

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

ABSTRACT

This research aims to determine the influence of non-performing financing (NPF) and mudharabah variables on profitability (ROA) in the context of banks that adhere to Islamic law. This type of research uses quantitative data with data collection techniques through purposive sampling, which is examined using the Smarpls 3 dataset. The main focus of this research is the credit portfolio of Sharia Commercial Banks from 2016 to 2022. The analysis method for this research uses Partial Least Square (PLS) analysis. Research findings show that investment in mudharabah has a negative and insignificant impact on profitability, while investment in musyarakah has a positive and significant impact. Non-performing financing (NPF) has a negative and significant impact on return on assets (ROA), while margin financing (MF) has a positive and insignificant impact on ROA and uses NPF as an intervening variable.

Kata Kunci: 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 *mudharaba* 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 Wahyuni (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 *Mudharabah* 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

	Tidak.	Hilang	Rata-Rata	Median	Minimum	Maksimum	Standar Deviasi
X1	1	0	10039,655	13513,000	403,000	16781,000	5436,177
X2	2	0	87041,988	92282,000	842,000	157491,000	38343,293
Y	3	0	130,202	138,000	1,000	215,000	61,507
Z	4	0	358,048	343,000	25,000	617,000	128,232

Table 1 shows that the minimum value for mudharabah financing is 403,000 and the maximum value is 16781,000 with a standard deviation of 5436,177 with an average of 10039,655. This shows that not most Sharia commercial banks use mudharabah financing. For the musyarakah financing portion, it shows that the

minimum value is 842,000 and the maximum value is 157,491,000 with a standard deviation of 38,343,293 with an average of 87,041,988. This shows that the majority of Sharia commercial banks use financing. For profitability, it shows that the minimum value is 1,000 and the maximum value is 215,000 with a standard deviation of 61,507 with an average of 130,202. Meanwhile, for NPF it shows that the minimum value is 25,000 and the maximum value is 617,000 with a standard deviation of 128,232 with an average of 358,048.

Results of Partial Least Squer (PLS) Analysis.

Table 2 Results of Inter-Variable Analysis

Variabel	sampel Asli 0	Rata-rata	stadar deviasi	t- statistik	P-value	hubungan
mudharaba-> NPF	0.655	0.662	0.085	7.752	0.000	Signifikan
Mudharaba-> ROA	0.487	0.491	0.118	4.127	0.000	Signifikan
Musyarakah->NPF	0.255	0.261	0.085	2.991	0.001	Signifikan
musyarakah->ROA	0.355	0.341	0.109	3.067	0.001	Signifikan
NPF->ROA	0.264	0.260	0.144	1.835	0.034	Signifikan

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 0.655 and the P value is 0.000 > 0.5, which means H3 is accepted. And the influence of musharaka financing on NPF shows a negative and significant influence, this can be seen from the coefficient of -0.255 and the P value of 0.001, 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 H_5 is accepted.

Table 3 Results of Intervening Analysis.

Variabel	sampel Asli 0	Rata-rata	standar deviasi	t-statistik	P-value	hubungan
mudharaba-> NPF->ROA	-0.173	0.170	0.099	1.751	0.040	Signifikan
MuSyarakah-> NPF->ROA	0.067	0.065	0.046	1.467	0.072	Tidak Signifikan

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 H_6 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 H_7 is rejected.

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 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 NPF of Islamic Commercial Banks.

The results of the analysis presented in this section show that the effect of easy financing on NPF is positive and significant, as seen from the statistical results that the coefficient value is 0.655 and the P value is $0.000 > 0.5$. It is stated in theory that good credit has good credit. problematic or bad credit in the sense that the higher the quality of bank credit, the lower the risk of bank problems. If the risk of bad credit increases, bank profits decrease. This research is in line with cashmere thinking and is supported by previous research by Aim Martin Nabila (2021) who stated in his research that mudharabah can affect non-performing finance (NPF).

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 H_5 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 $P\ 0.034 > 0.05$ so that H_6 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 H_7 is rejected. In the sense that NPF is not able to act as an intervening musyarakah variable on ROA. This research is by research conducted by Devyana Saputri (2021) in which NPF is unable to be an intervening variable. Because NPF cannot influence the size of banking profits, this is because NPF is more influenced by the activities of the customers themselves.

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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