Macroeconomic Impacts on Profit Growth in Indonesian Islamic Banking

Muryani Arsal[a*], Sri Nurpiana Arta[b], Aulia Nurazizah Putri Syarif[c] and Detri Heri Gemita[d]

[a,b,c,d] *Faculty economy and Business, Accounting Departmen, Universitas Muhammadiyah Makassar, Indonesia*

[*] *Corresponding author muryani@unismuh.ac.id*

ARTICLE INFO

Article history:
Received November
Accepted December

Keywords
Islamic banking, profit growth, inflation, exchange rate, GDP

A B S T R A C T

This study investigates the effect of inflation, exchange rates, and GDP on the profit growth of Indonesian Islamic banking firms. Islamic banks operate under a profit-sharing model, differentiating them from conventional banks, which are more susceptible to interest-based fluctuations. Using quantitative analysis, this study collected secondary data from the Indonesia Stock Exchange and Bank Indonesia to assess profit growth and macroeconomic variables. Regression analysis and diagnostic tests were performed to evaluate the relationship between these macroeconomic factors and profit growth. The results reveal that inflation, exchange rates, and GDP do not significantly affect profit growth in Indonesian Islamic banks. This outcome suggests that Islamic banks may exhibit a natural resilience against common economic pressures due to their unique profit-sharing structure. Unlike conventional banks, Islamic banks appear less influenced by fluctuations in inflation or currency values, providing a potential advantage in emerging markets characterized by economic volatility. The findings imply that Islamic banks offer stability for investors and policymakers during periods of macroeconomic uncertainty. This study contributes to the literature on Islamic banking by offering empirical insights into how macroeconomic factors interact differently with profit growth in this sector. Future research could extend this analysis to conventional banks for comparative insights or explore additional variables affecting Islamic banks' performance over longer time horizons.

1. Introduction

The growth of corporate profit is widely regarded as a key indicator of financial performance, stability, and potential for expansion. It holds particular importance in sectors such as Islamic banking, where compliance with Shariah principles (Ulfah et al., 2023), requires unique approaches to financial transactions and risk management (Purwatiningsih & Sumaji, 2023). In an era of increased economic volatility, macroeconomic factors such as inflation, exchange rates, and Gross Domestic Product (GDP) growth play substantial roles in determining the profit trajectories of companies, especially those in emerging economies like Indonesia (Ainur et al., 2024; Meiliana & M. N., 2020) For Islamic banks, these influences are further complicated by operational principles that differ significantly from conventional banking systems, particularly regarding interest prohibition and profit and loss sharing models (Nadzifah & Sriyana, 2020) Given these complexities, examining the impact of macroeconomic variables on the profit growth of Islamic banking provides critical insights into both financial stability and sector-specific responses to economic pressures. Islamic finance demonstrates greater stability compared to conventional financial systems, particularly in times of global economic instability fueled by speculative activities, and is less impacted by fluctuations in inflation, exchange rates, and GDP (Arif & Shabbir, 2019; Hasan et al., 2024).

Indonesia's economic environment presents an ideal context to explore this topic, as it is characterized by fluctuating inflation rates, varying currency valuations, and steady GDP growth. Previous studies have identified inflation and currency exchange rates as significant drivers of profit fluctuations in traditional banking; however, these studies have largely overlooked Islamic banking and the unique constraints it faces ((Andini, 2024; Kewal, 2012). This study addresses this gap by analyzing the Indonesian Islamic banking sector's profit growth in relation to inflation, exchange rates, and GDP, contributing valuable knowledge to the fields of both Islamic finance and macroeconomics. The findings of this study have significant implications for financial decision making, as they can guide Islamic banks and policymakers in navigating economic challenges and enhancing profit resilience.

1.1 Background

Profit growth serves as a core indicator of financial health, business performance, and organizational efficiency. In Islamic banking, achieving sustained profit growth is critical for meeting operational and ethical requirements, as well as for attracting both local and international investors. Unlike conventional banks that rely heavily on interest-bearing transactions, Islamic banks must employ profit-and-loss sharing mechanisms, such as *mudarabah* and *musharakah*, to align with Islamic principles. These mechanisms often expose Islamic banks to different types and degrees of financial risk, which can affect profit stability and growth (Meiliana & M. N., 2020). Therefore, analyzing profit growth in Islamic banks requires a nuanced understanding of how these institutions are affected by broader economic factors, such as inflation and currency fluctuations, which influence their costs and revenue structures differently than conventional banks.

The importance of this research extends beyond individual financial institutions. As Indonesia seeks to position itself as a global center for Islamic finance, understanding the determinants of profit growth within its Islamic banking sector has far-reaching implications for policy, regulation, and economic development. Given that profit growth is often viewed as a reflection of an organization's stability and growth potential, examining this in the context of Islamic banks can provide insights into their capacity to adapt and thrive amid economic challenges. Such insights are essential for policymakers aiming to stabilize and support the sector's expansion as part of Indonesia's national economic strategy.

On the other hand, macroeconomic variables such as inflation, exchange rates, and GDP exert profound effects on corporate profitability across all sectors. However, the impacts of these factors on Islamic banking institutions remain underexplored. Inflation, for instance, can erode consumer purchasing power and increase operational costs, potentially dampening profit growth. Studies suggest that in periods of high inflation, Islamic banks might face distinct challenges as their financing models are less flexible in transferring cost increases to consumers compared to conventional banks (Achmadi, 2023; Hasan et al., 2024; Zihad & Muslim, 2022). Exchange rates also play a pivotal role, especially in import-reliant economies like Indonesia. Currency depreciation can increase the cost of imported goods, thus affecting profit margins. This influence can be particularly pronounced in banks with significant foreign exchange exposure or international investments, leading to fluctuating profitability (Yulianta & Nurjaya, 2021)

GDP growth, as a measure of economic health, generally correlates positively with corporate profit growth, as it signals rising consumer demand and a favorable business environment. A growing GDP often reflects increased consumer spending, which can boost demand for financial services, including those offered by Islamic banks (Hastuti et al., 2023). However, the extent to which GDP growth impacts Islamic banks' profits in Indonesia remains unclear, particularly given the sector's distinct operational characteristics and regulatory constraints. Consequently, a thorough examination of how these macroeconomic factors interact with Islamic banks' profit growth is crucial for developing a robust understanding of the sector's financial performance in a dynamic economic landscape.

1.2 Research Gap and Objectives

While previous studies have examined the impact of macroeconomic variables on profit growth in conventional banks, the Islamic banking sector remains under-researched, especially in the Indonesian context (Kewal, 2012; Meiliana & M. N., 2020). Additionally, existing literature often presents mixed findings regarding the extent and nature of these macroeconomic influences, further emphasizing the need for targeted research on Islamic banking. This study seeks to bridge this gap by focusing specifically on Islamic banks in Indonesia, exploring how inflation, exchange rates, and GDP impact their profit growth. The findings aim to clarify the unique responses of Islamic banks to macroeconomic shifts, contributing to more informed financial and policy decisions.

The primary objective of this research is to analyze the relationship between macroeconomic variables and profit growth in the Indonesian Islamic banking sector. The study hypothesizes that:

H1. Inflation has negative effect on profit growth in Islamic banks due to its impact on consumer purchasing power and operational costs.

H2. Exchange rate fluctuations influence profit growth, with depreciation potentially reducing profit margins in banks with foreign exchange exposure.

H3. GDP growth has a positive effect on profit growth in Islamic banks, aligning with general economic trends that link increased consumer spending with enhanced corporate profitability.

Through a comprehensive examination of these relationships, this study contributes to the existing literature by offering a nuanced understanding of macroeconomic impacts on profit growth in Indonesia's Islamic banking sector. The insights generated are intended to support the sector's resilience and sustainability in a volatile economic environment, providing practical implications for both bank management and policymakers.

2. Literature Review

2.1 Inflation and Islamic Bank Profit Growth

Inflation affects profit growth by altering both consumer purchasing power and the cost structure of firms. In high-inflation periods, consumer spending typically declines, which can reduce demand for banking services, including financing options. For Islamic banks, which rely on non-interest-bearing financial products, inflation may reduce profit margins due to limited flexibility in adjusting pricing structures to account for rising costs (Zihad & Muslim, 2022). Existing studies have shown that inflation can have a detrimental impact on profit growth, with Islamic banks potentially more vulnerable due to the fixed nature of their revenue models compared to conventional banks (Achmadi, 2023; Meiliana & M. N., 2020).

2.2 Exchange Rates and Profit Growth in Islamic Banking

Exchange rate fluctuations impact profit growth by altering the value of foreign-denominated assets and liabilities. For Islamic banks with significant import exposure or foreign financing, currency depreciation can increase costs, thereby reducing profitability. Conversely, a strong currency may support profit growth by lowering the cost of imported goods and services (Yulianta & Nurjaya, 2021). However, studies indicate that the impact of exchange rates on profit growth varies widely, and in Islamic banks, these impacts may be moderated by Shariah-compliant hedging strategies and other unique financial practices (Choiriyah & Auwalin, 2020).

2.3 GDP Growth and Profit Potential in Islamic Banks

GDP growth is a widely recognized driver of corporate profitability, as it generally signals improved economic conditions and higher consumer spending capacity (Hastuti et al., 2023) In the context of Islamic banking, GDP growth can enhance profit potential by increasing demand for financing and investment products. However, empirical findings on this relationship in the Islamic banking sector are scarce, particularly in Indonesia. Studies from other emerging markets suggest that GDP growth can support Islamic banks' profitability, but the specific mechanisms in Indonesia require further investigation (Nadzifah & Sriyana, 2020).

3. Methodology

This research employs a quantitative approach to examine the effects of macroeconomic variables, specifically inflation, exchange rates, and Gross Domestic Product (GDP), on profit growth among Islamic banks listed on the Indonesia Stock Exchange (IDX). The quantitative method aligns with previous studies, such as those by (Ainur et al., 2024; Hastuti et al., 2023) who assert that macroeconomic variables significantly impact financial performance metrics, particularly in developing economies. This section is organized into two main subsections: data collection and data analysis, each detailing the methods and techniques used to ensure robust and reliable findings.

3.1 Data Collection

This study adopts a quantitative research design to examine the influence of inflation, exchange rates, and GDP on profit growth Indonesian Islamic banking. Quantitative analysis provides an empirical basis for identifying relationships between macroeconomic variables and corporate profit outcomes (Achmadi, 2023). As the study investigates a broad economic relationship across multiple sectors, quantitative methods enable precise measurement and statistical analysis, making them particularly suited for analyzing the large datasets gathered from secondary sources (Meiliana & M. N., 2020). The data for this research was sourced from the Indonesia Stock Exchange (IDX) for corporate profit data, and Bank Indonesia for macroeconomic indicators such as inflation, exchange rates, and GDP (Asiyam et al., 2022). The study uses a purposive sampling approach, specifically Indonesian Islamic banking firms listed on the IDX

A saturated sampling technique was employed, whereby all Islamic banks listed on the IDX were included in the sample to ensure comprehensive coverage. The sample includes such as PT Bank Syariah Indonesia Tbk (BRIS), PT Bank Panin Dubai Syariah Tbk (PNBS), PT Bank BTPN Syariah Tbk (BTPS), and PT Bank Aladin Syariah Tbk (BANK).

3.2 Data Sources

The data for this research comprises both macroeconomic indicators and financial performance metrics specific to Islamic banks in Indonesia. The following are the primary sources:

1. Macroeconomic Variables: The study collected inflation rates, exchange rates, and GDP growth data from official databases such as Bank Indonesia (BI) and the Indonesian Statistics Bureau. These metrics reflect the broader economic environment and are expected to influence corporate profit growth (Achmadi, 2023; Meiliana & M. N., 2020)
2. Profit Growth Data: Financial reports of the sampled Islamic banks, accessible through the IDX, were the primary source for profit growth figures. These reports offer comprehensive details on annual financial performance, aligning with the study period under consideration.

3.3 Data Analysis

The data analysis phase involves several steps to examine the relationships among the variables and ensure that statistical results are valid and interpretable. This study employs both descriptive and inferential statistical analyses to establish a nuanced understanding of the data. To ensure the validity of the regression model, several classical assumption tests were conducted such as the one-sample Kolmogorov-Smirnov test was employed to check for normality. A significance value above 0.05 indicates a normal distribution. Variance Inflation Factors (VIF) and tolerance values were calculated to detect multicollinearity issues. VIF values below 10 and tolerance values above 0.10 indicate no significant multicollinearity. Also, the Durbin-Watson statistic was used to examine autocorrelation in the residuals. A value between 1.5 and 2.5 is generally accepted, indicating no autocorrelation.

However, Multiple regression analysis was used to evaluate the impact of each independent variable inflation, exchange rate, and GDP growth on profit growth among Islamic banks. This method is appropriate for understanding the unique contribution of each variable to profit growth, controlling for the effects of the others (Kewal, 2012; Meiliana & M. N., 2020)

The regression model is expressed as follows:

$$\text{Profit Growth} = \alpha + \beta 1 \text{Inflation} + \beta 2 \text{Exchange Rate} + \beta 3 \text{GDP} + \epsilon$$

Where : α represents the constant term; $\beta 1$, $\beta 2$, and $\beta 3$ are the coefficients for inflation, exchange rate, and GDP growth, respectively, and ϵ is the error term.

4. Results

4.1. Result

This section presents the results of the statistical analyses conducted to examine the impact of inflation, exchange rates, and GDP growth on profit growth among Indonesian Islamic banking firms. The results are organized into subsections detailing the descriptive statistics, and diagnostic tests and regression analysis.

4.1.1 Descriptive Statistics

Descriptive statistics provide an overview of the distribution and central tendencies of each variable namely, inflation, exchange rate, GDP growth, and profit growth. These statistics are critical for understanding the underlying characteristics of the dataset, ensuring data suitability, and interpreting the variability within each macroeconomic factor.

Table 1. Descriptive Statistics for Variables

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Inflation (%)	16	1.68	5.51	2.91	1.59
Exchange Rate (IDR/USD)	16	14,105	15,529	14,837.75	671.23
GDP Growth (%)	16	-2.07	5.31	2.99	3.08
Profit Growth	16	-366	481,114	3,072.63	12,015.32

As shown in Table 1, the inflation rate ranges from 1.68% to 5.51%, with an average annual rate of 2.91%, suggesting moderate inflation levels over the study period (Achmadi, 2023). Exchange rate data indicate substantial fluctuations in the value of the Indonesian Rupiah (IDR) against the US Dollar (USD), ranging from 14,105 to 15,529, with a mean of 14,837.75. The GDP growth rate displays a similarly broad range, from -2.07% to 5.31%, with a mean of 2.99%, reflecting periods of economic expansion and contraction. Profit growth has the most considerable variability, with values ranging from negative to 481,114, demonstrating the diversity in financial performance across the sample firms (Meiliana & M. N., 2020).

4.1.2 Diagnostic Tests

Table 2. Diagnostic Test Results

Test	Statistic	Conclusion
Kolmogorov-Smirnov (Normality)	Sig. = 0.200	Data are normally distributed
Variance Inflation Factor (VIF)	Inflation: 2.523, Exchange Rate: 4.382, GDP: 2.689	No multicollinearity
Durbin-Watson (Autocorrelation)	2.015	No autocorrelation

Based on the table 2, shown the Kolmogorov-Smirnov test is used to verify whether residuals are normally distributed. Variance Inflation Factor values for each independent variable are calculated to assess collinearity. VIF values below 10 indicate that multicollinearity is not an issue, and autocorrelation test show the Durbin-Watson statistic is used to detect any correlation among residuals. A value between 1.5 and 2.5 suggests that no autocorrelation..

4.1.3. Regression Analysis

The hypothesis testing framework is developed to assess each macroeconomic variable's impact on profit growth. Individual hypotheses are evaluated using the t-statistic within the regression analysis, with significance levels set at 0.05. This threshold is consistent with standard statistical conventions for economic and financial research (Yulianta & Nurjaya, 2021). The hypothesis testing from regression model's results, including coefficients, t-values, and significance levels for each independent variable, are presented in Table 3.

Table 3. Regression Analysis Results

Variable	Coefficient	Std. Error	t-value	p-value	Interpretation
Constant	196,756.94	134,234.87	1.466	0.168	Not significant
Inflation	2.009	30.908	0.065	0.949	No significant
Exchange Rate	-13.602	9.631	-1.412	0.183	No significant
GDP Growth	25.194	16.406	1.536	0.151	No significant

The regression model indicates that none of the variables inflation, exchange rate, or GDP growth exhibit a statistically significant effect on profit growth at the 0.05 level. The constant term is also not significant, suggesting that factors other than those included in the model may influence profit growth.

4.2. Interpretation of Result

4.2.1 Inflation and Profit Growth

The coefficient for inflation is 2.009, with a t-value of 0.065 and a p-value of 0.949, indicating no statistically significant effect on profit growth. These results align with previous studies in Indonesia that show inflation does not consistently impact corporate profits, particularly within Islamic banking (Nadzifah & Sriyana, 2020). As inflation increases, the purchasing power of consumers generally declines, which can reduce demand for goods and services (Dewi Sartika et al., 2019). However, for Islamic banks, which operate on a profit-sharing basis rather than interest-based models, inflation may have a reduced impact as compared to conventional banks (Meiliana & M. N., 2020). This finding contradicts theories suggesting that inflation generally has a negative impact on profit growth by eroding consumer purchasing power and increasing production costs (Achmadi, 2023).

4.2.2 Exchange Rate and Profit Growth

The exchange rate coefficient is -13.602, with a t-value of -1.412 and a p-value of 0.183, also indicating no significant effect on profit growth. This finding is consistent with research showing that exchange rate fluctuations do not uniformly affect profit growth in all sectors (Zihad & Muslim, 2022). In emerging markets, companies engaged in import-heavy activities often see profitability affected by exchange rate changes due to increased input costs(Yulianta & Nurjaya, 2021). However, this effect may be mitigated in Islamic banks, where financing is structured differently, possibly reducing exposure to exchange rate risks (Meiliana & M. N., 2020). The finding challenges assumptions from Signal Theory, which would suggest that currency depreciation (often signaling economic instability) would deter investors and reduce profitability in sectors highly dependent on foreign currency transactions (Kewal, 2012) .

4.2.3 GDP Growth and Profit Growth

The coefficient for GDP growth is 25.194, with a t-value of 1.536 and a p-value of 0.151, also indicating no significant effect on profit growth. GDP growth typically represents overall economic health and, in theory, should be positively associated with profit growth due to increased consumer spending during economic expansion (Hastuti et al., 2023). However, the results of this study align with findings from Kewal (2012), which suggest that GDP growth may not directly impact profit growth in certain sectors. Islamic banks, given their focus on profit-sharing rather than traditional interest-based earnings, may be less sensitive to economic cycles compared to conventional banks. Additionally, fluctuations in GDP may not have an immediate effect on profit growth in financial institutions, as banking profitability often depends on longer-term economic stability (Nuryana et al., 2022).

Overall, the results indicate that inflation, exchange rate, and GDP growth do not have significant direct impacts on profit growth of Indonesian Islamic banking. These findings contribute to the literature by highlighting the unique response of Islamic banks to macroeconomic factors, a departure from conventional banking patterns observed in other studies (Nadzifah & Sriyana, 2020). Additionally, the diagnostic tests affirm the robustness of the regression model, providing a reliable basis for interpreting these results. In the subsequent section, these findings are further discussed, with potential explanations and implications for policymakers and industry practitioners.

5. Discussion

The purpose of this study was to investigate the impact of inflation, exchange rates, and GDP growth on the profit growth of Indonesian Islamic banking firms. The findings reveal that none of these macroeconomic variables have a statistically significant effect on profit growth, challenging conventional theories that typically link these economic factors with corporate performance. In this section, each finding is discussed in detail, including comparisons with existing literature, the implications for the Islamic banking sector in Indonesia, and the limitations of the study.

5.1 Inflation and Profit Growth

The regression analysis indicates that inflation does not have a statistically significant impact on profit growth for Islamic banking firms in Indonesia. This finding contrasts with much of the traditional literature, which often highlights inflation as a critical factor influencing corporate profitability (Achmadi, 2023; Zihad & Muslim, 2022). Typically, inflation reduces consumer purchasing power, leading to lower consumption and, consequently, lower revenue for companies (Dewi Sartika et al., 2019). For many industries, this relationship is direct, as lower consumption diminishes demand for goods and services, which can constrain profit growth. However, the lack of a significant impact in this study aligns with research by (Nadzifah & Sriyana, 2020) found that inflation had limited influence on profit growth within Islamic banking.

The unique business model of Islamic banks may explain this result. Unlike conventional banks, which primarily generate income through interest, Islamic banks operate on profit-sharing principles (Meiliana & M. N., 2020; Ulfah et al., 2023). Thus, Islamic banks are not as exposed to inflation-driven changes in interest rates, which are typically adjusted to combat rising inflation. As a result, Islamic banks may have a natural buffer against inflation's impact on profitability. Additionally, inflation can lead to higher costs for conventional businesses due to increased borrowing expenses, but Islamic banks' profit-sharing approach reduces dependence on fixed-rate financial products, thereby diminishing inflationary impacts on their cost structures. This finding suggests that Islamic banking firms in Indonesia might have more resilience against inflationary pressures than other types of businesses, making them a stable option for investors during periods of high inflation. However, it is also possible that inflation impacts might become more pronounced over longer timeframes or during periods of extreme inflation, which this study's sample may not capture.

5.2 Exchange Rates and Profit Growth

The results indicate that exchange rate fluctuations do not have a statistically significant effect on profit growth within the sampled Islamic banking firms. This finding diverges from much of the literature that demonstrates a substantial effect of exchange rates on corporate profitability, particularly for firms involved in import-export activities (Yulianta & Nurjaya, 2021). Exchange rate fluctuations typically affect companies that rely heavily on imports or exports by altering production costs and affecting revenue from foreign markets (Meiliana & M. N., 2020).. For example, a depreciating currency often increases input costs for import-reliant firms, which can reduce profitability if these costs cannot be passed on to customers.

Islamic banks, however, are less dependent on foreign-denominated transactions, which may explain the absence of a significant effect. Additionally, the financing structures used by Islamic banks are less sensitive to currency fluctuations. Unlike conventional banks, which may have substantial foreign-denominated debt exposure, Islamic banks rely on profit-sharing mechanisms, which offer more flexibility in adjusting to currency fluctuations (Kewal, 2012). Therefore, the findings in this study are consistent with prior research suggesting that Islamic banks may experience limited exposure to exchange rate volatility (Zihad & Muslim, 2022).

These results imply that Indonesian Islamic banks may provide a relatively stable investment option in a market where currency fluctuations are common. However, the stability observed here does not mean that these institutions are immune to exchange rate impacts in all conditions. Future studies may consider sectoral comparisons between Islamic and conventional banks to investigate how different financing structures impact profit growth under varying exchange rate conditions.

5.3 GDP Growth and Profit Growth

In contrast to common economic expectations, this study finds that GDP growth does not significantly impact the profit growth of Islamic banks in Indonesia. Typically, GDP growth is associated with an overall economic expansion, rising consumer demand, and improved corporate profits (Hastuti et al., 2023) . As consumers spend more, demand for financial products and services generally increases, theoretically benefitting banks through higher transaction volumes and lending activities (Kewal, 2012).

However, the absence of a significant impact on profit growth aligns with findings by (Meiliana & M. N., 2020) stated that Islamic banks might exhibit different responses to economic cycles compared to conventional banks. Islamic banks are structured around ethical financing and profit-sharing, which can make them less sensitive to immediate economic fluctuations. For instance, during periods of economic expansion, conventional banks may see immediate growth in profit due to increased demand for loans. In contrast, Islamic banks rely on longer-term investments and are less reactive to short-term economic changes, as profit-sharing arrangements often yield returns based on business performance rather than economic cycles (Nuryana et al., 2022).

5.4 Implications of the Findings
The results of this study provide valuable insights into the resilience of Indonesian Islamic banks against common macroeconomic factors, which has implications for both investors and policymakers. For investors, the apparent insulation of Islamic banks from inflation, exchange rate fluctuations, and GDP variability presents them as a potentially stable investment option within emerging markets (Purwatiningsih & Sumaji, 2023). The findings also imply that Islamic banks may be a safer investment in periods of economic volatility, as their profit-sharing structures are less likely to be directly impacted by the rapid fluctuations often seen in emerging economies like Indonesia (Andini, 2024).
For policymakers, understanding the unique responses of Islamic banks to macroeconomic factors is essential for effective financial regulation. Since Islamic banks operate under different financing principles, policy measures that assume a one-size-fits-all approach may overlook key distinctions in how these institutions react to economic conditions. Regulatory frameworks could be adapted to recognize the resilience of Islamic banks, enabling a tailored approach that fosters growth and stability in the Islamic banking sector.

5.5 Study Limitations and Future Research
This study's findings must be viewed in light of certain limitations. First, the analysis is limited to Indonesian Islamic banking firms, which may reduce the generalizability of the results to other sectors or countries. The unique characteristics of the Indonesian financial market and the structural distinctions of Islamic banks may limit the applicability of these findings to other emerging markets or conventional banking institutions. Future research could expand the scope to include conventional banks and other sectors to determine whether these results hold across different industries. Second, this study's time frame might limit the ability to capture longer-term trends. Although the dataset includes multiple years, macroeconomic factors like inflation and GDP growth may have cumulative effects on profit growth over extended periods.

Future research could adopt a longitudinal approach, examining macroeconomic impacts over a broader time horizon to capture any delayed effects that may not be immediately apparent in shorter studies. Finally, this study employs regression analysis to establish correlations between macroeconomic variables and profit growth. While this method is useful for identifying relationships, it does not capture the underlying mechanisms driving these relationships. Further studies could explore more complex econometric models, such as panel data analysis or structural equation modeling, to capture the dynamics more comprehensively and examine potential moderating or mediating variables.

6. Conclusion
This study investigated the impact of inflation, exchange rates, and GDP growth on profit growth among Indonesian Islamic banking firms. The primary findings indicate that none of these macroeconomic variables significantly affect profit growth in the sampled firms, which contrasts with traditional economic assumptions that link these factors with corporate profitability. The unique characteristics of Islamic banks, which operate on profit-sharing principles rather than interest-based income models, likely contribute to this resilience.

Unlike conventional banks, which are more sensitive to inflation, exchange rate fluctuations, and GDP cycles, Islamic banks appear relatively insulated from these economic pressures.

The findings have important implications for both investors and policymakers. For investors, Islamic banks in Indonesia may represent a stable investment option, especially during periods of economic volatility, as their business model provides a natural hedge against rapid macroeconomic changes. For policymakers, the study suggests that regulatory frameworks for Islamic banks should consider their unique financial structures and resilience to traditional economic indicators. Tailoring policies to Islamic banks may further strengthen the sector and enhance overall economic stability.

This study contributes to the existing body of knowledge by providing empirical evidence on the distinct ways Islamic banks respond to macroeconomic variables in an emerging market context. These findings highlight the need for further research comparing the responses of Islamic and conventional banks to macroeconomic factors, potentially exploring sector-specific and country-specific dynamics. Future research could expand the scope by including longer time frames, incorporating additional economic indicators, or employing more complex econometric models to gain deeper insights into the mechanisms driving these relationships. Expanding this research across different countries would also offer a broader understanding of the impacts of macroeconomic variables on Islamic banking worldwide.

Acknowledgement

The authors express sincere gratitude to the reviewers for their valuable insights and constructive feedback, which significantly enhanced the clarity and rigor of this research

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