

The Effect of the Number of Employees and the Number of Offices on the Profitability of Islamic Commercial Banks in Indonesia

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ABSTRACT

This study aims to analyze the effect of the number of employees and the number of offices on the profitability of Sharia commercial banks (BUS) in Indonesia for the period 2020-2024. The research method employed is a quantitative approach, utilizing secondary data in the form of monthly time series data sourced from Islamic banking statistics provided by the Financial Services Authority. Data analysis was performed using multiple linear regression with the help of SPSS version 25.0. The results showed that partially, both the number of employees and the number of offices did not have a significant influence on the profitability of Islamic commercial banks in Indonesia. The implications of these findings indicate that physical expansion and increasing the quantity of human resources are no longer the main determinants of profit in the era of digitalization, so bank management needs to switch to operational efficiency strategies and information technology modernization to improve financial performance.

Keywords: Number of Employees, Number of Offices, Islamic Commercial Banks, Profitability

1. INTRODUCTION

Banking is an important sector in the economy of a country; if the banking sector fails, the economy of a country will be destroyed. In terms of the economy, commercial banks act as the heart of the country's economy. Money is likened to the blood of the economy that flows in the bank, then circulates back into the economic system to run the economic process (Hidayatullah, 2023). Information on the company's performance, especially in terms of profit, is used to assess potential changes related to the company's economic potential, which also serves to influence the market, namely to show that the company can be trusted because it is well managed (Hastasari & Suharini, 2021).

One way to see the company's economic growth is the existence of financial statements, which are one source of information about the condition and performance of a company for external parties. This information concerns the financial position, performance, and changes in the financial position of a company, and is useful for a large number of users in making economic decisions (Maulida, 2019). A high level of profitability indicates the level of efficiency of the enterprise. Profits or profits obtained are not only used to finance company operations, but also used for company expansion through various activities in the future. Then, more importantly, if a business entity continues to gain profits, this means that the survival of the business entity will be guaranteed. As a system that is oriented to profitability, this is a driving factor for a company to get

revenue obtained from the difference between the cost of production and the selling value of its products or services (Maulida, 2019).

Profitability is a crucial indicator because it shows the operational efficiency and competitiveness of a bank (Nugroho et al., 2024). In the context of Islamic banking, stable profitability gives confidence to customers and investors that the profit-sharing system implemented is running optimally. However, profit fluctuations in some Islamic commercial banks in Indonesia are often influenced by high operating expenses. Therefore, it is important to review internal factors that directly come into contact with daily operational activities, such as human resource management and the expansion of physical networks.

Currently, the banking industry in Indonesia is facing increasingly fierce competition, both from foreign banks and new banks that trigger competition in the collection and distribution of funds through price and non-price strategies. In non-price competition, the service aspect is a crucial factor because customer satisfaction and loyalty obtained through excellent service can directly increase trust to interact and strengthen bank profitability (Hidayatullah, 2023).

Labor is a major asset in the banking services industry that is human-capital intensive (Wujarso, 2022). The optimal number of employees is expected to increase productivity through excellent customer service and effective product marketing. However, an increase in the number of employees without being accompanied by an increase in competence and efficiency can actually be a burden for the bank. Large labor costs, if not proportional to the revenue generated, will erode profit margins and lower the profitability ratio of the bank (br Tarigan et al., 2025).

In addition to human resources factors, network expansion through increasing the number of offices is also considered a strategy to expand market share. By adding branch offices, sub-branch offices, and cash offices, the bank can reach customers in various areas that were previously untouched by banking services (unbanked) (ER, 2018). A wide network of offices will theoretically facilitate the collection of third-party funds (DPK) and the distribution of financing, which ultimately leads to an increase in bank profits.

However, in the current era of banking digitalization, the strategy of adding physical offices is beginning to question its effectiveness. The construction and maintenance of a physical office require investment costs as well as very high operating costs. There is a risk that the increase in the number of offices does not provide a commensurate return if customers start switching to mobile banking services. This phenomenon creates a paradox for Islamic commercial banks: whether to keep expanding the physical presence to strengthen the brand image or focus on efficiency to keep the profitability ratio high.

The inconsistency of the results of previous studies on the influence of Labor and office networks on profitability is also a strong reason for this study. Some studies show that adding resources massively increases profits, but other studies have found that it only adds to cost inefficiencies. The existence of differences in market conditions and internal management in each Sharia Commercial Bank in Indonesia causes the impact of the number of workers and offices on profits to be varied and interesting to be examined more deeply.

Based on the above, this study aims to analyze how the influence of the number of workers and the number of offices on the profitability of Islamic commercial banks in Indonesia. By understanding the interrelation of these variables, bank management is expected to take appropriate strategic policies in expanding and managing human resources. The main focus of this study is to find a balance point between the growth of physical and human assets and the achievement of optimal profits for the strengthening of the National Islamic banking industry.

2. LITERATURE REVIEW

a. Signal Theory

Signal theory describes the reasons why a company has an urge to be able to explain information about financial statements to outside or external parties. The company is able to increase the value of the company itself through reducing information asymmetry. Information

asymmetry can be reduced through a signal given to outside parties, such as convincing financial information, which is able to minimize doubts about the company's future prospects (Susilawati, 2019). Signal theory emphasizes that information that is announced to the public, both negative and positive, will have an influence on investors' decisions in investing; they will react in various ways in response to these signals (Jogiyanto, 2017).

In the context of the profitability of Islamic commercial banks, signal theory positions the policy of increasing the number of workers and expanding the office network as a positive message that management sends to the market regarding the future prospects of the company. Theoretically, when a bank dares to expand by increasing the number of employees and branch offices, this is interpreted by customers and investors as a signal that the bank is in a healthy financial condition and is experiencing a growth phase. The widespread physical presence of offices provides a signal of trust and stability that can reduce information asymmetry, thus attracting more third-party funds (DPK) to manage. If this signal is responded to positively by the market, then the volume of transactions will increase and directly have an impact on increasing the profitability of banks as a result of strengthening public confidence.

b. Profitably

Profitability as a reference in measuring the amount of profit becomes so important to know whether the company has run its business efficiently. Profitability is one of the objectives of banking, because of this profitability can be seen to what extent the performance of the banking is good as well, and vice versa, the indicator used to measure the performance of profitability is Return on assets (ROA) which is one of the profitability ratios where this ratio looks at the extent to which investments have been invested (Pratama & Ismunawan Ismunawan, 2024).

c. Number of Employees

Labor is the working-age population that is ready to work, including those who have a job, who are looking for work, who attend school, and who take care of the household (Salsabila, 2022). Labor is divided into two, namely, the labor force and not the non-labor force. The labor force is the amount of labor that is in the economy at a given time, including the working population and the population that has not found a job. While not the labor force, it is the population that is still in school, that takes care of the household, or receives income.

d. Number Of Bank Offices

The bank office is a place of interaction between bank employees and customers, here where customers conduct various banking transactions such as opening new accounts, depositing and withdrawing money, transfers, and other banking services (Indonesia, 2014). Bank offices included in this variable are branch offices, sub-branch offices, unit offices, Terrace offices, mobile cash, and overseas branch offices owned by the bank.

e. Conceptual Framework

A conceptual framework of research can be formulated, which is the flow of thought of this research, as follows:

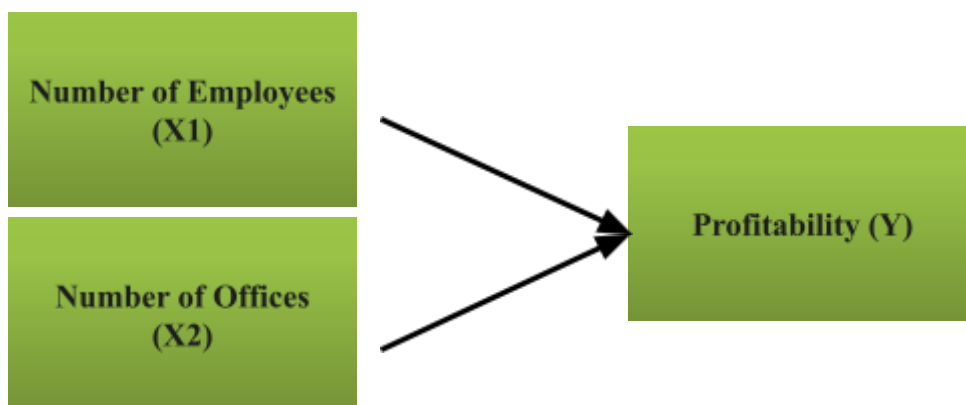


Figure 1
Conceptual Framework

The hypothesis in this study is:

H1: There is a significant effect of the Number of Employees on profitability.

H2: There is a significant influence of the Number of Offices on profitability.

3. RESEARCH METHODS

The population of this study is all Sharia commercial banks registered with the Financial Services Authority (OJK). Meanwhile, the samples used in this study were Islamic commercial banks registered with the Financial Services Authority (OJK), which, according to the latest data in 2024, there were 14 banks. The type of data used in this study is secondary data, secondary data merupakan data sourced from existing records of the company and other sources, both from literature, including literature, articles, journals, theses, or other books. This study took data sources from the Islamic Banking Statistical Report issued directly by the Financial Services Authority period 2020-2024. Data collection techniques used are literature study and literature exploration methods. The data used in this study is time series data. Time series Data is data that is recorded and measured based on a specific time sequence, such as daily, weekly, or yearly. In this study, the data used is in the form of monthly data.

The method of data analysis in this study used descriptive statistics, classical assumption test, multiple linear regression, and hypothesis test. Descriptive statistics is a way of collecting and presenting data information with certain methods so that characteristics arise in the research variables, using data to learn about the population that is considered representative of the data sample. In the classical assumption test, there are four kinds of normality test, multicollinearity, heteroscedasticity, and autocorrelation. The four stages are expected to produce a reliable regression model as a data estimator. Furthermore, in the analysis of a multiple linear regression model used to estimate and test the hypothesis, then have to test the classical assumptions in advance so as to obtain good regression results. Finally, there is a hypothesis test which is divided into two types, namely the T-test and F test. Both tests function to determine the independent variable simultaneously and test the correctness or otherwise of the hypothesis carried out, with the help of the SPSS version 25.0 program.

4. RESULTS AND ANALYSIS

Results

a. Classical Assumption Test

1) Normality test

Normality test is a test used to measure the data in this study, whether the data is distributed normally or abnormally (Ghozali, 2018). If the data is normally distributed, then the regression model can be said to be good. Judging from the statistical test of one Kolmogorov-Smirnov sample

(1 K-s sample), if the value of the distribution tested is > 0.05 , the residual is stated to be a normal distribution.

Table 1
Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		5
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	15,03129646
Most Extreme Differences	Absolute	,219
	Positive	,219
	Negative	-,211
Test Statistic		,219
Asymp. Sig. (2-tailed)		,200 ^{c,d}
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Based on the SPSS output in Table 1, shows that the value is significant with asymptote.sig, (2-tailed) of $0.20 > 0.05$, so that it means that the data in this study are normally distributed.

2) Multicollarity test

The multicollarity test is a test used to determine whether there is a correlation between independent variables (free) in the regression model. (Ghozali, 2018) If the data do not experience correlation between independent variables, then the regression can be said to be good.

Table 2
Multicollarity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Number Of Employees	0,721	1,388
Number Of Offices	0,721	1,388

The output of the test results shows that the tolerance value is < 1 and the VIF value < 10 on each variable. That is, the variable number of employees and the number of offices does not exhibit symptoms of multicollarity.

b. Hypothesis Test

1) Partial Test (T Test)

T test aims to determine the influence partial one by one independent variable on the dependent variable (Darma, 2021).

Table 3
Partial Test Results

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-1756,471	3382,411		-,519	,655
	Number Of Employees	,059	,056	,448	1,044	,406
	Number Of Offices	-,522	,423	-,531	-1,235	,342

a. Dependent Variable: Profitability

Based on, in Table 3 shows that:

- a) A variable number of employees has a significant value of $0.406 > 0.05$; it can be concluded that the variable number of workers (X1) does not affect the profitability of Islamic commercial banks in Indonesia.
- b) Variable Financing Risk has a significant value of $0.342 > 0.05$; it can be concluded that the variable number of offices (X2) does not affect the profitability of Islamic commercial banks in Indonesia.

2) Test Coefficient Of Determination (R2)

R2 test aims to determine the ability of the regression model in explaining the variation of the dependent variable and how much the contribution of the variable contributes to the dependent variable.

Table 4
R2 Test Results

Model Summary				
Model	R	R Square	Adjusted R-Square	Std. Error of the Estimate
1	.857 ^a	.734	.468	21,25746

a. Predictors: (Constant), Number Of Offices, Number Of Employees

Table 4 shows that the value of Adjusted R Square is 0.468 or 46%, which means that the number of employees and the number of offices affect the profitability of the BUS in Indonesia, while the remaining 54% is influenced by variables outside this study.

Discussion

a. The effect of the Number of Employees on the profitability of Islamic commercial banks in Indonesia

Based on the test results, it was found that the variable number of employees does not influence the profitability of Islamic commercial banks in Indonesia. This indicates that the large or small number of employees owned by an Islamic bank does not automatically determine the rise or fall in company profits. Theoretically, this condition can occur if the addition of Labor is not accompanied by an increase in work efficiency or if the compensation costs incurred actually burden operating income, so that the contribution of Labor to profitability becomes neutral or not visible statistically.

In addition, the lack of influence of this variable can also be caused by the phenomenon of banking digitalization, which is now growing rapidly in Indonesia. Currently, the operations of Islamic commercial banks are driven more by the adoption of Information Technology and electronic banking systems that can replace the role of manual labor in routine transactions. As a result, the effectiveness of profit generation depends more on asset quality, financing margins, and technological efficiency than just the quantity of human resources available. In this context, increasing the number of workers without specific skills that support digital strategies will not have a real impact on strengthening bank profitability.

In the perspective of signaling theory, the results of studies that show the absence of the effect of the number of workers on profitability indicate that the quantity of employees is no longer the main signal that reflects the prospects for future profits for investors or the public. Traditionally, the addition of Labor is often regarded as a signal of business expansion. However, in the current context of Islamic commercial banks, the market may pick up more positive signals through operational efficiency and technological modernization than the number of personnel. If the bank continues to add manpower without a commensurate increase in profitability, this can actually be seen as a negative signal regarding operational cost inefficiencies, indicating that the company is not able to optimize its human resources to generate added value for stakeholders.

In line with research conducted by (Hastasari & Suharini, 2021) revealed that despite focusing on assets, it reinforces the finding that the quantity of Labor does not automatically improve the financial performance of Islamic banks in Indonesia. Both of these studies concluded that the addition of staff without being accompanied by increased productivity and technological capabilities will only increase the burden of salaries that suppress profit margins, so that the role of labor in boosting profitability is not statistically visible.

b. The effect of the number of offices on the profitability of Islamic commercial banks in Indonesia

Based on the test results, it was found that the variable number of offices has no influence on the profitability of Islamic commercial banks in Indonesia. This shows that the addition of a network of physical offices, both in the form of branch offices and cash offices, does not automatically increase the bank's ability to generate profits. Operationally, the opening of a new office requires a huge investment cost and maintenance burden, such as the cost of renting a building, electricity, and other physical infrastructure. If the revenue generated from the new office area is not able to cover the operating expenses incurred, then the expansion of the office network will actually be a burden for the company and fail to make a positive contribution to profitability (Abma & ST, 2025).

On the other hand, the lack of influence of the number of offices on profitability also reflects a shift in customer behavior towards digital banking. Currently, people tend to make transactions through mobile banking or internet banking applications rather than having to come directly to a physical office. This phenomenon makes the function of branch offices decrease in terms of fundraising and conventional financing distribution. In the modern financial ecosystem, the profitability of Islamic commercial banks in Indonesia is more influenced by the efficiency of digital systems and the quality of productive assets than the breadth of the physical office network owned.

Viewed from the point of view of signal theory, the finding that the number of offices has no effect on profitability suggests that physical network expansion is no longer a strong signal that describes superior financial performance in the eyes of investors. In this theory, the company usually performs certain actions to send out positive signals regarding its future prospects. However, the current increase in the number of offices is likely to be perceived as a signal regarding the potential for a high increase in fixed costs rather than the potential for profit growth. The market is now more responsive to signals relating to digital capabilities and operational effectiveness, so announcements regarding the expansion of physical offices are often considered irrelevant in reflecting the intrinsic value or ability of banks to generate profits sustainably.

In line with research conducted by (Prasetyo & Sunaryo, 2015) which states that the increase in the number of branch offices does not have a significant effect on profitability ratios such as Return on Assets (ROA). These results are also in line with research from (Susiana et al., 2024), which explains that physical factors such as office networks are often not the main determinants of profit because of the burden of high operating and maintenance costs that can actually suppress profit margins. Both studies confirm that physical expansion without management efficiency and technological adaptation will not have a direct positive impact on the profitability of Islamic banks in Indonesia.

5. CONCLUSION

Based on the results of research and analysis that have been done, it can be concluded that the number of employees and the number of offices do not have a significant influence on the profitability of Sharia commercial banks in Indonesia for the period 2020-2024. These findings indicate that increasing the number of employees does not automatically increase profits if it is not accompanied by increased productivity, and the addition of a physical office network is likely to increase the burden of operational costs and large investments amid a massive shift in customer

behavior to digital banking services. Although simultaneously these two variables contribute 46% to the variation in profitability, the effectiveness of profit-making today depends more on the efficiency of technology and the quality of productive assets than simply the quantitative expansion of physical and human resources.

The implications of this study suggest that Islamic commercial banks in Indonesia need to revisit traditional expansion strategies that focus solely on physical quantity and manpower, given that digitalisation has shifted key determinants of profitability towards technological efficiency and asset quality. Therefore, it is advisable for bank management to prioritize improving the competence of human resources in the field of Information Technology and optimizing digital banking services rather than adding physical offices that consume high operational costs. For future research, it is suggested that researchers can expand the scope of variables by including external factors such as inflation rates and interest rate competition, as well as considering banking digitalization variables, such as the number of mobile banking transactions, to get a more comprehensive picture of the factors that affect profitability in the digital economy era.

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