off current liabilities. Increasing liquidity can enhance the company's credibility, leading to a positive reaction from investors to provide capital, which the company can use for investment in efforts to increase profitability (Hantono et al., 2019). A high current ratio provides a positive signal to investors regarding the company's liquidity and financial stability, which in turn can increase investor confidence and potential investment, thereby supporting the company's profitability growth. Previous research by Sari and Dwirandra (2019) found that the current ratio negatively affects the profitability of property and real estate companies listed on the IDX for the period 2014-2016. Meanwhile, a study conducted by Angelina et al. (2020) found that the Current Ratio (CR) has a positive and significant impact on profitability. Based on this, the researcher hypothesizes that:

H1: The Current Ratio has a positive effect on the profitability of Sharia banking companies.

Debt to Equity Ratio and Profitability of Sharia Banking

Capital structure is the combination of funds obtained from debt and equity, often measured by the Debt to Equity Ratio (DER). The larger the Debt to Equity Ratio (DER), the less favorable it becomes, as the higher risk associated with potential failures in the company increases. The significant debt burden carried by the company can reduce the amount of profit the company earns. A high Debt to Equity Ratio (DER) indicates that the company has a large proportion of debt compared to its equity, signaling a higher financial risk. Investors interpret this as a sign that the company has a significant debt burden, which can reduce net profit due to high interest costs and principal repayment obligations (Manansang et al., 2022). A high Debt to Equity Ratio can send a negative signal regarding a company's profitability. When this ratio is high, it indicates that the company has a larger proportion of debt compared to equity. This can raise concerns among investors and shareholders. The funding policy reflected in the DER significantly affects the company's profit achievement (Julita, 2023). This ratio provides information about the extent to which equity is used as collateral for the company's debt. Previous research by Wahyuni et al. (2020) suggested that the Debt to Equity Ratio (DER) negatively affects profitability (ROA). Based on this, the researcher hypothesizes that:

H2: The Debt to Equity Ratio has a negative effect on the profitability of Sharia banking companies listed on the IDX (Indonesia Stock Exchange).

Industry Specifics and Profitability of Shariah Banking

The potential income of a bank is also greatly influenced by the structure of the banking industry. In a competitive industry, companies with a large market share often enjoy competitive advantages such as greater economies of scale, stronger bargaining power with suppliers, and better brand recognition. According to signaling theory, a large market share can serve as a positive signal of the company's financial strength and operational efficiency. Additionally, a significant market share indicates the company's ability to effectively manage costs, generate higher revenues, and maintain a competitive advantage, ultimately enhancing its profitability. Previous research has revealed relationships between industry specifics and profitability, such as the study by O'Connell, (2023), which stated that industry specifics negatively affect bank profitability during the sample period, though this influence is not significant. This is consistent with research conducted by Bushashe (2023), which stated that

industry specifics through market share do not affect bank profitability, as there is no monopoly on market share in Ethiopia.
H3: Industry specifics have a positive effect on the profitability of Sharia banking.

Credit Risk, Current Ratio and Profitability of Sharia Banking

The purpose of Non-Performing Financing (NPF) is to identify potential issues in financing provided by financial institutions, particularly banks (Bimantoro & Ardiansah, 2019). Credit risk is the potential that the borrower may not meet payment obligations, which can directly affect company profitability through high credit costs or bad debt losses. High credit risk can increase costs and potential bad debt losses, which can reduce the current ratio. A low or decreasing current ratio can send a negative signal about a company's liquidity, affecting investor perception and investment potential, and may impact profitability by increasing additional costs to finance short-term obligations. According to research conducted by Lorenza and Anwar (2021), Non-Performing Financing (NPF) can moderate by weakening the influence of the Current Ratio on Profitability because the utilization of working capital becomes suboptimal due to the high number of non-performing loans, resulting in minimal profit generation. Based on this, the researcher hypothesizes that:
H4: Credit Risk moderates the relationship between Current Ratio and the profitability of Sharia banking companies listed on the IDX.

Credit Risk, Debt to Equity Ratio and Profitability of Sharia Banking

The Non-Performing Financing (NPF) ratio reflects the efficiency of a bank's management in handling problematic financing that the bank has provided. The higher the NPF ratio, the poorer the quality of the financing provided, which in turn increases the amount of problematic financing (Wibisono & Wahyuni, 2017). High credit risk tends to increase the company's cost of capital because lenders will set higher interest rates to compensate for the risk. This encourages the company to rely more on debt than equity as a source of funding, which directly increases the Debt to Equity Ratio (DER) (Sukma et al., 2019). Because lenders set higher interest rates to compensate for high credit risk, the company's cost of capital increases. The higher interest costs will reduce the company's net profit, as the company has to spend more money to pay interest on its debt. This is in line with the research conducted by Hunjra et al. (2022), which states that credit risk has a negative impact on profitability. Based on this, the researcher hypothesizes that:
H5: Credit Risk moderates the relationship between the Debt to Equity Ratio and the profitability of Sharia banking companies listed on the IDX.

Credit Risk, Industry Specifics and Profitability of Sharia Banking

A higher level of market concentration increases the probability of effective collusive behavior. Market concentration is typically measured by the proportion of total market assets controlled by a small number of companies. The existence of market monopolies by a few companies leaves the public with few options for obtaining loans from banks. This situation can increase credit risk due to the lack of alternatives for borrowers. With low credit risk due to having a large market share, the company can experience increased profitability because consumers or customers have no other options. When a company has a strong market dominance, it creates a situation where consumers tend to rely on the products or services of that company without many competitive alternatives (Bushashe, 2023). In the context of signaling theory, strong market dominance and low credit risk can serve as positive signals to investors and market participants. When a company holds a large market share, it indicates

that the company has successfully built a competitive advantage in the industry and maintains a stable market position. In this regard, the company signals to investors that they possess financial strength, the ability to generate stable revenue, and the potential for long-term profitability. Furthermore, low credit risk also acts as a positive signal to investors. Companies with low credit risk demonstrate strong risk management, stable financial performance, and the ability to meet their financial obligations effectively (Muliana & Karmila, 2019). Based on this, the researcher hypothesizes that:
H6: Credit Risk moderates the relationship between industry specifics and the profitability of Sharia banking companies listed on the IDX.

A conceptual framework is necessary to provide guidance and facilitate understanding. It is based on the previous explanation regarding the interrelated relationships between each variable. Therefore, the framework is established as follows:

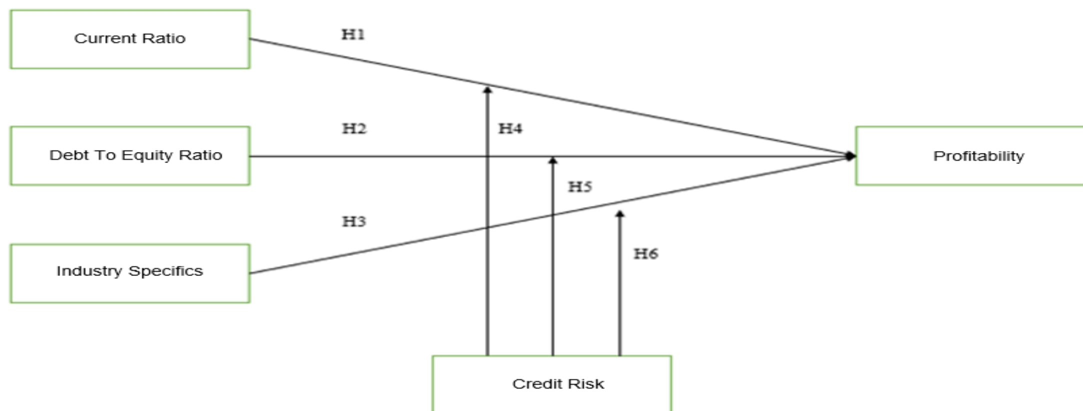

Figure 1. Research Framework

Figure 1 shows that the independent variables in this study are the current ratio, debt to equity ratio, and industry specifics, which will be tested for their impact on the dependent variable, profitability. Meanwhile, credit risk acts as the moderating variable.

Method

This study employs a quantitative research method. Quantitative research is conducted when the collected data is quantitative, or in the form of amounts and quantities that can be processed using statistical techniques. The population of this study includes all banking companies listed with the Financial Services Authority (OJK) from 2019 to 2023. The choice of this sector is due to the annual increase in banking sector assets. However, some Sharia banks have experienced a decline in profits year after year. The entire population is not used as the research object because some Sharia banks do not have financial statements for the specified period or do not meet the determined criteria. Therefore, the sampling technique used is purposive sampling. The sample criteria are Sharia banking companies listed with OJK from 2019-2023, resulting in a total of 13 companies with 66 samples. The data used is secondary data, specifically financial statements obtained from the OJK website or the official websites of the respective companies. The analysis methods used include panel data selection tests, multiple linear regression tests, and hypothesis testing using Eviews 12.

Table 2. Operational Definition of Variables

Variables	Measurement
Current Ratio (Sari & Dwirandra, 2019)	Current Ratio is a financial metric used to measure a company's ability to meet its short-term obligations using current assets. Current Ratio = Total Current Assets / Total Current Liabilities
Debt to Equity Ratio (Pambudi, 2023)	Debt to Equity Ratio (DER) is a financial metric used to measure how much a company finances its operations using debt compared to its own equity. Debt to Equity Ratio = Total Debt / Total Equity
Industry Specifics (Bushashe, 2023)	Banking industry specifics are external factors that may be related to bank profitability, such as industry concentration levels and the size of the banking system in relation to the overall economy. Market Share of Assets = Total bank assets / Total assets of all banks
Profitability (O'Connell, 2023)	Profitability is a metric that assesses a company's ability to generate profit or earnings over a specific period. Profitability (ROA) = Net Income After Tax / Total Assets
Credit Risk (Sukma et al., 2019)	Credit risk is the uncertainty related to the possibility of losses arising when the borrower (counterparty) is unable or unwilling to fulfill its obligations to fully repay borrowed funds at maturity or thereafter. NPF = Gross Financing Total / Non-Performing Financing Total ×100%

Results and Discussion

The independent, dependent, and moderating variables were subjected to descriptive statistical analysis in this study to determine the standard deviation, mean value, maximum value, and minimum value. Below are the results of the descriptive statistical tests in this study:

Table 3. Descriptive Statistics

	Current Ratio	Debt To Equity Ratio	Industry Specifics	Profitability	Credit Risk
Mean	14239,47	2,719509	0,018182	0,009424	35,60275
Median	401,1259	2,251546	5,129805	0,010398	32,17937
Maximum	357811,5	8,830900	0,175725	0,091464	76,52571
Minimum	7,394834	0,035465	4,138709	-0,057140	2,465947
Std. Dev.	67052,85	2,194016	0,046218	0,023717	22,63115
Skewness	4,946270	0,870824	2,665872	-0,059726	0,254305
Kurtosis	25,49243	3,184211	8,528494	6,822096	1,972712
Jarque-Bera	1383,643	7,029170	135,1894	33,51033	3,011262
Probability	0,000000	0,029760	0,000000	0,000000	0,221877
Sum	783170,8	149,5730	1,000000	0,518312	1958,151
Sum Sq. Dev.	2.434311	259,9402	0,115350	0,030374	27657,13
Observations	55	55	55	55	55

Source: Data Processed in Eviews, 2024

Based on the results of the testing conducted in Table 2, out of the 55 samples analyzed, the Current Ratio variable (X_1) has a mean value of 14239,47, a maximum value of 357811,5 a minimum value of 7,394834, and a standard deviation of 67052,85. This indicates that the average value is smaller than the standard deviation, indicating that this variable is heterogeneous with increasingly diverse data. The Debt To Equity Ratio variable (X_2) has a mean value of 2,719509, a maximum value of 8,830900, a minimum value of 0,035465, and a standard deviation of 2,194016. This indicates that the average value is greater than the standard deviation, indicating that this variable is homogeneous with low data deviation, resulting in even distribution. The Specific Industry variable (X_3) has a mean value of 0,018182, a maximum value of 0,175725, a minimum value of 4,138709, and a standard deviation of 0,046218. This indicates that the average value is smaller than the standard deviation, indicating that this variable is heterogeneous with increasingly diverse data. The Profitability variable (Y) has a mean value of 0,009424, a maximum value of 0,091464, a minimum value of -0,057140, and a standard deviation of 0,023717. This indicates that the average value is smaller than the standard deviation, indicating that this variable is heterogeneous with increasingly diverse data. The Credit Risk variable (Z) has a mean value of 35,60275, a maximum value of 76,52571, a minimum value of 2,465947, and a standard deviation of 22,63115. This indicates that the average value is greater than the standard deviation, indicating that this variable is homogeneous with low data deviation, resulting in even distribution.

Table 4. Model Test

Type of Test	Result	Description
Chow Test	0,000	Fixed Effect Model
Hausman Test	0,000	Fixed Effect Model

Source: Data Processed in Eviews, 2024

Based on the results of the model tests in Table 4, namely the Chow test and also the Hausman test, it was found that the Fixed Effect Model (FEM) is more appropriate to use compared to the Common Effect Model and the Random Effect Model.

Table 5. Hypothesis Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Coefficient	0,012588	0,009159	1,374360	0,1768
Current Ratio	3,44	3,27	10,51345	0,0000
Debt to Equity Ratio	0,000767	0,001440	0,532265	0,5974
Industry Specific	-0,557892	0,342229	-1,630171	0,1107
Coefficient	0,037624	0,012019	3,130508	0,0034
Current Ratio	5,74	1,28	4,481335	0,0001
Debt to Equity Ratio	-0,007001	0,002311	-3,029608	0,0044
Industry Specific	-0,704285	0,519459	-1,355805	0,1834
Current Ratio*Credit Risk	-1,03	5,42	-1,901479	0,0650
Debt to Equity Ratio*Credit Risk	0,000206	6,06	3,403553	0,0016
Industry Specific*Credit Risk	0,004642	0,002530	1,835205	0,0745
R-squared				0,86304
Adjusted R-squared				0,80011

Source: Data Processed in Eviews, 2024

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Based on the above results, the coefficient of determination (R2) indicates an R-square value of 0,800113. This value demonstrates the overall ability of the independent variables to explain the dependent variable by 80%, with the remaining 20% influenced by other variables. It can be concluded that the strength of the dependent variable is not strong.Referring to Table 5, the regression model before the moderation variable was added in this study is as follows:

$Y = (0,012) + (3,44)\ X_1 + (0,00)\ X_2 + (-0,55)\ X_3 + e$

Then referring to Table , the regression model after the moderation variable was added is as follows:

$Y = (0,037) + (5,74)\ X_1 + (-0,00)\ X_2 + (-0,70)\ X_3 + (-1,03)\ X_1Z + (0,00)\ X_2Z + (0,00)\ X_3Z$

Current Ratio and Profitability of Sharia Banking

The variable current ratio has a positive effect on the profitability of general Sharia banking companies listed in the OJK. This is evident from the conducted statistical test where the probability value is 0,000 < 0,05 and the coefficient value is 3,44. With these results, for every 1% increase in the current ratio, the company's profitability will increase by 3,44. These findings indicate that each company in this study has a sufficiently high current ratio. A high current ratio indicates that the company has good liquidity, meaning it has enough current assets to cover short-term obligations. When a company has good liquidity, they are more capable of meeting financial obligations on time without having to sell assets or seek additional loans. This reduces the risk of default and related costs, thereby increasing profitability. These results are consistent with the study conducted by Angelina et al. (2020), which revealed that the current ratio affects a company's profitability. A healthy current ratio can enhance investor and creditor confidence in the company. Investors and creditors tend to view companies with high current ratios as stable entities capable of managing their obligations well. This confidence can translate into lower financing costs and easier access to capital, ultimately contributing to higher profitability.

Debt to Equity Ratio and Profitability of Sharia Banking

The variable debt to equity ratio does not have a positive and significant effect on the profitability of general Sharia banking companies listed in the OJK. This result is evident from the conducted statistical test where the probability value is 0,5974 > 0,05. The findings of this research indicate that each company studied in this research has a relatively high debt to equity ratio. A high debt to equity ratio indicates a greater use of debt compared to equity, which increases the financial risk of the company. Interest expenses and principal debt payments can reduce net income, especially if the company's revenue is unstable or declining. High debt costs can reduce a company's profit. Additionally, Sharia banking companies must adhere to Sharia principles that prohibit riba (interest), although some forms of debt financing may still be acceptable. A high dependence on debt may not align with the ideal Sharia business model, which emphasizes equity and risk-sharing. Therefore, companies may be more cautious in using debt as a primary source of financing, so its impact on profitability is not significant. A balanced financing structure, relying more on equity financing and customer deposits than external debt, can also reduce the influence of the debt to equity ratio on profitability. The findings of this research are consistent with the studies conducted by Angelina et al. (2020), which found that the debt to equity ratio does not have a positive and significant effect on profitability.

Industry Specifics and Profitability of Sharia Banking

The specific industry variable does not have a positive and significant effect on the profitability of general Sharia banking companies listed in the OJK. This result is evident from the conducted statistical test where the probability value is 0,1107 > 0,05. With the absence of such an influence, the current conditions in the Sharia banking sector are experiencing intense competition. Intense competition in the Sharia banking market can reduce the profits derived from a large market share, due to the high costs associated with maintaining and expanding market share. Currently, there are numerous Sharia financial industries in Indonesia, both registered with the OJK and not. The presence of these industry players provides consumers with numerous options or choices in selecting which bank to use, thereby decreasing the risk of maintaining profitability for companies. The findings of this research are consistent with the study conducted by Killins, (2020), which stated that industry specifications through asset concentration have a negative effect on company profitability.

Credit Risk, Current Ratio and Profitability of Sharia Banking

The credit risk variable is unable to moderate the current ratio's impact on profitability. This is evident from the conducted statistical test where the probability value (significance) is 0,0650 > 0,05. These results indicate that credit risk cannot moderate the current ratio's effect on the profitability of general Sharia banking companies listed in the OJK. Sharia banking companies in this study have a sufficiently good current ratio, indicating that the liquidity reflected by the current ratio is strong enough to influence profitability without being affected by credit risk. Companies with a good current ratio have a higher ability to meet their short-term obligations, which directly increases investor and creditor confidence and reduces the risk of bankruptcy, thereby enhancing profitability (Wibisono & Wahyuni, 2017). Furthermore, in the context of Sharia banking, credit risk management may already be integrated into comprehensive risk management practices, making its moderating influence on the current ratio less apparent. Sharia banks tend to have unique risk management mechanisms in line with Sharia principles, such as risk-sharing with customers, which may mitigate the impact of credit risk on the relationship between liquidity and profitability.

Credit Risk, Debt to Equity Ratio and Profitability of Sharia Banking

The credit risk variable is able to moderate the debt to equity ratio's impact on profitability. This is evident from the conducted statistical test where the probability value (significance) is 0,0016 or < 0,05, indicating that credit risk can strengthen the relationship between the debt to equity ratio and the profitability of general Sharia banking companies listed in the OJK. A high debt to equity ratio indicates that the company uses more debt than equity to finance its operations, increasing the financial risk of the company because it must pay interest and principal on its debt (Hantono et al., 2019). However, Sharia banking has a superior risk management system where Sharia-compliant principles, including the prohibition of interest and risk-sharing, must be adhered to. Effective credit risk management can reduce default rates and improve asset quality, thereby mitigating the negative impact of high leverage (high debt to equity ratio) on profitability.

Credit Risk, Industry Specifics and Profitability of Sharia Banking

The credit risk variable is unable to moderate the specific industry's impact on profitability. This is evident from the conducted statistical test where the probability value (significance) is 0,0745 or > 0,05. These results indicate that credit risk cannot moderate the

specific industry's effect on the profitability of general Sharia banking companies listed in the OJK. Asset market share is more related to a company's size and dominance in the market than the quality of asset management or credit risk. Although a large market share can provide competitive advantages such as economies of scale and market influence, it is not directly related to a company's ability to manage credit risk (Yitayaw, 2021). Credit risk is more associated with how companies manage their loan portfolios and assess borrower creditworthiness, which is a separate aspect of risk management from asset market share.

Conclusion and Suggestions

The main objective of this study was to examine the influence of current ratio, debt to equity ratio on the profitability of companies with credit risk as a moderating variable in Sharia banking companies listed on the OJK. In this study, it was found that the current ratio can affect the profitability of companies because the companies have sufficient current assets to cover their short-term obligations, while the debt to equity ratio and specific industry cannot affect the profitability of companies. In terms of the moderating variable, only the debt to equity ratio can be moderated by credit risk because Islamic banking has a superior system in managing risks where it must adhere to Sharia principles including the prohibition of interest and risk-sharing, while for current ratio and industry specificity, they do not have an impact on the profitability of the company. The limitations of this research lie in focusing solely on the Islamic banking sector with a span of the years 2019-2023, and only using the variables current ratio, debt to equity ratio, industry specifics, credit risk, and profitability. Therefore, it is suggested that future research could expand the sectors studied and add other variables such as total assets turnover, company value, and price-earnings ratio. This research can provide information on the factors that can influence the profitability of Islamic banking companies.

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