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Analysis Of The Effect Of Financing On Profitability In Sharia Commercial Banks

Fifi Ulfa Lustiana[1*], Immas Nurhayati[2], Titing Suharti[3]
Universitas Ibn Khaldun Bogor, Indonesia
*Corresponding Author Email : Fifiulfa02@gmail.com

Abstract

This study aims to determine the effect of the composition of financing on the profitability of banks in Indonesia by using the Ratio of Return on Assets (ROA). The analytical tool used is simple regression analysis. This type of research method is quantitative descriptive research. The type of data used in this study is secondary data, four sample BUS were selected as samples including, Bank Muamalat Indonesia Syariah, Bank BJB Syariah, Bank BCA Syariah, Bank Bukopin Syariah, financing used as a variable including profit sharing, murabahah, qord, and ijarah. The results showed that the profit sharing variable had a significant positive effect on ROA, murabahah had a significant negative effect on ROA, qord had a significant positive effect on ROA, and ijarah had a significant positive effect on ROA.

Keywords: *Financing, Profitability, Return on Assets, Islamic Banks.*

Introduction

The world of banking is an institution that plays an important role in the economy of a country, especially in the field of economic financing. Islamic banks function to provide convenience in investment or buying and selling activities, as well as providing savings/banking services for customers in the real sector Ascarya (2007:30). Profitability compares the total assets owned by a bank for a certain period profit (after tax) or profit (before tax) relative to core capital. Position is calculated as an average over the period Muhammad (2004:137). One of the bank's financial performance indicators evaluated is the level of profitability and efficiency. The profitability ratio is a group of ratios that shows the combination and impact of liquidity, debt and asset management on operational results (Houston, 2016: 146). Currently banking institutions in Indonesia are experiencing rapid progress, therefore there are two types of banks in Indonesia, namely Conventional Banks and Islamic Commercial Banks. The difference between these two banks lies in the way they operate or the system they use. The profit-sharing system used by Islamic banks that adhere to a cooperative or partnership system with the concept of profit sharing, borrowing money for social purposes will not get the slightest reward and also conventional banks that adhere to the interest system Wibowo & Sunarto (2015).

Financing is a form of channeling money carried out by Islamic commercial banks using the principles of buying and selling, profit sharing, lending, leasing, and complementary contracts. Of the four financing principles owned by Islamic Commercial Banks, there are two main principles that are applied by Islamic Commercial Banks in financing, namely the buying and selling principle and the profit sharing principle. Murabahah, salam and istishna are three types of contracts based on buying and selling principles owned by Islamic banks. Meanwhile, mudharabah and musyarakah are contracts that are used based on the principle of profit sharing (Karim, 2014:102-103). There are several factors that affect the financial performance of Islamic banks, namely the large volume of financing that is thought to affect the performance of Islamic commercial banks according to Mirasanti Wahyuni (2016). The following is data on distribution of funds from Islamic Commercial Banks in Indonesia. The financing of murabahah contracts and profit sharing that the bank distributes to its customers or managers has a very significant impact on the development of the bank itself. The more money issued, the higher the profit the bank earns, helping to return capital and generate profits. In banking, ROA is something that is important because ROA (Return on assets) can be used as a measure of how effective a company is in maximizing its assets in obtaining profits. Endraswati (2018).

In financing Islamic banks use many types of contracts that have been equated with sharia principles, each contract has different characteristics so that from the financing provided the different contracts and the resulting risks are also different. The level of profitability of Islamic banks is inseparable from the operational activities of collecting funds from the public in the form of deposits in the form of demand deposits, savings and deposits in accordance with the principles of Wadiah and Mudharabah. Islamic banks then transfer these funds back to the community through financing (Karim, 2014: 97). The reason Return on Assets (ROA) was chosen as a performance indicator is because it is used to measure efficiency in generating profits from company assets (Adyani, 2011). Profitability is the most appropriate bank performance indicator Margaretha & Zai (2013). This is because Return on Assets (ROA) is more representative of the level of profitability because Bank Indonesia prioritizes banking profitability, where funds are mostly measured as assets from public deposits (Paulin & Wiryono (2015)).

Previous research according to Oktriani (2011) mudharabah financing and profitability fluctuates every year, decreases and increases. According to Reinissa (2015) states that simultaneously mudharabah has a significant effect on ROA (Return on Assets), while the partial mudharabah test has no significant effect on ROA (Return on Assets), and according to Emha (2014) shows partial mudharabah and ijarah financing and simultaneous effect on the profit of Bank Muamalat. According to Imron Mawardi (2015), Mudharabah financing and deliberations have a negative effect on return on assets (ROA). According to Aulia Fuad Rahman & Ridha Rochmanika (2012), buying and selling financing and profit sharing financing have a negative effect on return on assets (ROA).

Formulation of the problem

It is known that based on the above background, the problem formulation obtained is to analyze how the influence of profit-sharing, mudharabah, qord, and ijarah financing can have a positive effect on profitability in Islamic commercial banks that have been listed on the Indonesia Stock Exchange (IDX).

Method

The object used in this study is a Sharia Commercial bank company registered with the Financial Services Authority (OJK) for the 2016-2020 period. The data source processed in this study comes from the official website of the Indonesia Stock Exchange (IDX), namely www.idx.co.id This study focuses on the effect of related variables on profitability (ROA) in Islamic Commercial Banks that are in Indonesian banks and are listed on the Stock Exchange. Indonesian Securities (IDX). The total population in this study is 13 Islamic Commercial Banks registered with Bank Indonesia. Of the 13 samples, 4 samples were selected that met the criteria in this study, namely Bank Muamalat Indonesia, BCA Syariah, BJB Syariah, and Bank Bukopin Syariah. The reason for choosing BUS (Sharia commercial bank) as the sample in this study is that this Islamic commercial bank has the most branch offices according to statistical data published by Bank Indonesia and routinely publishes its financial reports per month during the observation period, namely 2016-2020.

Selection and Collection of Data

The data used in this study is secondary data collected using documentation techniques obtained from annual reports recorded at the Financial Services Authority (OJK) in the form of financial reports from Islamic Commercial Banks. The data sources used are financial reports issued by the official website of the Financial Services Authority (OJK) in the form of annual, monthly or quarterly reports which will be sampled in this study for the 2016-2020 period.

Result

Below is a clear description of the results of the descriptive statistics for each variable:

Table 1. Descriptive Statistics

Coefficient	CEM	FEM	REM
Profitability (Y)			
Constant	-4.828323	-8.840531	-4.828323
	(0.0230)	(0.0004)	(0.0230)
Profit sharing	0.506815	0.497943	0.506815
	(0.0000)	(0.0001)	(0.0000)
Murabahah	-0.971779	-0.174071	-0.971779
	(0.0000)	(0.4686)	(0.0000)
Qord	0.272112	0.039197	0.272112
	(0.0000)	(0.5899)	(0.0000)
Ijarah	0.011087	-0.181342	0.011087
	(0.7956)	(0.0158)	(0.7956)
R2	0.314115	0.408689	0.314115
Information :			
( )			
denotes p-Value			

Source: Data processed by Eviews 8

a)Profit Sharing Based on the table above for the 2016-2020 report of the 4 Islamic Bank companies used as samples, the smallest (minimum) value is 8.261010. The highest (maximum) value is 13.24771. The average Profit Sharing value is 11.08830 with a standard deviation of 0.902048. b) Murabaha (sale and purchase) Based on the table above for the 2016-2020 report of the 4 Islamic Bank companies used as samples, the smallest (minimum) value is 8.588024. The highest (maximum) value is 12.68537. The average value of Murabahah is 10.35130 with a standard deviation of 0.994339. c) Qard (loan) based on the table above for the 2016-2020 report of the 4 Islamic Bank companies used as samples, the smallest (minimum) value is 4.804021. The highest (maximum) value is 13.79281. The average qord value is 9.028102 with a standard deviation of 2.770111. d) Ijarah (rent) Based on the table above for the 2016-2020 report of the 4 Islamic Bank companies used as samples, the smallest (minimum) value is 6.148468. The highest (maximum) value is 1367866. The average value of Ijarah is 10.62191. with a standard deviation of 2.256079. e) ROA

Table 2. Summary of Panel Data Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	12.368609	(3,232)	0.0000
Cross-section Chi-square	35.608162	3	0.0000

Source: Processed by Eviews 8

a) *Common Effect model* In panel data regression, researchers conduct several tests to determine the selection of the best model. The researcher conducted a test to find out whether the model follows the common effects or not. After processing the data, the output with the common effects model is obtained as follows. Intercept Y = - 4.828323 + 0.506815 X1 - 0.971779 X2 + 0.272112 X3 + 0.011087 X4. From the results above it can be concluded that if all the independent variables = 0 then y = -4.828323. The coefficient of the independent variable X1 (profit sharing) of 0.506815 indicates a positive relationship between profit sharing on profitability, meaning that if the profit sharing increases/decreases by one unit it will increase/decrease ROA by 0.506815. The coefficient of the independent variable X2 (murabahah) of -0.971779 indicates a negative relationship between murabahah and profitability, meaning that if murabahah increases/decreases by one unit, it will decrease/increase ROA by -.0.971779. The coefficient of the independent variable X3 (qord) of 0.272112 indicates a positive relationship between qord and profitability meaning that if the qord increases/decreases by one unit, it will increase/decrease ROA by 0.272112. The coefficient of the independent variable X4 (ijarah) of 0.011087 indicates a positive relationship between ijarah and profitability meaning that if ijarah increases/decreases by one unit it will increase/decrease ROA by 0.011087. b) Fixed Effects Model The researcher processed the data to get the fixed effect model before the chow test was carried out. The output of data processing

with the fixed effect model is presented as follows. Intercept Y= - 8.840531 + 0.497943 X1 - 0.174071 X2+ 0.039197 X3 - 0.181342 X4 From the results above it can be concluded that if all the independent variables = 0 then y = -8.840531. The coefficient of the independent variable X1 (profit sharing) of 0.497943 indicates a positive relationship between profit sharing and profitability, meaning that if the profit sharing increases/decreases by one unit, it will increase/decrease ROA by 0.497943. the coefficient of the independent variable X2 (murabahah) of -0.174071 indicates a negative relationship between murabahah and profitability, meaning that if murabahah increases/decreases by one unit, it will decrease/increase ROA by -.0.174071. The coefficient of the independent variable X3 (qord) of 0.039197 indicates a positive relationship between qord and profitability meaning that if the qord increases/decreases by one unit, it will increase/decrease ROA by 0.039197. The coefficient of the independent variable X4 (ijarah) of -0.181342 indicates a negative relationship between ijarah and profitability meaning that if ijarah increases/decreases by one unit, it will decrease/increase ROA by -0.039197. c) *Random Effect Model* After the previous test concluded that the temporary model uses fixed effects, it is necessary to carry out further testing whether the model used in this study is a fixed effect or random effects model. Therefore, it is necessary to determine the random effect model before processing the data with the fixed effect model presented as follows: Intercept Y = - 4.828323 + 0.506815 X1 - 0.971779 + 0.272112 X3 + 0.011087 X4 From the results above it can be concluded that if all the independent variables = 0 then y = -4.828323. The coefficient of the independent variable X1 (profit sharing) of 0.506815 indicates a positive relationship between murabahah and profitability, meaning that if murabahah increases/decreases by one unit, it will increase/decrease ROA by 0.506815. the coefficient of the independent variable X2 (murabahah) of -0.971779 indicates a negative relationship between murabahah and profitability, meaning that if murabahah increases/decreases by one unit, it will decrease/increase ROA by -.0.971779. The coefficient of the independent variable X3 (qord) of 0.272112 indicates a positive relationship between qord and profitability meaning that if the qord increases/decreases by one unit, it will increase/decrease ROA by 0.272112. The coefficient of the independent variable X4 (ijarah) of 0.011087 indicates a positive relationship between ijarah and profitability, meaning that if ijarah experiences an increase/decrease by one unit will increase/decrease ROA by 0.011087.

Panel Data Regression Estimation Technique Selection

After estimating the panel data regression model, it's time to decide which technique or model is best to use. The technique used to determine the best model is the use of the Chow test, the Hausman test, and the Langrage multiplier (LM). A) Uji Chow Based on the test results, it can be seen that the probability value is 0.0000. The value is Prob 0.0000 < α 5% (0.05). Therefore, it means that it is significant, so reject H0 and accept H1 so that it can be said that the temporary model accepted is the fixed effects model and rejects the common effects model before further testing the random effects model. Source: Processed by Eviews 8. B) *Uji Housman*

Tabel 3. Uji *Housman*

Effect test	Chi-Sq Statistic	Chi-Sq.d.f	Prob
Cross-section random	7.995.152	4	0.0000

Source: Processed by Eviews 8

Based on the test results, it can be seen that the value for probability is 0.0000. The value is Prob 0.0000 <α 5% (0.05). Therefore, it means that it is significant, then reject H0 and accept H1 so that it can be said that the temporary model accepted is the random effects model and rejects the fixed effects model before further testing the random effects model. C) Uji *Langerage Multiplier* (LM).

Tabel 4. Uji LM

Both	Statistic	Time
Breusch-Pagam 8.550830	8.341.921	0.208909
(0.0039)	(0.6476)	(0.0035)

The results of the LM test show that the probability value is 0.0035. The value is Prob 0.0035 < α 5% (0.05). Therefore, it means that it is significant, so reject H0 and accept H1 so that it can be said that the temporary model accepted is the random effects model and rejects the common effects model. Then the right result to use is the random effect model (REM).

In the panel data regression method, the model must be selected for the selection of the right model. There are three, namely the common effect, fixed effect, random effect, and the Chow test, Hausman test, LM test were tested sequentially for the three models. Based on the results of model testing carried out so far, the most suitable model for this research is the random effect model.

Hypothesis test

After finding the optimal model, the next step is hypothesis testing. Hypothesis testing was carried out to find out the relationship between the independent variable and the dependent variable, and it was also used to measure how big the relationship between these variables was. a)Determination Coefficient Test (R2) The function of the R2 test is to determine the fit between the independent (independent) variable and the dependent (dependent) variable in the regression equation.

Tabel 5. Uji determinasi (R^2)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.828323	2.110594	-2.287661	0.0230
Bagi hasil	0.506815	0.114204	4.437790	0.0000
Murabahah	-0.971779	0.128339	-7.571954	0.0000
Qord	0.272112	0.046084	5.904695	0.0000
Ijarah	0.011087	0.042755	0.259309	0.7956

Source: Processed by Eviews 8

In the table above it can be concluded that the variables of profit sharing financing, murabahah, qord, ijarah do not closely affect profitability at Islamic commercial banks. The Adjusted R-square results obtained results of 0.328053. This explains that the variables of profit sharing financing, murabahah, qord, and ijarah on profitability in Islamic commercial banks of 32.80% and the remaining 67.20% and can be explained by other variables. B) Statistical Test t in this study the dependent variable is the profitability of Islamic commercial banks, namely ROA, and the independent variables are profit sharing, murabaha, qord, and ijarah. The t test is used to test whether the independent variable has a partial effect on the dependent variable.

Tabel 6. Uji Signifikan Variabel Bebas (Uji t)

Weighted Statistics			
R-squared	0.328053	Mean dependent var	0.297527
Adjusted R-squared	0.318942	.D. dependent var	0.485780
S.E. of regression	0.400896	Sum squared resid	47.41166
F-statistic	36.00568	Durbin-Watson stat	0.160249
Prob(F-statistic)	0.000000		
Unweighted Statistics			
R-squared	0.328053	Mean dependent var	0.297527
Sum squared resid	47.41166	Durbin-Watson stat	0.160249

Source: Processed by Eviews 8

The results of the random effect model test show that the profit sharing, murabaha, and qard variables, some have a significant effect on profitability, and the other variables ijarah partially have no significant effect on the profitability of Islamic commercial banks. In the following, we will discuss the results of partial variable testing with a more detailed presentation according to the results of the Random Effect model. 1) Profit sharing variable testing the hypothesis regarding the effect of the profit sharing variable on the profitability of Islamic commercial banks shows a coefficient value of 0.506815 with a significance of 0.0000 which states that the profitability value is smaller than the value of α (0.0000 <0.05). this means that the profit sharing variable has a positive and significant effect on the profitability of Islamic commercial

banks. For this reason, the hypothesis Ha1 is accepted, Ho1 is rejected. 2) The Murabahah variable testing the hypothesis regarding the effect of the murabahah variable on the profitability of Islamic commercial banks shows a coefficient value of -0.971779 with a significance of 0.0000 which states that the profitability value is smaller than the value of α (0.0000 <0.05). this means that the murabaha variable has a negative and significant effect on the profitability of Islamic commercial banks. For this reason, the hypothesis Ha2 is rejected, Ho2 is accepted.3) The Qord variable testing the hypothesis regarding the effect of the qord variable on the profitability of Islamic commercial banks shows a coefficient value of 0.272112 with a significance of 0.0000 which states that the profitability value is smaller than the value of α (0.0000 <0.05). this means that the qord variable has a positive and significant influence on the profitability of Islamic commercial banks. For this reason, the hypothesis Ha1 is accepted, Ho1 is rejected. 4) The Ijarah variable testing the hypothesis regarding the effect of the ijarah variable on the profitability of Islamic commercial banks shows a coefficient value of 0.011087 with a significance of 0.0000 which states that the profitability value is smaller than the value of α (0.0000 <0.05). this means that the ijarah variable has a positive and significant influence on the profitability of Islamic commercial banks. For this reason, the hypothesis Ha1 is accepted, Ho1 is rejected. c.Uji F

Tabel 7 Uji F

Effect Test	Statistic
F-statistic	26.90575
Prob(F-statistic)	0.000000

Source: Processed by Eviews 8

Independent variables, namely profit-sharing financing, murabaha, qard and ijarah Simultaneously affect the dependent variable, namely profitability. This is because the probability value is less than the α value, namely (0.0000 <0.05). Then the model in this study shows a significant influence jointly. It can be concluded that the variables of profit sharing, murabaha, qard and ijarah financing together have an effect on profitability. So that the F test meets research expectations with a significant influence on the profitability of Islamic commercial banks. for that, the hypothesis is accepted.

a)The Effect of Profit Sharing Financing on Profitability in Islamic Commercial Banks In the Random Effect model, a coefficient value of 0.506815 is obtained with a significance of 0.0000 which indicates that the probability value is smaller than the value α (0.0000 <0.05). This means that the profit sharing variable has a positive and significant influence on the profitability of Islamic commercial banks. This result is in accordance with the hypothesis that has been stated previously so that the first hypothesis is accepted. b) The Effect of Murabahah Financing on Profitability in Islamic Commercial Banks In the Random Effect model, a coefficient value of -0.971779 is obtained with a significance of 0.0000 which indicates that the probability value is smaller than the value α (0.0000 <0.05). This means that the murabaha variable has a negative and significant effect on the profitability of Islamic commercial banks. meaning that every increase of one unit will reduce the profitability of Islamic commercial banks by -0.971779.

This result is not in accordance with the previously stated hypothesis so that the second hypothesis is rejected. c) The effect of Qord Financing on profitability in Islamic Commercial BanksIn the Random Effect model, a coefficient value of 0.272112 is obtained with a significance of 0.0000 which indicates that the probability value is smaller than the value α (0.0000 <0.05). This means that the qard variable has a positive and significant influence on the profitability of Islamic commercial banks. meaning that every increase of one unit of qard financing will increase the profitability of Islamic commercial banks by 0.272112. This result is in accordance with the hypothesis that has been stated previously so that the alleged third hypothesis is accepted. d) The effect of Ijarah Financing on profitability in Islamic Commercial BanksIn the Random Effect model, a coefficient value of 0.011087 is obtained with a significance of 0.7056 which states that the probability value is greater than the value of α (0.0000 <0.05). This means that the ijarah variable has a negative and insignificant effect on the profitability of Islamic commercial banks. meaning that every one unit increase in ijarah financing will affect the profitability of Islamic commercial banks by 0.011087. This result is in accordance with the hypothesis that has been stated previously so that the alleged fourth hypothesis is accepted.

Conclusion

Analysis and testing of the hypothesis of the effect of financial composition on the profitability of Islamic commercial banks was carried out on a sample of four Islamic commercial banks in 2016-2020 using the panel data regression method, and testing the hypothesis, the following conclusions were obtained: It can be concluded that the independent variables for profit sharing, qord, and ijarah have a significant positive effect on profitability (ROA) in Islamic commercial banks only on the murabahah independent variable whose results show a negative effect on profitability in Islamic commercial banks. 1) Based on the test results of the analysis of the effect of profit-sharing financing on profitability (ROA), it is known that profit-sharing financing has a significant positive effect on the profitability of Islamic commercial banks. this means the H1 hypothesis is accepted. 2) Based on the results of the analysis of the effect of murabahah financing on profitability (ROA), it is known that murabahah financing has a significant negative effect on the profitability of sharia general tires. this means that the hypothesis H2 is rejected. 3) Based on the results of the analysis of the effect of qard financing on profitability (ROA), it is known that qard financing has a significant positive effect on the profitability of Islamic commercial banks. this means that the H3 hypothesis is accepted. 4) Based on the results of the ijarah financing analysis test, it has a significant positive effect on profitability (ROA). This means that the H4 hypothesis is accepted.

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