THE EFFECT OF MUDARABAH AND MUSYARAKAH FINANCING ON PROFITABILITY THROUGH NON-PERFORMING FINANCE (NPF) AS AN INTERVENING VARIABLE IN SHARIA COMMERCIAL BANKS

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ABSTRACT
The purpose of this study is to determine the impact of the non-performing financing (NPF) and mudharabah variable on profitability (ROA) in the context of banks that follow Islamic law. This type of research involves using quantitative data using the technique of data collection via purposive sampling, which is examined using the Smarpls 3 dataset. The study's main focus is on Sharia Commercial Banks' loan portfolio from 2016 to 2022. This study's analysis method employs the partial least squares (PLS) analysis. The study's findings indicate that investments in mudharabah hurt profitability and are not significant, while investments in musyarakah have a positive impact and are significant. While non-performing financing (NPF) has a negative impact and is significant when it comes to return on assets (ROA), margin financing (MF) has a positive impact and is not significant when it comes to ROA and uses NPF as an intervening variable.

Keywords: Easyrabah, Musyarakah, NPF, ROA

INTRODUCTION
With the rise of Islamic banks in Indonesia, public trust in these banks continues to increase. In situations like this, banks must maximize benefits by continuing to provide information and education to the public about Islamic banks, with the hope of gradually increasing market share. Currently, Islamic money is an important factor in the country's economic growth. According to Mirza, due to the global pandemic and economic conditions, the proportion of Islamic banks in Indonesia increased to 7.31% of the country's overall banking sector in June. (Ramadhanti et al., nd)

The first sharia bank was Bank Muamalat Indonesia which was the result of the work of groups and councils of Indonesian ulama and ulama at that time in 1992. Currently registered with the OJK, there are 13 Sharia banking general banks and 20 Sharia banking business units. and 171 Sharia BPRS in 2023. with an asset allocation to BUS of 65.78%, assets to sharia business units of 31.68%, and assets to BPRS of 2.54%. (Aim Matin Nabila_Sharia Banking, nd). The development is quite positive, both assets and intermediaries experienced significant growth. The rise of Islamic banks is a phenomenon that deserves more attention because it is relatively new in Indonesia. This can be seen from the growth of the bank and the public's tendency to use Sharia bank products, especially KPR products. Furthermore, the concept of sharia law is very detailed and is applied in the divorce
process. This is because the costs of divorce cases are very expensive, so divorce law is generally characterized by mudharabah and musyarakah. (Friska & Putri, 2016)

The establishment of Islamic banks is based on the principle of results, namely assisting the general public who do not have access to other banks because these banks use an interest rate system. However, when starting the Islamic banking program, there was no progress; On the other hand, there is teamwork or partnership (mudharabah or musyarakah) with the principle that the results are only for the benefit of social interests without any negative impacts. Therefore, in this activity, several Sharia banking products were mentioned, including those that adhere to the principles of mudharabah and musyarakah. A mudaraba brand is a product that is useful for the intended results or profits, but the losses are shared. The principle of musharaka involves two parties working together, or more specifically, combining their resources to increase the amount of profit and loss in agreed proportions. One very interesting and practical tool in Sharia banking is the maharajah contract. (529-924-1-SM, nd)

The main goal of any banking company is to achieve significant profits. Return on Assets (ROA) in the banking industry measures a bank's ability to generate profits from its assets. The return on assets (ROA) ratio is used to assess a bank's ability to manage assets in such a way as to generate financial benefits for itself. As an intermediation organization in the financial sector, Sharia Bank's operational flexibility is unfortunately not affected by its main objective, namely maximizing profits. The majority of bank deposits are often determined by the amount of deposits or the amount of financing disbursed. Several publications explain that ROA is used to reduce bank management capacity in achieving profitability on a global scale. ROA is important because this ratio reduces the profit value of Islamic banks by reducing the amount of profits paid through third-party deposits (DPK). (Faizah et al., 2023)

The implementation of Islamic banking carries major risks for banks, including exchange rate risk. Several studies conducted by (Nanda Suryadi and Burhan) show that although non-performing finance (NPF) does not have a direct effect on bank profitability, it can have a direct impact and increase the impact of Musyarakah credit modifications on bank profitability in Ummah Syariah. In addition, Non-Performing Finance (NPF) can moderate the impact of modifications to Murabahah credit requirements on the profitability of Islamic banks. Anisya and Rimi's (2017) study shows that although mudharabah, musyarakah, and murabahah do not have a negative impact on ROA, they have a positive impact on NPF; _NPF does not have a negative impact on ROA, and mudharabah has a negative impact on ROA through NPF as a mediator. By using NPF, the implementation of musyarakah and murabahah has a positive impact on ROA. On the other hand, musyarakah financing has a negative impact on NPF. According to Deyva Rahma (2021), there is a positive correlation between mudharabah and ROA, but there is no negative correlation between musyarakah and ROA. Therefore, NPF cannot be used as an intervening variable between mudharabah and musyarakah and ROA. On the other hand, research conducted by Wahyun (2016) shows that NPF moderates the impact of Mudharabah and Musyarakah on bank profitability, while NPF has a significant effect in regulating the impact of Murabahah on bank profitability. The results of research that has been completed show somewhat varied results. (research gap). (Rizkitasari, nd)

Based on the background of the research findings above, researchers are interested in conducting new research entitled "The Influence of Mudarabah and Musyarakah Financing on the Profitability of Non-Performing Finance (NPF) as an
Intervening Variable in Sharia Commercial Banks from 2016 to 2022”.

METHODOLOGY

This research is based on two sets of data: the data obtained is in the form of numbers and analyzed using data analysis; This research data comes entirely from Sharia bank account records indexed by the Financial Services Authority. We use quantitative research because it is a more comprehensive data set. (OJK) Updated regularly with Bank Indonesia data and 2016–2022. Learn to use this Partial Least Squeeze (PLS) Algorithm. PLS is a branching method derived from the SEM algorithm with a variable basis. comes from the SEM algorithm with a variable basis.

The data analysis used in this research is based on time series data or series data from 2016 to 2022 which were analyzed using smarPls. It is based on time series data or series data from 2016 to 2022 which were analyzed using smarPls. The analysis used data to determine the impact of changes in mudharabah and musyarakah on bank profitability using NPF as an intervening variable. The impact of changes in mudharabah and musyarakah on bank profitability using NPF as an intervening variable.

RESULTS AND DISCUSSIONS

RESULTS AND DISCUSSION

Results Descriptive Statistics

The results of each variable used in this research can be seen in the following table:

Table 1. Descriptive

<table>
<thead>
<tr>
<th>Variable</th>
<th>Sample Data</th>
<th>Min</th>
<th>Avg</th>
<th>Median</th>
<th>Std Dev</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mudharabah</td>
<td>0.055</td>
<td>0.062</td>
<td>0.055</td>
<td>0.0</td>
<td>0.752</td>
<td>0.030</td>
<td>Significant</td>
</tr>
<tr>
<td>Mudharabah &gt; ROA</td>
<td>0.497</td>
<td>0.491</td>
<td>0.118</td>
<td>0.421</td>
<td>0.000</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td>Musyarakah</td>
<td>0.335</td>
<td>0.2</td>
<td>0.094</td>
<td>0.001</td>
<td>0.031</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td>NPF &gt; ROA</td>
<td>0.264</td>
<td>0.264</td>
<td>0.44</td>
<td>0.835</td>
<td>0.034</td>
<td>Significant</td>
<td></td>
</tr>
</tbody>
</table>

Based on the results of Table and Figure 2 above, it can be interpreted that the influence of mudharabah on the profitability of Sharia commercial banks is negative and significant, this can be seen from the coefficient value of -0.487 and P of 0.000 > 0.05, so H1 is accepted. Furthermore, the effect of musharaka financing on profitability shows that it has a positive and significant effect, as seen from the coefficient value of 0.335 and the P value of 0.01>0.05, so H2 is accepted. Meanwhile, the effect of easy financing on NPF is positive and significant, as seen from the statistical results that the coefficient value is 0.335 and the P value is 0.000, which means H3 is accepted. And the influence of musharaka financing on profitability shows that it has a negative and significant influence, this can be seen from the coefficient of -0.255 and the P value of 0.001, which means H4 is accepted. Furthermore, the effect of Non-Performing Financing on Profitability shows that it has a negative and significant effect, this can be seen from the coefficient value showing -
0.264 and P 0.034>0.05 so that H5 is accepted.

**Table 3 Results of Intervening Analysis.**

<table>
<thead>
<tr>
<th>Variable</th>
<th>sample t-stat</th>
<th>t-stat</th>
<th>P-value</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>mudharabah(NPF)(ROA)</td>
<td>-0.173</td>
<td>0.179</td>
<td>0.099</td>
<td>1.75</td>
</tr>
<tr>
<td>Musyarakah(NPF)(ROA)</td>
<td>0.067</td>
<td>0.093</td>
<td>0.046</td>
<td>-1.07</td>
</tr>
</tbody>
</table>

Based on the results of Table 3 above, it can be interpreted that the influence of mudharabah on the profitability of sharia commercial banks through the intervening variable Non-Performing Finance has a negative and significant effect, this can be seen from the coefficient value of -0.173 and P of 0.034 > 0.05 so that H6 is accepted. Furthermore, the effect of musharaka financing on profitability through NPF shows that it has a positive but not significant effect as seen from the coefficient value of 0.067 and the P value of 0.072<0.05, so H7 is rejected.

**The Effect of Musyarakah Financing on the Profitability of Sharia Commercial Banks.**

The results of the analysis in this section show that the effect of musyarakah financing on profitability shows that it has a positive and significant effect as seen from the coefficient value of 0.335 and the P value of 0.01>0.05 in the theoretical sense that the greater the musyarakah financing distributed by banks, the greater The impact that occurs on the profitability of Islamic banks. This research is in line with previous research conducted by Siti Faiza et al (2023) which also shows that musyarakah has a positive and significant influence on ROA and explains that the increasing profits obtained from musyarakah financing will also increase bank profitability.

**The influence of Mudharabah financing on the profitability of Sharia Commercial banks.**

The results of the analysis in this section show that the influence of mudharabah on the profitability of Sharia commercial banks is negative and significant, this can be seen from the coefficient value of -0.487 and P of 0.000 > 0.05, this is due to the limited benefits of mudharabah or limitations in channeling mudharabah financing funds, so This will be an influence on mudharabah credit limitations, thereby affecting the bank's profitability. Mudharabah financing is a financing system that uses a profit-sharing method where the more profits from mudharabah, the greater the profitability of Islamic banks. This research is in line with previous research conducted by Anisha Dwi Vazlian (2017), whose researchers showed that the more mudharabah funds distributed will have an impact on profitability.

**The influence of Musyarakah financing on Islamic Commercial Banks.**

Based on the results of the analysis and data management in this section, it shows that the influence of musyarakah financing on NPF shows a negative and significant influence, this can be seen from the coefficient of -0.255 and the P value of 0.00, because the higher the loan offered by
the customer, the higher the risk will be. facing banking such as credit risk and financing risk. This research is by research conducted by Ansya Dewi and Rimmi (2017) whose research shows that musyarakah funding affects NPF.

The influence of NPF financing on the profitability of Sharia commercial banks.

The results of this section show that the effect of Non-Performing Financing on Profitability shows that it has a negative and significant effect. This can be seen from the coefficient value showing -0.264 and P 0.034>0.05 so that H5 is accepted. So it can be interpreted in theory that the higher the NPF level will result in a decrease in Islamic bank profitability (ROA). The increase in NPF is due to customers' inability to pay or being unable to pay off loans given by banks before the maturity date.

The effect of mudharabah on profitability (ROA) with NPF as an intervening variable.

Based on the results of data management in this section, it shows that the influence of mudharabah on the profitability of sharia commercial banks through the intervening variable Non-Performing Finance has a negative and significant effect, this can be seen from the coefficient value of -0.173 and P of 0.034 > 0.05 so that H6 is accepted. This can be interpreted as saying that NPF can be an intervening variable between mudharabah and ROA, but this cannot be separated from looking at the direct or indirect influence, while the results of this test show that the direct influence is smaller than the indirect influence.

The Effect of Musyarakah on Profitability (ROA) with NPF as an intervening variable.

The results of the analysis presented in this section show that the effect of musyarakah financing on profitability through NPF shows that the effect is positive but not significant as seen from the coefficient value of 0.067 and the P value of 0.072<0.05, so H7 is rejected. In the sense that NPF is not able to act as an intervening musyarakah variable on ROA.

CONCLUSION

Based on the results of the analysis and discussion regarding the influence of mudharabah financing and musyarakah financing on profitability with Non-Performing Financing (NPF) as an intervention variable, the researcher can conclude:

- Mudharabah financing has a negative and significant effect on profitability (ROA) in Sharia Commercial Banks in Indonesia for the 2016-2022 period
- Musyarakah financing has a positive and significant effect on Profitability (ROA) at Sharia Commercial Banks in Indonesia for the 2016-2022 period.
- Mudharabah financing has a positive and significant effect on NPF at Sharia Commercial Banks in Indonesia for the 2016-2022 period.
- Musyarakah financing has a negative and significant effect on NPF, at Sharia Commercial Banks in Indonesia for the 2016-2022 period.
- Non-performing financing (NPF) has a negative and significant effect on the profitability of Sharia Commercial Banks for the 2016-2022 period.
- Easy harabah financing has a negative and significant effect on ROA through Non-Performing Financing (NPF), in Sharia Commercial Banks in Indonesia for the 2016-2022 period.
- Musyarakah financing has a positive and insignificant effect on ROA through NPF as an intervening variable,
in Sharia Commercial Banks in Indonesia for the 2016-2022 period.

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