

Analysis of Musyarakah and Mudharabah Financing Against the Smoothness of Financing in Indonesian Syariah Banks

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ABSTRACT

The purpose of this study is to examine how profit-sharing financing, namely mudharabah and musharakah financing, affects the smooth financing as determined by the Non-Performing Financing (NPF) of Islamic financial institutions. The data used in this study were examined using a multiple linear regression model. According to the findings of the study, mudharabah financing and NPF are positively correlated, meaning that the more mudharabah financing offered, the higher the chance of problematic financing. However, this relationship is not statistically significant, suggesting that the smoothness of money flow may be more influenced by variables outside the model. However, there is a negative correlation between musharakah financing and NPF, which shows that the increase in musharakah financing tends to reduce the risk of non-performing financing. Nevertheless, this effect also did not reach statistical significance. The conclusion of this study is that, despite having a pattern of connections that align with Islamic financial theory, there are no funding options that significantly affect NPF in this model.

Keywords: Mudharabah Financing, Musharakah Financing, NPF, Sharia Banking.

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Introduction

Indonesia's economy is one of the largest in Southeast Asia with various potentials and challenges. In recent years, Indonesia has experienced significant growth despite experiencing several crises around the world, including the COVID-19 pandemic. One of the things that drives Indonesia's economic growth is the existence of banks. Banks play a very strategic role in the economic development of a country. Banks make a significant contribution to increasing investment and economic growth through credit expansion, and diversification of funds, as well as transformation and diversification of economic risks. Banks have very important policies and strategies to support national economic growth. As a financial organization, one of the special functions of banks is to provide assistance to the general public who need business assistance through small, medium, and medium enterprises. Banking plays an indirect role in supporting the regional economy by transferring funds to related sectors (Ceysa et al., 2024).

Banking in Indonesia consists of 2 types, namely Central Bank and Commercial Bank, Central Bank in Indonesia is Bank Indonesia, while Commercial Bank in Indonesia consists of Conventional Bank and Sharia Bank. Sharia banking in Indonesia has experienced significant growth in recent decades, driven by increasing public awareness of financial principles according to Islamic law (Mulyah et al., 2020).

Along with the ratification of Law No. 21 of 2008 concerning Sharia Banking, this sector continues to grow. Based on data from the Financial Services Authority, Indonesia has various sharia banking institutions, including 14 Sharia Commercial Banks. In addition to Sharia Commercial Banks, Indonesia also has several Sharia Business Units totaling 21 in the August 2024 edition. UUS is unit Work in office center bank general traditional Which functioning as office parent office branch sharia or unit sharia, BUS is bank Which do business in accordance with principle sharia. UUS And BUS both of them can operate as bank non-foreign exchange or bank foreign exchange. Difference between UUS And BUS found in structure entity company; UUS appropriate One level in lower board board of directors bank commercial the usual person concerned, whereas BUS equivalent with bank commercial normal. Because

difference This, BUS And UUS own power different for decide How policy bank must implemented. Temporary bank general conventional place UUS is at determine policy UUS, bank sharia Which concerned determine policy in BUS (Saputri et al., 2024). Unlike conventional banking which uses an interest system, Islamic banking applies the principle of profit sharing and partnership-based financing instruments, such as murabahah, musyarakah, and mudharabah, which are in accordance with the principles of justice and risk sharing (Agustin & Halida, 2022).

Musyarakah and mudharabah are important instruments in BSI because they support economic sectors such as MSMEs, infrastructure, and large industries. Both schemes provide opportunities for banks and customers to share profits, but there are still challenges in their implementation. Obstacles such as the lack of public understanding of the mechanism, suboptimal risk management, and differences in expectations between banks and customers often hinder the success of this financing (Suaidah, 2020).

Musyarakah and Mudharabah are examples of Islamic financing because they provide ethical and responsible investment alternatives in relation to market needs. While the Musyarakah model encourages cooperation between banks and customers in business activities, the Mudharabah model encourages profit and loss based on the perception given (Tamam, 2024).

Musyarakah financing itself is a form of financing with a business model that encourages cooperation between banks and customers in business activities. Customers participate in business operations, management, and initial procedures. Profit sharing is the basic principle where both parties exchange profits based on the initial investment (Shabirah & Darmayanti, 2024) . While Mudharabah financing is in the form of profit and loss sharing based on the percentage determined in this financing model. The bank functions as an investor who provides capital, while the customer functions as an advisor who guides the business. Profit and loss are arranged according to the proportions previously determined (Tamam, 2024).

Based on (Almunawwaroh & Marlina, 2018) quoted from priantana & zulfia (2011) Banks will face danger when providing loans. One measure of bank credit risk (funding) is non-performing financing, or NPF. Banks with high NPF are often less effective. Conversely, banks with low NPF are often more effective. Banks with smaller NPFs will be able to credit their money to customers. In contrast to conventional banks that refer to non-performing loans as Non-Performing Loans (NPL), while the magnitude of the risk faced by Islamic banks is known as NPF. The number of superior NPFs is less than 5% according to the guidelines set by Bank Indonesia. The ratio of non-performing loans to total credit is used to calculate NPF. Because uncollectible funds prevent banks from financing other productive assets, the higher the NPF, the lower the bank's profit or profitability. As a result, bank income decreases, which disrupts banking profitability (Almunawwaroh & Marlina, 2018).

Research that discusses the smoothness of financing has been discussed by several researchers, *first* , research conducted by Riyan Pradesyah and Nur Aulia entitled "The Effect of Murabahah and Musyarakah Financing on Profitability at PT. Bank Syariah Mandiri" The focus is to identify and analyze the impact of murabahah financing (X1) and musyarakah (X2) on profitability at PT. Bank Syariah Mandiri (Pradesyah & Aulia, 2021) . The results of the study indicate that the Musyarakah Financing Variable has an effect on Profitability at PT. Bank Syariah Mandiri .

Second , research conducted by Syaiful Bahri entitled "The Influence of Murabahah, Mudharabah, and Musyarakah Financing on Profitability". This research focuses on analyzing the influence of mudharabah financing, musyarakah financing, and murabahah financing on profitability (Bahri, 2022). The results of the study show that mudharabah financing is said to have a positive effect on profitability.

Third, research conducted by Hera Yanti and Maman Darmansyah 2023 entitled "The effect of the level of mudharabah financing, murabahah financing and musyarakah financing on non-performing financing (NPF) in Islamic commercial banks in Indonesia in 2017-2022". This study concluded that the independent variable (X) has a positive and significant effect simultaneously on the dependent variable (Y) (Yanti & Darmansyah, 2023).

Of course, in this study there are differences with previous studies, the variables used in this study focus on musyarakah and mudharabah financing in Islamic Commercial Banks totaling 14 Banks and Islamic Business Units totaling 19. for the period 2020-2023.

From the discussion above, the problem is formulated as to how much impact does mudharabah and musyarakah financing have on the level of smooth payment in Islamic general banks in Indonesia, how

does musyarakah financing affect the smooth payment in Islamic general banks in Indonesia, to what extent do mudharabah and musyarakah financing together affect the smooth payment in Islamic general banks in Indonesia. From the formulation above, the objective is taken to understand how partnership financing such as musyarakah contributes to smooth payment and credit quality in Islamic banks, to measure the extent to which profit-sharing financing in the form of mudharabah can support the stability of customer payments, and its impact on financial risk management in Islamic banks.

Research Methods

This study uses a quantitative approach with secondary data types. The data used were obtained from existing and published sources, annual reports of Islamic Commercial Banks and Islamic Business Units, published survey results, and previous studies that are relevant to the topic being studied. The population in this study amounted to 33 banks consisting of 14 BUS and 19 UUS. The sample to be used uses the purposive sampling method, according to Sugiyono (2013:218) is a strategy for taking samples of data sources with special attention. A group of subjects is selected using a purposive sampling approach based on certain attributes that are considered to be connected to the nature or features of the population being studied. Researchers are already aware of these criteria. Thus, it is only necessary to connect sample units according to certain standards. The following is a sample of sample criteria that will be used.

Table 1
Determination of Research Samples

NO	Criteria	Amount
1	Islamic General Banks in Indonesia	14
2	Sharia Business Units in Indonesia	19
3	Islamic General Banks in Indonesia whose data is incomplete with the variables to be studied	(5)
4	Sharia Business Units in Indonesia whose data is incomplete with the variables to be studied	(16)
5	Islamic General Banks with Extreme Data	(3)
Total samples that meet the criteria		9
Total data for the period 2020-2023		36

Table 2
Determination of research samples

NO	Name of Islamic Bank
1	BCA Syariah
2	Panin Dubai Islamic Bank
3	Indonesian Islamic Bank
4	Bank Muamalat
5	Maybank Syariah
6	Mega Syariah Bank
7	BJB Syariah
8	NTB Sharia Bank
9	Bank of Yogyakarta

This study has two main variables, Independent Variables which contain Musyarakah Financing (X_1) and Mudharabah Financing (X_2). These two variables include the amount of financing distributed by Islamic Commercial Banks and Islamic Business Units in the form of musyarakah and mudharabah in the 2020-2023 period. And also using the Dependent Variable, namely, Financing Smoothness (Y), which is measured based on indicators such as the ratio of non-performing financing (NPF) is described as follows.

$$NPF = \frac{\text{Jumlah Pembiayaan bermasalah}}{\text{Jumlah Kredit yang diberikan}} \times 100\%$$

Data Analysis Techniques in this study, namely, Classical Assumption Test, Before conducting regression analysis, the data will be tested using normality, multicollinearity, and heteroscedasticity tests to ensure that the regression model meets statistical assumptions. Then do Multiple Linear Regression Analysis, This technique is used to analyze the effect of musyarakah and mudharabah financing on the smoothness of financing. The last is Hypothesis Testing, Significance testing is carried out using the **t-test** to determine the effect of each independent variable on the dependent variable, and the **F-test** to test the significance of the model as a whole.

Results

1. Classical Assumption Test

The results of classical assumption testing on the regression model show that the model is statistically feasible because it meets a number of main criteria that support the validity of the regression analysis.

Table 3
Results of classical assumption test

Test Type	Statistical Test	Value	Information
Normality Test	Kolomogorov-smirnonov	0.200	Normally distributed data
Heteroscedasticity Test	Glacier	Total Easy 0.839 Total Mudhi 0.395	There are no symptoms of heteroscedasticity
Multicollinearity Test	Tot Musyi Tot Mudhi	Toll 0.563; VIF 1.776 Toll 0.563; VIF 1.776	There is no multicollinearity
Autocorrelation Test	Run –Test	1.00	No autocorrelation occurs

Based on Table 3, the results of the classical assumption test indicate that this study meets the requirements of the classical assumption. Based on the normality test using the Kolmogorov-Smirnov method, the asymp sig (2-tailed) result is 0.200 which is greater than 0.05, so it can be concluded that the data is normally distributed. Furthermore, the heteroscedasticity test conducted using the Glejser method shows that all variables have a significance level greater than 0.05, which indicates that there is no heteroscedasticity problem. The multicollinearity test produces a greater tolerance value and a VIF value of less than 10, so it can be concluded that there is no multicollinearity in this study. Finally, the autocorrelation test using the Run-Test method provides an asymp sig (2-tailed) result of 1.00 which is greater than 0.05, indicating that there is no autocorrelation in this study. Thus, this study has met the classical assumption, making it possible to proceed to multiple linear regression analysis.

2. Hypothesis Testing

In this study, we conducted a hypothesis test to determine whether there were significant differences between the variables we studied, the following is a summary of the results of the hypothesis test.

Table 4
Results of multiple linear regression analysis

Model	Coefficient	t-count	Sig
(Constant)		3,508	0.013
Mudharabah Financing	0.914	2,760	0.033
Musyarakah Financing	-0.205	-0.618	0.559
F-count	5,103		
F-Sig.	0.050 ^b		
R ² Adj	0,506		

Based on the results of the hypothesis test, **mudharabah financing** has a positive coefficient of **0.914** and a t-count of **2.760** with a significant value of **0.033**, which means it has a **positive and significant influence** on the dependent variable. Conversely, **musyarakah financing** has a negative coefficient of **-0.205** with a t-count of **-0.618** and a significant value of **0.559**, which indicates a **negative but insignificant influence** on the dependent variable. Simultaneously, the **F-Sig. 0.050 results** indicate that both variables have a significant influence on the dependent variable. The **R² Adj value of 0.506** indicates that 50.6% of the variation in the dependent variable can be explained by the two independent variables, while the remaining 49.4% is influenced by other factors outside this study.

The Influence of Musyarakah Financing on Financing Smoothness

Based on Table 4, the coefficient for musyarakah financing is -0.205, which indicates that every 1 unit increase in musyarakah financing will decrease NPF by 0.205, assuming other variables remain constant. This coefficient value is very small, and its effect on NPF can be considered minimal. The t-statistic for musyarakah financing is -0.618 and the p-value is 0.559 (greater than 0.05), indicating that the effect of musyarakah financing on NPF is not statistically significant at the 5% significance level.

This result contradicts the research by Riyan Pradesyah and Nur Aulia 2021, which stated that musyarakah financing has an effect on profitability at PT. Bank Syariah Mandiri. Based on the results of the analysis in this study, the musyarakah financing variable does not have a significant effect on the smoothness of financing, with a significance value of 0.559 which exceeds the threshold of 0.05. On the other hand, mudharabah financing has a significant effect on the smoothness of financing, with a significance value of 0.033 which is less than 0.05.

Musharaka financing does not have a significant effect on NPF in this study, due to several factors. One of them is low statistical power, where a high p-value indicates an analysis that is less sensitive to the existing relationship. In addition, the nature of musharaka which involves sharing of risks and profits can make NPF management more complex. Other factors such as the quality of credit supervision, type of business, and internal bank policies are more dominant in influencing NPF. Economic and regulatory conditions during the 2020–2023 period also play a role, as well as the bank's internal policies in managing risks that can affect the smoothness of musharaka financing.

The Influence of Mudharabah Financing on Financing Smoothness

Based on Table 4, a coefficient of 0.914 is obtained, indicating that every 1 unit increase in mudharabah financing is estimated to increase NPF by 0.914. This value is quite large, indicating that

the influence of mudharabah financing on NPF is quite strong . The t-statistic value of 2.760 and the p-value of 0.033 (less than 0.05) indicate that the influence of mudharabah financing on NPF is statistically significant at a significance level of 5%.

This result is in line with research by Syaiful Bahri 2022 which states that mudharabah financing has a positive significance value on profitability.

The Influence of Musyarakah and Mudharabah Financing on Financing Smoothness

Based on the results in Table 4, it can be concluded that mudharabah financing has a positive effect on financing smoothness (NPF), with a coefficient of 0.914, which is statistically significant (p-value 0.033). Meanwhile, musyarakah financing has a negative effect on NPF, with a coefficient of -0.205, but the effect is not statistically significant (p-value 0.559). In other words, although mudharabah financing makes a greater contribution in explaining the variation of NPF (with Beta 0.617), only mudharabah financing has a statistically significant effect, while musyarakah financing does not.

These results support research by Hera Yanti and Maman Darmansyah (2023) , which states that profit-sharing financing has a simultaneous effect on the bank's NPF value.

Conclusion

Based on the results of data analysis and hypothesis testing regarding the effect of mudharabah and musyarakah financing on the smoothness of financing at Islamic banks in Indonesia during the period 2020–2023, it can be concluded that mudharabah financing has a significant effect on NPF, with a positive coefficient of 0.914 and a p-value of 0.033. On the other hand, musyarakah financing does not show a significant effect on NPF, with a negative coefficient of -0.205 and a p-value of 0.559.

However, other factors besides mudharabah and musyarakah financing seem to have a greater influence on NPF, as reflected by the relatively low R² value (0.506). Therefore, future research is advised to include additional relevant variables, such as the quality of credit supervision, type of business, or internal policies of financial institutions, which may have a greater impact on NPF. In addition, it is important to evaluate the sample size and data distribution, given the high p-value in musyarakah financing, which may be due to the low statistical power in the analysis. The results of the classical assumption test on the regression model indicate that the model is statistically feasible because it meets a number of main criteria that support the validity of the regression analysis.

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