

## **Determinants of Islamic Banking profitability: Case of Bank Muamalat Indonesia.**

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### **Abstrak**

The development of Islamic banking in Malaysia began in 1983, while in Indonesia began nine years later (in 1992). This paper examines the impact of regulation in each country on the growth of Islamic banking. It is found that different design of regulation leads to different type of competition, it then creates different level of growth. In Indonesia, it seems that the creation of regulation is to facilitate the demand of market, while in Malaysia, mostly, regulation come from the government initiative. It is also pointed out the importance of economic incentives to the growth of Islamic banking in Indonesia. In analyzing the growth of Islamic banking in Indonesia and Malaysia, this paper uses some tools of analysis. First, comparative analysis of both regulations, second, financial growth and profitability analysis, and third, field research analysis (case of Indonesia). Finally, this paper contributes to the on going discussion on the effects of regulation on the growth of Islamic banking sector.