

Effect of Financing of Revenue Sharing on Return on Assets of Sharia Commercial Banks in Indonesia

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Keywords: Financing of Revenue Sharing Principle, *Mudharabah*, *Musyarakah*, Return On Asset

Abstract: This study is conducted to determine the effect of revenue sharing principle by using *mudharabah* and *musyarakah* contracts simultaneously and partially to Return on Asset of Sharia Commercial Bank in Indonesia. The design of research is quantitative. The object of research is 13 Sharia Commercial Banks in Indonesia which has done starting from January 2016 to March 2018. Analytical techniques used are multiple linear regression or Ordinary Least Squares (OLS). The results show that the financing of revenue sharing principle by using *mudharabah* and *musyarakah* contracts simultaneously has no significant effect on Return On Assets of Sharia Commercial Bank in Indonesia. *Mudharabah* financing is partially no significant effect on Return On Asset of Sharia Commercial Bank in Indonesia. *Musyarakah* financing is partially no significant effect on Return On Assets of Sharia Commercial Banks in Indonesia.

1 INTRODUCTION

Islamic banks in Indonesia consist of Sharia Commercial Bank and Sharia Business Unit. The channeling of funds in the Shariah Commercial Bank is directly shown in the productive sector and is included in income-generating assets (productive assets). Productive assets can be financing the principle of revenue sharing, namely: financing *mudharabah* and *musharaka*. According to Muhammad (2005: 272-279), *mudharabah* and *musyarakah* financing affect the financial performance of Sharia Commercial Bank which is displayed in the ratio of the bank that is ROA.

The purpose objective is determined by the government, namely to increase productive financing in order to create economic growth and people's welfare. In practice, consumer financing is often channeled by Islamic Commercial Banks in Indonesia. Consumer financing products that are often channeled are referred to as consumer banking segment financing.

Mudharabah and *musyarakah* financing in several Sharia Commercial Banks have increased annually from 2016 to 2018. The increase is also shown in Return On Assets of Sharia Commercial Banks in 2016-2018. However, financing by not using financing the principle of revenue sharing

(*murabahah*) in Syariah Commercial Bank still dominates the financing. This research was conducted to find out whether ROA Bank Syariah in Indonesia is significantly influenced by *mudharabah* and *musyarakah* financing, either simultaneously or partially.

This study raises the productive financing channeled by Islamic Commercial Banks in Indonesia which should be a motor of financing to drive economic growth and equitable welfare of the people but in reality, the motor financing is consumptive financing that uses *murabahah* financing contracts.

Sudana (2009: 26) explains that ROA demonstrates the company's ability to use all of its assets to generate profits. This ratio is important for management to evaluate the effectiveness and efficiency of enterprise management in the use of all corporate assets

Arifin (2003: 63) explains that net profit rate (profit) obtained by sharia bank is influenced by several factors, including income and expenditure. Assets that generate income is the financing of profit-sharing principles by using *mudharabah* and *musharaka* contracts

According to Muhammad (2005: 272-279), when the income of sharia commercial banks derived from the financing of the principle of profit sharing increases and the cost incurred by the financing has

decreased or fixed, the ROA of sharia banks is increasing. Then, if the income of sharia banks is derived from the financing of the profit-sharing principle decreases and the costs incurred by the financing of the profit-sharing principle are increased or improved, the ROA of sharia general banks will decrease. From the above explanation, it can be said that financing the principle of profit sharing affects the ROA (Return On Asset) sharia commercial banks.

According to Fredrick (2016) that *musharaka*, *ijara*, and *murabaha* have a positive influence on ROA with the value of regression as a whole significant effect as seen from the ratio F for the regression is 21.796 with p-value 0.0028. So when *musyarakah* financing increased then it will improve the performance of Islamic banks as well, it is the Islamic banks in Indonesia to further increase the financing of *musharaka* in order to maximize the return of assets of sharia banks.

According Jaurino and Renny (2017), from the results of research that *mudharabah* financing has a positive and significant influence on bank profitability. But *musyarakah* financing has no effect on bank profitability. This is shown by the value of t-statistics where when t the statistics > 1.96.

Nur Gilang (2013) states that simultaneously FDR, NPF, ROA, CAR and the rate of profit sharing affect the *mudharabah* financing. Partially, the FDR variable has a negative effect on *mudharabah* financing. NPF variables have no effect on *mudharabah* financing. Whereas for the ROA, CAR, and profit sharing variables have a positive effect on *mudharabah* financing.

Ismed, Yenny, and Fauzan (2016) state that *mudharabah* has a significant effect on ROA, while *murabahah* and *musyarakah* have no significant effect on ROA. Simultaneously the three independent variables have a positive effect on ROA.

Based on this we have proposed the following hypothesis:

- H_{0a} : *Mudharabah* and *musyarakah* financing simultaneously have no significant effect on Return On Asset of Sharia Commercial Bank in Indonesia
- H_{1a} : *Mudharabah* and *musyarakah* financing simultaneously have a significant effect on Return On Asset of Sharia Commercial Bank in Indonesia
- H_{0b} : *Mudharabah* financing and partial *musyarakah* financing has no significant effect on Return On Asset of Sharia Commercial Bank in Indonesia

H_{-1b} : *Mudharabah* and *musyarakah* financing are partially significant effect on Return On Asset of Sharia Commercial Bank in Indonesia

2 RESEARCH METHODOLOGY

The data in this study use secondary data, in form of time series data covering the period from January 2016 to March 2018. Data on Return On Asset, *mudharabah*, and *musyarakah* variables are obtained from statistical data of sharia banking in the *Otoritas Jasa Keuangan* (<https://www.ojk.go.id>). This research uses quantitative approach, using linear regression method or OLS (Ordinary Least Squares) using EViews 9.0. The object of research is sharia commercial bank in Indonesia, in total of 13 sharia commercial banks

3 RESULT AND DISCUSSION

3.1 Multiple Linear Analysis

Table 1: Multiple Linear test results.

Variable	Koefisien	t-stat	Probability
X1 (Mudharabah)	-74.71111	-1.121444	0.2732
X2 (Musyarakah)	11.49847	0.874610	0.3905
C	1931.887	1.046370	0.3058
R-Squared	0.057743		
F-Stat	0.735380		
Probabilitas	0.489815		

Source: processed data

Based on table 1., The coefficient of determination (R-Squared) is 0.057743. The value of R-Squared is not good because it is smaller than 1. This means 5.77 percent ROA variable can be explained by *mudharabah* and *musyarakah* financing, while the remaining 94.23 percent is explained by other variables which have not been examined.

3.2 Normality test

Table 2: Jarque-Berra (JB) Test.

Jarque-Berra Test:	
Jarque-Berra	2.041445

Possibility	0.360334
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Source: processed data

JB Test probability value is 0.360334. The value is greater than $\alpha = 0.05$. That means that the normal distributed error term in the multiple linear regression model.

3.3 Autocorrelation Test

Table 3: Breusch-Godfrey Serial Correlation LM Test.

Breusch-Godfrey Serial Correlation LM Test:			
F-Statistic	4.698613	Prob.F (2,13)	0.0200
Obs*R-Squared	8.081131	Prob.Chi-Square (2)	0.0176

Source: processed data

Based on the test result, the probability value of Obs * R-squared is 0.0176. The value is smaller than $\alpha = 0.05$. That means there is autocorrelation in the multiple linear regression model. It also means that there is a correlation between members of a series of observations sorted by time or space.

3.4 Heteroscedasticity Test

Table 4: Uji Heteroskidastisitas.

Heteroscedasticity Test : White			
F-Statistic	1.030863	Prob. F (3,15)	0.3720
Obs *R-Squared	2.135952	Prob. Chi-Square (3)	0.3437

Source: processed data

Based on the test results, probability value Obs * R-Square is 0.3437. This is a value greater than $\alpha = 0.05$. This means that there is no heteroscedasticity in the multiple linear regression model. It is also significant that a linear regression model has a constant residual variance.

3.5 Multicollinearity Test

Table 5. Correlation Matrix.

	Mudharabah	Musyarakah	ROA
Mudharabah	1.000000	0.403178	-0.166466
Musyarakah	0.403178	1.000000	0.091473
ROA	-0.166466	0.091473	1.000000

Source: processed data

Based on the results of multicollinearity test through the correlation matrix, the relationship between independent variables between *mudharabah* financing and *musyarakah* financing is not experiencing multicollinearity because the value of the matrix of *mudharabah* financing correlation with *musyarakah* financing was less than 0.8.

According to Arifianto (2012: 52), little multicollinearity does not change the properties of OLS parameters as Best Linear Unbiased Estimator (BLUE). The parameters obtained are still valid to reflect the condition of the population. This means that when no multicollinearity means the parameter used is valid.

3.6 Simultan Test (F-Test)

Table 6. Simultan Test (F-Test).

Probability Value	α	Hypothesis verification	Conclusion
0.489815	0,05	0.489815 > 0,05	H0a accepted

Source: processed data

Based on the test, *mudharabah* financing and *musyarakah* financing simultaneously have no significant effect on ROA of sharia bank in Indonesia.

3.7 Partial Test (t-test)

Table 7. Partial Test (t-test).

Variable	P-Value	α	Hypothesis	Conclusion
Mudharabah	0.2732	0,05	0.2732 > 0,05	H0b accepted
Musyarakah	0.3905	0,05	0.3905 > 0,05	H0b accepted

Source: processed data

Based on the test, partial *mudharabah* financing has no significant effect on ROA of sharia bank in Indonesia. *Musyarakah* financing partially has no significant effect on ROA of sharia bank in Indonesia. The results of this study are reinforced by the results of research conducted by Jurino and Renny (2017) which states that the results of his research shows that *musyarakah* financing does not affect the profitability of banks. Hendrawati (2017) stated based on the analysis test and partial discussion there is a significant positive effect of profit sharing for profitability, there is a significant

positive effect of sales & purchases of financing, there is a significant positive influence of financial ratios on savings to profitability there is a negative effect on financing a significant non-performing profitability at PT Bank Muamalat Indonesia Tbk, and simultaneously significant differences to the financing of profit sharing, financing of sales & purchases, financing to deposit ratio and non-performing financing of profitability at PT Bank Muamalat Indonesia Tbk .

The model equations that have met the assumptions of normality and classical assumptions are:

$$ROA = 1931.887 + -74.71111 \ln X1 + 11.49847 \ln X2 \quad (3.)$$

Based on the above formula there is a value of 1931.887. This means that ROA variables increase 1931, 887 units when there is no channeling of funds in the form of *mudharabah* financing and *musyarakah* financing.

The coefficient of *mudharabah* financing regression is -74.71111. The coefficient is negative meaning *mudharabah* financing has a negative effect on the ROA of sharia banks in Indonesia.

Mudharabah financing changes are not in line with ROA. If the *mudharabah* financing variables increase by 100 percent, the ROA variable will decrease by 7471, 111 percent with the assumption that the other variable is constant.

The coefficient of *musharaka* financing regression is 11.49847. The coefficient is positive value means *musyarakah* financing has a positive effect on the ROA of sharia banks in Indonesia. This is reinforced by the research of Fredrick Ogilo (2016) which concludes from his research that *musharaka*, *ijarah*, and *murabaha* have a positive effect on ROA, with the regression value as a whole has a significant effect seen from the ratio F for the regression is 21.796 with p-value 0.0028. So when *musyarakah* financing increased then it will improve the performance of Islamic banks as well. It is the Islamic banks in Indonesia to further increase the financing of *musharaka* in order to maximize the return of assets of sharia banks.

Musharaka financing changes in the direction of ROA. If *musyarakah* financing variables increase by 100 percent, the ROA variable will increase by 1149, 847 percent with the assumption that the other variable is constant. *Mudharabah* and *musyarakah* financing are productive financing channeled by Islamic Commercial Banks in Indonesia, which can be a driving force for economic growth and equal distribution of people's welfare but in reality the

motor financing is the consumptive financing in the form of *murabahah*.

Productive and consumptive financing can create a balance between the real sector and the monetary sector, now that can be a motor of financing is consumptive financing that uses *murabahah* contracts by Sharia Commercial Banks in Indonesia because the disbursement of *murabahah* financing is easier than the *mudharabah* and *musyarakah* financing, generated by less *murabahah* financing and in a fairly fast period of time, and in a short time also can create a large profit for Islamic Commercial Banks in Indonesia. Therefore, the results are in line with the existing reality that *mudharabah* and *musyarakah* financing does not have a positive effect on ROA because currently people tend to prefer *murabahah* financing.

4 CONCLUSIONS AND RECOMMENDATIONS

Based on the analysis and discussion that has been described, the conclusion is (1) *Mudharabah* financing and *Musyarakah* financing simultaneously have no significant effect on ROA of sharia bank in Indonesia. (2) *Mudharabah* financing partially has no significant effect on ROA of sharia bank in Indonesia. *Musyarakah* financing partially has no significant effect on ROA of sharia bank in Indonesia.

Based on the results of the analysis and discussion that has been described, there are suggestions for Islamic banking and subsequent researchers namely, (1) Islamic banking should increase *mudharabah* financing and *musyarakah* financing because each channeling of the funds affect the productive sector and the current position of the amount of *mudharabah* financing and the amount of *musyarakah* financing is not in large amount so it does not have a significant positive effect on ROA of sharia bank in Indonesia. (2) *Murabahah* financing is still a motorcycle financing channeled by sharia banks in Indonesia. Syariah banking continues to channel *murabahah* financing in large numbers along with a focus on consumer financing that leads to the productive sector.

Shariah banking is recommended to increase *mudharabah* financing and *musyarakah* financing because each channeling of the fund affects the productive sector and the current position of *mudharabah* financing and *musyarakah* financing is not in large amount so it does not significantly affect

the ROA of sharia banks in Indonesia. In the future, further research can be done by adding time series data and independent variables that may affect ROA.

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