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THE INFLUENCE OF MUDHARABAH FINANCING AND MUSHARAKA FINANCING TOWARD PROFITABILITY AT ISLAMIC BANKS FOR THE PERIOD 2016-2019

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ABSTRACT:
This study aims to determine the effect of Mudharabah financing and Musharaka financing on the Profitability Level of Islamic Commercial Banks in Indonesia in the period 2016 to 20198. The sample in this study is 80 financial reports from 5 Islamic commercial banks in Indonesia. The research method used in this research is descriptive and explanatory methods. The sampling technique used in this research is non-probability sampling with purposive sampling method. The data analysis used in this study was panel data regression analysis at a significance level of 5%. The program used in analyzing data used SPSS V21. The results showed that Mudharabah financing and Musharaka financing had an effect on the level of profitability.

INTRODUCTION

Along with the fast growth of Islamic banks in Indonesia, public trust in Islamic banking has also increased. This condition is utilized by Islamic banks by continuing to provide knowledge and understanding to the public regarding Islamic banking in the hope of increasing its market share. The role of society in the continuity of the business of Islamic banks is very important because basically banks are founded on trust. Therefore, public trust in Islamic banks must be maintained and enhanced by Islamic banks. Public sympathy and trust for a bank cannot be separated from the bank's financial condition, including the health of the bank. According to Taswan (2010), the soundness level of a bank is the ability of a bank to carry out normal banking operations and is able to fulfill all its obligations properly in ways that are in accordance with applicable banking regulations.To carry out its activities based on sharia principles, Islamic banking offers products that are free from the element of usury. The sharia banking product scheme naturally refers to two categories of economic activity, namely production and distribution. The first category is facilitated through profit sharing (mudharabah) and partnership (musharaka) schemes, while the distribution of product benefits is carried out through sale and purchase schemes (murabahah and lease or ijarah) (Abdullah, Faisal, 2010).

Etymologically, profit sharing means for profit. In the economic dictionary defines profit sharing. Profit in terms of terms is the difference that arises when the total revenue of a company is greater than the total cost (total cost). In other terms, profit sharing is the net result of total revenue after deducting the expenses incurred to obtain that income. In Islamic banking, the term that is often used is profit and loss sharing, where this can be interpreted as the division between profit and loss from the income received on the results of the business that has been done (Andianto., and M. Anang Firmansyah, 2019).

There are two ratios that are usually used to measure bank performance, there are Return on Assets (ROA) and Return on Equity (ROE). ROA is a comparison between net income and average assets. ROE is the ratio between net income and the average equity or investment of bank owners. From the viewpoint of the owners, ROE is a more important measure because it reflects their ownership interests. Profits for bank owners are the result of the level of profit (profitability) of the assets and the level of leverage used (Arifin, Zainul, 2009).

The development of the Islamic finance industry has increased quite significantly in 2017. Data from the Financial Services Authority states that the national market share (market share) of Islamic finance per Islamic finance as of February 2017 was recorded at 47.36%. This figure has increased significantly compared to the position at the end of 2016 which was only 2.09 trillion. Specifically, for Islamic banking, its assets were recorded at Rp. 30.67 trillion, or a market share of 9.84 trillion. Then in 2018 Islamic banking assets are projected in the range of Rp. 329 billion, to Rp. 374 billion or a market share in the range of 12.03% (Adiwarman, 2017).

The financing for each contract in Islamic banking as of February 2017 has increased compared to the last year. This growth in value increased by 42.1%. However, this growth in financing was not accompanied by positive performance. The ratio of bad credit in Islamic banking or Non-Performing Financing (NPF) is still high. In February 2017, Murabahah nominally became the contract with the highest NPF, namely Rp. 6.76% or equivalent to an NPF ratio of 4.42% (Firman, 2017).

Murabahah financing is the most distributed financing based on the sale and purchase principle, compared to financing using the musharaka, ijarah, and istishna contracts. Deposit funds in Islamic banks have a strong influence on murabahah financing, because savings are the biggest assets owned by Islamic banks so that they can affect financing. The higher the amount of deposits in the bank, the more the bank's ability to conduct financing will increase, if the bank's capacity increases, the greater the murabahah financing that the bank will distribute. The high level of murabahah financing is due to an increase in third party funds (Wardiantika, 2014).

LITERATURE REVIEW

Islamic Bank

Islamic banks are financial service providers based on Islamic ethics and value systems, especially free from interest (usury), free from non-productive speculative activities, free from unclear things (gharar), the principle of justice and only financing halal business activities (Ascarya and Yumanita, 2005: 4).
Islamic bank products are divided into four, namely: (1) Funding products which include deposit (wadiah) such as current accounts and savings, loans (qardh), profit sharing (mudharabah) such as savings, deposits and bonds and leases (ijarah) in the form of bonds, (2) financing including profit sharing (mudharabah and musyarakah) in the form of financing, investment and working capital, buying and selling (murabaha, salam, isthisna) in the form of property financing, leasing (ijarah) in the form of leasing and asset acquisition as well as loans (qardh) in the form of securities financing, (3) banking service products that include a safe deposit box, profit sharing (mudharabah) in the form of binding investments and other patterns in the form of transfers and clearing, (4) social activity products in the form of a loan pattern (qardh) which is applied to bailout funds to customers and donations to the small business sector (Ascarya, 2011: 112).

Mudaraba Financing

Mudaraba is a collaboration between partners who provide money to other partners to invest in commercial companies. The bank (shahibul maal) is obliged to give 100% funds to the customer (mudarib) and the mudarib only manages the business that has been determined by the bank (shahibul maal). Profit sharing will be divided based on the agreement at the beginning of the contract, while if there is a loss it is borne by the owner of the capital. The manager is responsible if the loss is caused by the manager (Rivai, 2012: 299).

Mudaraba financing techniques

In Indonesian banking, financing is aimed at financing investment, working capital and providing facilities. The calculation of profit sharing uses the profit sharing method, because the risks are smaller. The owner's income depends on the business uncertainty and the costs incurred in the process (Ascarya, 2011: 219).

Musharaka Financing

Musharaka financing is a collaboration in which two or more entrepreneurs work together as business partners in the business. Each party includes their capital and participates in managing the business. Profits and losses will be divided based on the percentage of equity participation (Ascarya, 2011: 51).

The terms of the contract are (1) the validity of the contract (2) the validity of the contract (3) the realization of the contract (4) the common conditions. The terms of the contract are (1) the contractor (2) the object of the contract (3) consent and qabul. (Ascarya, 2011: 53) The types of musharaka financing are (1) syirkah al-milk, ownership of two or more parties of a property (2) syirkah al-'aqd, the partnership occurs because of a joint contract (Ascarya, 2011: 49).

The banking technique that is applied to this financing is the same as mudharabah financing, using the revenue sharing method because the risk is small. If you use this method, the owner of the fund never loses or the minimum profit sharing is 0 (Ascarya, 2011: 218).

Profitability

Profitability is the company's ability to make profits. The profit is obtained from the capital and assets it owns (Syamsudin, 2011: 59). The profitability ratio is the ratio between the company's profit and the equity used (id.shvoong.com). The profitability ratio used is as follows: (1) Return On Asset (ROA) and (2) Return On Equity ROA (Return on Asset) or the rate of return on assets is calculated by dividing the company's net income by its total assets and displayed as a percentage (%). There are two ways that are commonly used to calculate ROA, namely by calculating total assets on a certain date or by calculating the average total assets (average total assets). Return On Assets is often used by top management to evaluate business units in a multinational company (Henry Simamora, 2000: 530).

Hypothesis

H1: Mudharabah financing affects the Profitability of Islamic Commercial Banks

H2: Musharaka financing affects the Profitability of Islamic Commercial Banks

H3: Mudharabah and musharaka financing affect the Profitability of Islamic Commercial Banks

RESEARCH METHODS

This research is a descriptive study. The variable used is the independent variable (independent) including Mudharabah and Musharaka financing, and the dependent variable (dependent) includes the level of ROA. The data source is obtained from the Bank Indonesia website, namely www.bi.go.id.

The sample used is 80 data covering 5 Islamic commercial banks in 4 years period. Among them the data is data from BCA Syariah, Mandiri Syariah, BNI Syariah, BRI Syariah, and Muamalat Bank. Sampling using purposive sampling technique with the following criteria:

Annual reports for Islamic Commercial Banks in 2016-2019

Mudharabah and Musharaka Financing in 2016-2019
ROA data for 2016-2019

In this study, data analysis methods used descriptive statistical analysis, testing classical assumptions, linear regression analysis and hypothesis testing.

Analysis

Linear Regression Analysis

The results of multiple linear regression calculations are presented in the following table:

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Correlations			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	,983	,101		9,703	,000					
	Mudharabah Financing	1,681E-007	,000	,304	2,624	,010	,081	,286	,269	,786	1,273
	Musyarakah FInancing	-3,569E-008	,000	-,482	-4,162	,000	-,341	-,429	-,427	,786	1,273

a. Dependent Variable: Profitability

Based on the results, a regression equation is obtained as follows:

Profitability = 0.983 + 1.681E-007 * Mudharabah - 3.569E-008 * Musharaka
It can be explained that:
If α = a constant of 0.983, it means that if the independent variable, namely Mudharabah and Musharaka financing, is constant (worth 0), the dependent variable, namely the Share Price, will be worth 0.983
If the regression coefficient value of the Mudharabah financing variable is 1.681E-007, it means that if the Mudharabah financing and Musharaka financing variables are constant (value 0), the dependent variable, namely the profitability variable, will increase by 1.681E-007. So, if the value of mudharabah financing increases by 1%, the stock return value will increase by 1.681E-007.
If the regression coefficient value of the Musharaka financing variable is -3.569E-008, it means that if the Mudharabah financing and Musharaka financing variables are constant (value 0), the dependent variable, namely the profitability variable, will decrease by 3.569E-008. So, if the value of musharaka financing increases by 1%, the profitability value will decrease by 3.569E-008.
Analysis of the coefficient of determination

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	,435[a]	,189	,168	,50062	,189	8,971	2	77	,000	1,601

a. Predictors: (Constant), Musyarakah FInancing, Mudharabah Financing

b. Dependent Variable: Profitability

Based on the table above, the results of the determination efficiency test show the R-Square value of 0.168 x 100 = 16.8%, which means that profitability is influenced by mudharabah and musharaka financing. While the remaining 83.2% profitability is influenced by other factors.

Hypothesis test
Partial Test (T Test)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	,983	,101		9,703	,000					
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a. Dependent Variable: Profitability

a. The significance value of the Mudharabah financing variable is 0.10 <0.05. then Ha accepted. it means Mudharabah Financing has an effect on Profitability.
b. The significance value of the Musharaka financing variable is 0.00 <0.05. then Ha accepted. it means that Musharaka Financing has an effect on profitability.

Simultaneous Test (Test F)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4,496	2	2,248	8,971	,000[b]
	Residual	19,297	77	,251		
	Total	23,794	79			

a. Dependent Variable: Profitability

b. Predictors: (Constant), Musyarakah FInancing, Mudharabah Financing

Based on the simultaneous test results in the table above, the significance value is 0.00 <0.05. Then, Ha accepted. It means that simultaneously mudharabah financing and musharaka financing have an effect on profitability.

CONCLUSION

Based on the results of data analysis, the author concluded that:
Mudharabah financing affects the level of profitability
Musharaka financing affects the level of profitability
Simultaneously Mudharabah Financing and Musharaka Financing affect the Profitability Level

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