

# **THE LACK OF PROFIT-AND-LOSS SHARING FINANCING IN INDONESIA'S ISLAMIC BANKS: REVISITED**

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## **ABSTRACT**

The lack of profit and loss sharing (PLS) financing is a global phenomenon affecting Islamic banks worldwide. This paper analyzes problems faced by Indonesia's Islamic banks using the Analytic Network Process (ANP) methodology. The preliminary step is to decompose the problem through questionnaires and in-depth interviews with scholars and practitioners of Islamic banking to fully comprehend the envisaged problem and develop an appropriate ANP network. The next step is to evaluate and measure the model using pair-wise comparisons and then to synthesize in order to find solutions. The root of the problem can be grouped into two aspects, namely Islamic bank internalities, which include upper management, human resources and technical aspects, and externalities that include society, the authorities and customers. The results show that Internal problems have shifted from human resources (lack of quality and quantity; risk averse) to technical aspects (IT and SOP) as well as upper management (commitment), while external problems have expanded slightly from the Government (lack of supportive regulations; incentives) to the Government (lack of commitment; lack of support) and society (lack of trust; lack of perception). The policies to be instituted by regulators have broadened to include not only directed market-driven policy, but also professionalism. Moreover, the operational strategies for market development that should be implemented include service improvement programs as well as socialization and communication programs to address the most acute internal and external weaknesses of Islamic banking and finance in Indonesia.

Keywords: ANP, Islamic Banking, Profit-and-Loss Sharing