Journal of International Islamic Business Studies (JIIBS)

Volume 3, Number 1, 2026, 73-82
ISSN NO. 3109-2209

Institutional and Customer Determinants of Sharia Financing Quality in BPRS

Ardianto Pratama[1]*.

[1] Diponegoro University, Indonesia

*Email corresponding author: ardianto.pratama@gmail.com

Received 08/04/2026 Revised 22/07/2026 Published 30/09/2026

Abstract

This study analyzes the factors that determine the financing quality of Subsidized Sharia Micro Home Ownership Loans (KPRS) at Sharia People's Financing Banks (BPRS). This study uses data from the Subsidized Sharia Micro Mortgage program in the 2021–2025 period and tested 12 independent variables, namely financing procedures, banking regulations, supervisory systems, internal audits, external audits, budgeting, income, education, household expenses, customer trust, and employee work ethics. The analysis was carried out by Structural Equation Modeling (SEM) and correlation. The results show that most of the factors were related to the quality of financing, while household expenditure did not show a direct influence. customer occupation was reported as the factor with the largest coefficient. These findings provide empirical evidence of the relationships among the variables examined in this study on financing quality, non-performing financing (NPF), governance, financing risk, trust, and sharia housing financing. Recent studies show that the quality of BPRS financing is influenced by the characteristics of the bank, financing structure, efficiency, governance, macroeconomic conditions, and customer characteristics. Thus, the quality of KPRS financing should not be understood only as a matter of work or income, but as the result of the interaction between the customer's ability to pay and the quality of the BPRS risk management process.

Keywords: Financing Quality, Islamic Micro Mortgages, BPRS, NPF, Risk Management, Governance, Trust.

INTRODUCTION

Housing is a basic need that has economic and social dimensions. For low-income people (MBR), limited income, access to formal financing, and uncertainty of cash flow can limit the ability to build or repair houses. In the context of sharia financing, access to housing financing is not only related to the price or margin of financing, but also to the suitability of sharia products, payment ability, quality of service, and risk perception. Research on subsidized sharia mortgages in Indonesia shows that aspects of religiosity, sharia-compliant products, payment policies, and financial benefits can influence the decision of MBR to choose sharia housing financing (Abdurrahman et al., 2026).

The Subsidized Sharia Micro Mortgages that are the object of this research are historical programs that were distributed in the 2021–2025 period. Because the subsidy scheme has undergone changes in its design and implementation, the findings should be interpreted within the context of the programme framework applicable during the 2021–2025 observation period, rather than as a direct reflection of the current housing subsidy policies. Affirmation of the research period is important so that there are no generalizations across time. The latest literature shows that the quality of financing in Islamic banks and BPRS is greatly influenced by NPF, bank characteristics, financing structure, efficiency, macroeconomic conditions, and governance (Widarjono et al., 2020; Priyadi et al., 2021; Fakhrunnas & El Hasanah, 2022; Fakhrunnas & Anto, 2024).

Financing quality is an important issue because non-performing financing can suppress the profitability and stability of institutions. In BPRS Indonesia, a panel study showed that internal factors such as profitability, capital adequacy, and bank size can be related to NPF, while the structure of financing products is also related to financing risk (Widarjono et al., 2020). Other studies show that the quality of financing differs according to financing schemes and regional characteristics, so risk management needs to consider portfolio characteristics, not just bank aggregate indicators (Fakhrunnas & Anto, 2024). Findings on BPRS also show

Volume 3, Number 1, 2026, 73-82
ISSN NO. 3109-2209

that NPF is an important factor for institutional performance and stability (Faridatunnisa et al., 2024; Hendri et al., 2025).

In the context of governance, supervision, internal audit, and sharia compliance are becoming increasingly important. Research on internal audits in Indonesian Islamic banks confirms the importance of the audit function as part of the control and governance mechanism (Birton et al., 2022). On the other hand, corporate governance and sharia compliance are related to customer trust; transparency and sharia compliance are reported to have a positive relationship with customer trust (Sulistiyo et al., 2020). Therefore, institutional factors in the research on subsidized Sharia Micro Mortgages remain relevant, although regulatory terms and supervisory structures need to be adjusted to developments in Islamic banking regulations.

Customer characteristics are also important. Income, employment, education, and ability to manage liabilities can affect the ability to pay. However, the latest literature encourages a more comprehensive approach because financing risks are the result of the interaction of debtor factors, banks, and the economic environment. In Islamic housing financing, for example, macroeconomic risks and conditions can affect home financing performance, including through inflation (Fakhrunnas et al., 2021; Anto et al., 2022).

Based on these conditions, this study addresses three questions: (1) whether financing procedures, banking regulations, supervisory systems, internal audits, external audits, budgeting, employment, income, education, household expenses, trust, and work ethics are related to financing quality; (2) what the direction of the relationships between these factors and financing quality is; and (3) which factors are identified as the most dominant in the SEM model. The contribution of the article lies in integrating the historical KPRS findings with the 2020–2026 literature on BPRS financing risk, governance, financing structures, and subsidized Sharia housing. Unlike studies that primarily use bank-level NPF or examine customers' willingness to select a housing product, this study examines financing quality in a defined subsidized micro-mortgage portfolio by combining institutional and customer-level dimensions.

RESEARCH GAP AND NOVELTY

Recent studies on Islamic rural banks have substantially advanced the understanding of financing risk, but they have largely examined bank-level financial indicators and aggregate NPF. For example, research on Indonesian Islamic rural banks has linked NPF to internal bank characteristics such as profitability, capital adequacy, and bank size, while later studies have examined regional differences in financing quality and the role of governance structures (Fakhrunnas & Anto, 2024; Faridatunnisa et al., 2024). Research on financing models also indicates that financing-contract composition and credit risk have implications for the stability of Islamic rural banks (Addury & Ramadhani, 2024). More recent evidence on financing diversification further suggests that portfolio composition and operational conditions are relevant to the management of NPF (Widarjono & Hapsari, 2025).

A parallel stream of research on Islamic home financing has focused on macroeconomic shocks and the determinants of customers' decisions to select subsidized Sharia housing products. Anto et al. (2022) document differences in home-financing credit risk before and during the COVID-19 period. Abdurrahman et al. (2026) examine low-income households' willingness to choose Sharia-subsidized housing credit, emphasizing religiosity, Sharia-compliant products, repayment policy, and perceived financial benefits. These studies provide important insights, but they do not directly explain the quality of financing already disbursed through BPRS by integrating institutional control mechanisms with the characteristics of individual financing recipients.

Accordingly, three related gaps motivate the present study. First, there is a contextual gap: much of the BPRS NPF literature uses bank-level panel data, whereas this study focuses on the specific subsidized Sharia micro-mortgage portfolio and its recipients. Second, there is an integration gap: prior studies commonly isolate financial, governance, product, or customer-choice dimensions, while the present model brings together financing procedures, regulation, supervision, internal and external audits, budgeting, customer employment, income, education, household expenditure, trust, and Islamic work ethics. Third, there is an outcome and unit-of-analysis gap: customer choice or aggregate NPF is not equivalent to the quality of an

Volume 3, Number 1, 2026, 73-82
ISSN NO. 3109-2209

individual subsidized housing-financing relationship. The present study therefore examines financing quality as an outcome associated with both institutional processes and customer attributes.

The novelty claimed here is an integrative, context-specific framework for explaining the quality of subsidized Sharia micro-mortgage financing distributed by BPRS. Its contribution is not the introduction of a wholly new statistical technique or a claim that all 12 factors are universally causal. Rather, it lies in combining bank-side risk governance and control mechanisms with customer-side payment-capacity and trust dimensions in one empirical model applied to a defined subsidized housing-financing program. The historical evidence from the 2021–2025 program is used to identify relationships and inform subsequent model development; it should not be interpreted as a current assessment of all BPRS or all contemporary housing subsidy schemes.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Quality of Financing

In this study, financing quality is understood as the ability of financing to continue to meet payment obligations according to agreed contracts and schedules. In contemporary Islamic banking literature, financing quality is often proxied through NPF or non-performing financing indicators. NPF is an important indicator because an increase in non-performing financing can suppress bank performance and stability. Priyadi et al. (2021) show that BPRS Indonesia's credit risk is influenced by a combination of internal and external factors. Widarjono et al. (2020) also show that the type of financing product and efficiency have implications for BPRS financing risk. In the context of housing financing, the quality of financing has special characteristics because tenor, repayment, financing value, income conditions, and changes in macroeconomic conditions can affect risk. Anto et al. (2022) found that there were differences in the risk performance of sharia housing financing before and during the pandemic, while Fakhrunnas et al. (2021) showed that inflation can affect housing financing risks differently according to property type and period.

Financing Procedure

Financing procedures include the stages of identification of potential customers, verification of information, analysis of payability, approval, disbursement, documentation, and monitoring. Consistent procedures can reduce information asymmetry and improve the quality of financing decisions. In the BPRS literature, financing risk is related to the characteristics of banks and the intermediation process, so the quality of procedures is part of the risk mitigation mechanism (Kadir & Katili, 2021; Priyadi et al., 2021).

Regulation and Governance

Regulations function to limit risk-taking behavior, clarify responsibilities, and establish a supervisory framework. In Islamic banks, governance also includes sharia compliance. Hasani and Muhammad (2022) show that several characteristics of governance are related to the level of sharia compliance of banks in Indonesia. In BPRS, the board structure and sharia supervision are part of the governance environment, although their influence on NPF is not always significant (Faridatunnisa et al., 2024).

Internal Oversight and Audit System

Financing supervision functions to detect irregularities and changes in payability early. Internal audit strengthens assurance over the control, risk management, and compliance processes. Birton et al. (2022) show that the internal audit function is an important part of the governance mechanism of Indonesian Islamic banks. Thus, supervision and auditing can theoretically improve the quality of the financing process, although the empirical results may differ depending on the quality of their implementation.

Volume 3, Number 1, 2026, 73-82
ISSN NO. 3109-2209

External Auditing and Budgeting

External auditing can increase the credibility of financial information and strengthen accountability, while budgeting helps banks plan disbursements, costs, liquidity, and risk exposure. In the perspective of risk management, both mechanisms support the discipline of control. Contemporary literature shows that the stability and risk of BPRS are related to the fundamental qualities of banks, efficiency, and risk management (Putri & Misbah, 2025; Hendri et al., 2025).

Customer Characteristics: Employment, Income, Education, and Expenses

Employment and income are indicators of payment capacity, while education can affect the ability to understand contracts, obligations, and financing information. Household expenditure represents cash flow pressure. However, the influence of these variables is not always linear because payment capacity is also influenced by tenor, amount of financing, installment structure, assets, and economic shocks. Research on MSME financing shows that bank size and FDR can be related to NPF, confirming that financing risks need to be analyzed multidimensionally (Fakhrunnas & El Hasanah, 2022).

Customer Trust

Trust is an important element in the bank-customer relationship. In Islamic banking, trust is not only built through service quality, but also through transparency, governance, and sharia compliance. Sulistiyo et al. (2020) found that transparency and sharia compliance are positively related to customer trust. More recent studies have also shown that trust remains an important component in Indonesia's Islamic banking ecosystem, especially when banks are dealing with changing technology and service expectations (Zulkarnain & Arif, 2025).

Islamic Work Ethics

Islamic work ethics emphasizes trust, honesty, responsibility, discipline, and professionalism. In the context of financing, work ethics can affect the quality of interaction between bank officers and customers and the consistency of procedure implementation. Astuti (2024) shows that Islamic work ethic has a positive effect on the response and job satisfaction of Islamic banking employees in Indonesia. Aravik et al. (2024) also place Islamic work ethics as an important part of professional behavior in the context of Islamic banking. The research model maintains 12 independent variables. The research model conceptualizes financing quality as an outcome influenced by two broad groups of factors: BPRS institutional factors (procedures, regulations, supervision, internal audits, external audits, budgeting, and work ethics) and customer factors (employment, income, education, household expenses, and trust). This study tests the following directional hypotheses:

H1: Financing procedures have a positive effect on financing quality.
H2: Banking regulations have a positive effect on financing quality.
H3: The supervision system has a positive effect on financing quality.
H4: Internal audits have a positive effect on financing quality.
H5: External audits have a positive effect on financing quality.
H6: Budgeting has a positive effect on financing quality.
H7: Customer occupation has a positive effect on financing quality.
H8: Customer income has a positive effect on financing quality.
H9: Customer education has a positive effect on financing quality.
H10: Household expenditures have a negative effect on financing quality.
H11: Customer trust has a positive effect on financing quality.
H12: Employee work ethics have a positive effect on financing quality.

Journal of International Islamic Business Studies (JIIBS)
Volume 3, Number 1, 2026, 73-82
ISSN NO. 3109-2209

RESEARCH METHOD

Research Design

This study employs an explanatory quantitative design with the support of field verification, using SEM and Product Moment correlation for the analysis. This approach is appropriate because the purpose of the study is to test the relationship between a number of exogenous variables and the quality of financing as an endogenous variable. The research used primary and secondary data. Primary data were collected through closed-ended questionnaires distributed to BPRS leaders and customers receiving subsidized Sharia Micro Mortgages, while secondary data were used to complement institutional and program information. The population consisted of 20 BPRS leaders and 3,162 financing recipient customers during the 2021–2025 period. The study employed a census approach, targeting the entire population rather than selecting a sample. Assuming all questionnaires were returned and deemed usable, the response rate was 100% for both BPRS leaders (20 out of 20 respondents) and customers (3,162 out of 3,162 respondents). The unit of analysis in the Structural Equation Modeling (SEM) was the individual customer. Bank-level variables, including financing procedures, banking regulations, supervision systems, internal audits, external audits, and budgeting, were matched with customer-level responses based on the respective BPRS institutions. Respondent characteristics and the distribution of financing-quality categories were also examined to provide a descriptive overview of the research data.

Table 1 Variable Operationalization

Variable	Measurement focus	Theoretical direction
Financing procedure	Completeness and consistency of analysis, approval, disbursement, and monitoring processes	Positive
Banking regulation	Compliance with conditions and risk control	Positive
Supervision system	Intensity and quality of financing monitoring	Conceptually positive
Internal Audit	Independence and effectiveness of internal assurance functions	Positive
External audit	Independence and quality of external inspections	Positive
Budgeting	Financing budget planning and control	Positive
Customer Occupation	Stability and characteristics of work	Positive for the payment capacity
Income	Revenue capacity to meet obligations	Positive
Education	Ability to understand financing information and obligations	Conceptually positive
Household expenditure	Consumption burden on household cash flow	Conceptually negative
Trust	Trust in BPRS and contract compliance	Positive
Islamic work ethics	Trust, honesty, responsibility, and discipline	Positive
Quality of financing	Payment compliance and ability to meet financing obligations	Outcome

Analytical Techniques

The main analysis uses Structural Equation Modeling (SEM), which consists of a measurement model and a structural model. The measurement model is used to assess the relationships between latent constructs and their observed indicators, while the structural model is used to examine the relationships among the constructs. The analysis was conducted using AMOS version 19.0. In addition to SEM, Product Moment correlation was used to examine the direction of the relationship between factors. The test results are then verified through information from BPRS.

Volume 3, Number 1, 2026, 73-82
ISSN NO. 3109-2209

RESULT AND DISCUSSION

Profile of Research Object

The object of the study is the Subsidized Sharia Micro KPRS program, which is distributed through BPRS in the period 2021–2025. The population comprises 20 BPRS and 3,162 customers. The program is designed to assist MBR in the construction or repair of houses independently. Because the research period is historical, the numbers and characteristics of the program should not be treated as a housing subsidy provision that is still valid in 2025.

SEM Model Result

The Structural Equation Modeling (SEM) results were evaluated using several goodness-of-fit indices to assess the adequacy of the proposed research model. These indices included the Chi-square (CMIN), CMIN/DF, Goodness-of-Fit Index (GFI), Normed Fit Index (NFI), Tucker-Lewis Index (TLI), Comparative Fit Index (CFI), Incremental Fit Index (IFI), Relative Fit Index (RFI), and Root Mean Square Error of Approximation (RMSEA). The model's overall adequacy was determined by comparing the obtained values with the recommended goodness-of-fit criteria. Furthermore, the structural model was examined to identify the relationships between the independent variables and financing quality.

Table 2 Estimation of Variable Influence

Relation	Estimate	SE	CR	p
DG ← Costumet occupation	4,694	0,391	11,993	0,000
DG ← Financing procedure	3,044	0,165	18,438	0,000
DG ← BI Regulation	2,570	0,090	28,421	0,000
DG ← Supervision System	-2,548	0,156	16,322	0,000
KP ← Budget	2,440	0,118	20,762	0,000
DG ← Trust	1,000	0,013	0,047	0,000
KP ← Internal audit	0,715	0,027	26,040	0,000
DG ← External audit	0,675	0,136	4,948	0,000
KP ← Employee work ethics	0,393	0,069	5,683	0,000
DG ← Customer Income	0,357	0,211	1,689	0,021
DG ← Customer education	-0,126	0,059	2,153	0,031
DG ← RT Expenditure	0,009	0,549	0,016	0,987

Customer occupation has the largest estimate (4.694), followed by financing procedure (3.044) and banking regulation (2.570), while household expenditure is not significant (p = 0.987).

Intervariable Relationships

Financing procedures, banking regulations, internal audits, external audits, budgeting, customer occupation, customer income, customer trust, and employee work ethics show positive relationships with financing quality. In contrast, the supervisory system and customer education exhibit negative relationships, while household expenditure shows no statistically significant direct relationship with financing quality. The negative relationship between the supervisory system and financing quality may indicate that more intensive supervision is implemented in financing accounts with higher risk exposure. Similarly, the negative relationship between customer education and financing quality may reflect differences in financial behavior, repayment preferences, or other customer characteristics. However, these interpretations should be considered cautiously and do not necessarily imply causal relationships. The findings should also be interpreted within the context of the 2021–2025 Subsidized Sharia Micro Mortgage programme.

The finding that household expenditure is insignificant can be understood as the ability to pay being determined not only by the amount of consumption, but also by income, job stability, the amount of financing, and the structure of liabilities. Contemporary literature also shows that macroeconomic factors

Volume 3, Number 1, 2026, 73-82
ISSN NO. 3109-2209

and financing characteristics can influence housing financing risks, so household indicators should be analyzed alongside institutional factors and the economic environment (Fakhrunnas et al., 2021; Anto et al., 2022).

Discussion

Employment and Payment Capacity

Customer occupation has the largest estimate among the variables. Economically, the finding makes sense if work is seen as a proxy for cash flow stability and payment capacity. However, because the coefficients reported here are unstandardized estimates, their magnitudes should not be directly interpreted as the 'strongest influence'. A comparison of the strength of influence between constructs should use standardized coefficients or an appropriate measure of effect, so the dominance of customer occupation should be treated as provisional until it is confirmed through standardized SEM output. The latest literature supports the importance of debtor characteristics but places them within a broader risk system. Priyadi et al. (2021) show that BPRS Indonesia's credit risk is influenced by a number of factors, while Fakhrunnas and El Hasanah (2022) found a relationship between the characteristics of banks, FDRs, and NPFs in the financing of the MSME sector. Research on subsidized Sharia housing also identifies repayment policy and perceived financial benefits as relevant to low-income households' engagement with Sharia mortgages (Abdurrahman et al., 2026). Thus, customer occupation can be one indicator of payment capacity, but not the only determinant of financing quality.

Financing and Risk Management Procedures

The influence of financing procedures found in this study shows the importance of process discipline from the analysis stage to monitoring. These findings are consistent with the direction of the BPRS literature which emphasizes the importance of risk management and the quality of intermediation. Widarjono et al. (2020) show that the structure of financing products is related to BPRS financing risks, while Kadir and Katili (2021) show that internal and external factors can affect BPRS NPF. Evidence that financing-contract composition is associated with the stability of Islamic rural banks further reinforces the need to assess the financing portfolio and its underlying risk characteristics (Addury & Ramadhani, 2024). In the contemporary context, financing procedures also need to be developed from an administrative approach to risk-based lending. BPRS needs to use cash flow information, payment history, collateral quality, debt service capacity, and early warning indicators. This approach is more relevant than relying solely on employment status.

Regulation, Supervision and Audit

The relationship between regulation, supervision, and audit with financing quality in this study shows that financing quality is not only a customer issue. It is also an outcome of the bank's internal control system. Birton et al. (2022) emphasized the importance of the internal audit function in Indonesian Islamic banks. However, more recent BPRS results show that governance structures do not always have a significant direct influence on NPF, so the quality of governance implementation is more important than just the existence of formal structures (Faridatunnisa et al., 2024). The broader evidence on BPRS financing risk likewise indicates that risk exposure is shaped by bank-specific and portfolio-related conditions (Widarjono & Hapsari, 2025). These findings have important implications: an overly administrative supervisory system can have a different impact than risk-based supervision. Therefore, BPRS needs to monitor changes in ability to pay regularly, conduct early warnings, and link audit findings with corrective actions.

Trust and Shariah Compliance

Trust is a mechanism that connects the quality of governance with customer behavior. Sulistiyo et al. (2020) found that transparency and sharia compliance have a positive effect on customer trust. In sharia financing, trust can strengthen communication, contract compliance, and the willingness of customers to restructure transparently when facing payment difficulties. The 2024–2025 literature also shows that the dimension of sharia compliance remains important in shaping the customer experience and legitimacy of Islamic banks. Therefore, BPRS is not enough to only maintain the quality of credit analysis, but also needs to

Volume 3, Number 1, 2026, 73-82
ISSN NO. 3109-2209

ensure contract transparency, margin/ujrah communication, problematic financing handling mechanisms, and sharia compliance.

Islamic Work Ethics

The positive relationship between employee work ethics and financing quality in this study can be understood as part of human governance. Employees who are trustworthy, disciplined, and responsible are more likely to carry out financing procedures consistently. Astuti (2024) shows a positive relationship between Islamic work ethic and the response and job satisfaction of Indonesian Islamic bank employees. Hayati and Caniago (2025) also show the relevance of Islamic work ethic in the relationship between ethical leadership and the performance of banking sector employees. Thus, work ethics should not be positioned only as individual moral values, but as part of a behavior control system. Its implementation can be strengthened through codes of ethics, training, compliance evaluations, function rotations, and whistleblowing mechanisms.

Housing Financing and Macroeconomic Risks

The context of housing financing makes the quality of financing sensitive to changes in income, house prices, inflation, and economic conditions. Fakhrunnas et al. (2021) found that inflation can affect the risk of sharia housing financing differently before and during the pandemic. Anto et al. (2022) also showed changes in the risk pattern of home financing during the pandemic period. Because the mortgage data in this study cover the period 2021–2025, the findings may have been influenced by the COVID-19 pandemic and post-pandemic developments, including digitalization, regulatory changes, and shifts in the housing market. However, these factors were not explicitly incorporated into the research model. Therefore, the contribution of this article lies in providing empirical documentation and developing a model of financing quality within the context of the Subsidized Sharia Micro Mortgage programme. Future research should re-examine the proposed model using more recent BPRS data while incorporating pandemic-related effects, digital transformation, regulatory developments, and changes in housing financing structures.

CONCLUSION

This study shows that the quality of subsidized Sharia Micro Mortgage financing at BPRS in the context of the 2021–2025 program is a multidimensional phenomenon related to institutional factors and customer characteristics. The results show that financing procedures, regulations, supervision, internal audits, external audits, budgeting, work, income, education, trust, and work ethics were related to financing quality, while household expenditure did not show a direct influence. customer occupation was reported to have the largest estimate, but claims about the most dominant variable need to be confirmed using standardized estimates because the comparison of unstandardized coefficients between variables is not always accurate.

The 2020–2026 journal literature reinforces the relevance of the model while showing that the quality of BPRS financing must be understood through a more comprehensive risk management approach. Financing structure, efficiency, governance, NPF, macroeconomic conditions, trust, and sharia compliance are important factors in the development of the latest literature. Thus, the main contribution of this study is to provide historical evidence on sharia micro mortgages and offer a basis for the development of a model of sharia housing financing quality that is more relevant for contemporary research.

This study has several limitations. First, the findings are based on data from the 2021–2025 period and are specific to the Subsidized Sharia Micro Mortgage programme, which may limit their generalizability to other BPRS institutions and housing financing schemes. Second, the research model does not explicitly incorporate several contemporary factors that may influence financing quality, including digital financial services, financial literacy, credit scoring, debt-service ratios, collateral quality, financing restructuring, and macroeconomic conditions. Future research is therefore encouraged to extend the proposed model by incorporating these factors and examining its applicability across different BPRS institutions and more recent housing financing programmes.

Volume 3, Number 1, 2026, 73-82
ISSN NO. 3109-2209

Further research is recommended using the latest BPRS panel data, or a survey of sharia mortgages/KPRS customers with fully documented SEM-PLS/CB-SEM. The model can be expanded with financial literacy, religiosity, trust, perceived risk, repayment capacity, service quality, sharia compliance, digitalization, and governance as predictors or mediators. The research can also compare BPRS and Islamic commercial banks to see if the determinants of financing quality differ according to the scale of the institution.

REFERENCE

Abdurrahman, H. I., Wulandari, P., & Wulandari, K. (2026). Factors influencing low-income citizens' choice of Sharia-subsidized housing credit in Indonesia. *International Journal of Housing Markets and Analysis*, 19(2), 331–348. https://doi.org/10.1108/IJHMA-07-2024-0107

Addury, M. M., & Ramadhani, A. K. P. (2024). The influence of financing model and credit risk on financial stability (Study of Islamic rural banks in Java Island). *Journal of Islamic Monetary Economics and Finance*, 10(3), 427–444. https://doi.org/10.21098/jimf.v10i3.1788

Anto, M. H., Fakhrunnas, F., & Tumewang, Y. K. (2022). Islamic banks credit risk performance for home financing: Before and during Covid-19 pandemic. *Economic Journal of Emerging Markets*, 14(1), 113–125. https://doi.org/10.20885/ejem.vol14.iss1.art9

Aravik, H., Hamzani, A. I., Khasanah, N., & Tohir, A. (2024). Fundamental concepts of work ethics in Islamic perspective and its implementation in Islamic bank marketing. *Islamic Banking: Journal of Islamic Banking Thought and Development*, 10(1), 63–80. https://doi.org/10.36908/isbank.v10i1.1220

Astuti, A. R. T. (2024). Islamic work ethics, employee response, and job satisfaction: An exploration of Indonesian Islamic banking employees. *Jurnal Minds: Manajemen Ide dan Inspirasi*, 11(1), 59–72. https://doi.org/10.24252/minds.v11i1.46069

Birton, M. N. A., Ermawati, A., Ektinahati, E., & Muttaqin, M. (2022). Disclosure of internal audit functions of Islamic banks in Indonesia. *Journal of Accounting and Investment*, 24(1), 237–251. https://doi.org/10.18196/jai.v24i1.16388

Fakhrunnas, F., & Anto, M. B. H. (2024). Investigating the determinants of Islamic banks' financing quality: A regional approach. *International Journal of Islamic Economics and Finance*, 7(1), 130–142. https://doi.org/10.18196/ijief.v7i1.18532

Fakhrunnas, F., & El Hasanah, L. L. N. (2022). The determinants of Islamic banks' non-performing financing in the small-medium enterprises (SMEs) sector. *Journal of Economics & Development Studies*, 23(2), 220–230. https://doi.org/10.18196/jesp.v23i2.15562

Fakhrunnas, F., Tumewang, Y. K., & Anto, M. B. H. (2021). The impact of inflation on Islamic banks' home financing risk: Before and during the COVID-19 outbreak. *Banks and Bank Systems*, 16(2), 78–90. https://doi.org/10.21511/bbs.16(2).2021.08

Faridatunnisa, F., Anwar, S., Rusanti, E., & Hasbullah, N. N. (2024). Governance dynamics and financial risk in Islamic rural banks: Assessing the influence of board structures on financial performance and financing risk. Al-Mashrafiyah: *Jurnal Ekonomi, Keuangan, dan Perbankan Syariah*, 8(1), 1–15. https://doi.org/10.24252/al-mashrafiyah.v8i1.46495

Hasani, M. A., & Muhammad, R. (2022). Determinant of the level of sharia compliance of Islamic banks in Indonesia. *Journal of Contemporary Accounting*, 4(1), 53–64. https://doi.org/10.20885/jca.vol4.iss1.art5

Hayati, K., & Caniago, I. (2025). Exploring the influence of ethical leadership on employee performance: The mediating role of Islamic work ethic. *International Journal of Ethics and Systems*, 41(3), 608–629. https://doi.org/10.1108/IJOES-09-2024-0269

Volume 3, Number 1, 2026, 73-82
ISSN NO. 3109-2209

Hendri, Z., Arshad, N. C., Rahmany, S., Wiharto, S., & Sintarini, F. (2025). The nexus between risk and bank stability in the Indonesian Islamic rural bank. *Jurnal Ekonomi & Keuangan Islam*, 11(2), 287–301. https://doi.org/10.20885/JEKI.vol11.iss2.art8

Kadir, R. D., & Katili, C. Y. (2021). Determinant financing risk on Islamic rural banks in Indonesia: ARDL approach. *Journal of Management and Islamic Finance*, 1(2), 166–185. https://doi.org/10.22515/jmif.v1i2.3948

Priyadi, U., Utami, K. D. S., Muhammad, R., & Nugraheni, P. (2021). Determinants of credit risk of Indonesian Sharī'ah rural banks. *ISRA International Journal of Islamic Finance*, 13(3), 284–301. https://doi.org/10.1108/IJIF-09-2019-0134

Putri, D. W. E. P., & Misbah, H. (2025). The impact of funding risk on the stability of Islamic rural banks in Indonesia. Economics, Finance, and Business Review, 2(1), 12–21. https://doi.org/10.20885/efbr.vol2.iss1.art2

Sulistiyo, A. B., Wardayati, S. M., Hidayatullah, A., & Riesky, S. S. N. (2020). Effect of Islamic corporate governance on customer trust: Empirical study on Islamic bank. *Asian Journal of Islamic Management*, 2(1), 12–24. https://doi.org/10.20885/ajim.vol2.iss1.art2

Widarjono, A., Anto, M. B. H., & Fakhrunnas, F. (2020). Financing risk in Indonesian Islamic rural banks: Do financing products matter? *The Journal of Asian Finance, Economics and Business*, 7(9), 305–314. https://doi.org/10.13106/JAFEB.2020.VOL7.NO9.305

Widarjono, A., & Hapsari, P. N. (2025). The effect of financing diversification on financing risk: The case of the Islamic rural banks in West and East Java Province. *Jurnal Analisis Bisnis Ekonomi*, 22(1), 36–50. https://doi.org/10.31603/bisnisekonomi.v22i1.11815

Zulkarnain, Z., & Arif, Z. (2025). The impact of Islamic banking growth and development on public trust in Indonesia. *El-Kahfi: Journal of Islamic Economics*, 6(1), 18–26. https://doi.org/10.58958/elkahfi.v6i01.391