The Effect of Mudharabah and Musyarakah Financing Risks on The Profitability of Sharia Commercial Banks in Indonesia

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A R T I C L E   I N F O

ABSTRACT

This study at to analyze the effect of mudharabah and musharakah to profitability. This research collects empirical evidence. The population in this study is the whole of financing, musharakah financing and return on assets of Islamic banks in Indonesia. The data is taken from the financial statements of income and statements of financial position. Based on this research, known variables influence mudharabah and musharakah has a significant effect on profitability simultaneously. Partially, the mudarabah variable has a positive effect, but no significant effect on profitability. While the musyarakah variable has a partially positive and significant impact on profitability.

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1.   INTRODUCTION

Bank is a business entity that acts as an intermediary for payment traffic and money circulation in the community which aims to support the implementation of national development. Banks collect funds from parties who have funds to then be distributed in the form of credit or financing to parties who need funds. Trust is the basis why people want to deposit their funds in banks and vice versa because of trust, banks are also willing to lend these funds to the public.

Islamic banks like conventional banks also have the function of collecting funds (funding), and also channeling these funds back to the public (financing). The distribution of funds has several objectives, namely: (1) achieving a sufficient level of profitability and a low level of risk; (2) maintain public confidence by maintaining a secure liquidity position. The level of income from financing (yield on financing) is the highest return for banks.

Since the launch of Law no. 10 of 1998 as a revision of Law no. 7 of 1992, the government has made efforts to improve the structure of the national banking system in order to accommodate the wider development of the national banking system. UU no. 10 of 1998 provides greater firmness and opportunities for the development of Islamic banking. Finally, the birth of Law no. 21 Year 2008 about Bank Sharia has complete constitutional basis in implementing and developing Islamic banking in Indonesia. Based on this law, commercial banks are allowed to run *dual banking system* namely conventional and sharia operations as long as the operations are carried out separately by establishing branches and special sharia units at the head office and branches.

After the accommodation of Islamic banks in the Banking Law No. 10/1998, from 2003 to 2012, the growth of Islamic banks was quite high, an average of more than 50% each year.

Mudharabah and musyarakah financing risk analysis will affect bank management policies in the distribution of financing later and to improve bank quality. High non-performing financing will require a larger reserve for financing write-offs. Non-performing financing will cause the costs to be borne by Islamic banks to hold a reserve for the elimination of bad financing to be even greater. So this can affect the profitability of Islamic banks because the amount of reserves for the elimination of bad financing will increase costs and reduce the level of profit earned.

The estimated allowance for write-offs is recorded as a deduction or indirect expense against receivables in the period in which the sale occurs. Since the amount of non-performing financing is one of the estimation bases for determining the amount of the allowance account for the write-off of earning assets, the non-performing financing is expected to have an impact on the decline in bank profitability in the period concerned. In assessing profitability ROA (Return on Assets) is one of the profitability ratios that is often used by banks. This ratio compares profit before tax with total assets. These two ratios are usually used as benchmarks for Islamic banking performance, and whether the level of management efficiency is quite profitable or not. ROA describes the bank's ability to earn profits through the use of the entire bank's assets.

2.   RESEARCH METHOD

The type of research used is associative research conducted with a survey approach. Associative research is research conducted with the aim of knowing whether there is a relationship between two or more variables. The nature of the relationship of the variables studied in this study is a causal relationship (cause and effect). It can be interpreted that the variable X can cause Y, the purpose of associative research is to prove whether there is a causal relationship between 2 or more variables.

3.   RESULTS AND DISCUSSIONS

3.1 Descriptive Statistical Analysis

Descriptive statistical analysis is used to determine the description of a data seen from the maximum value, minimum value, average value (mean), and standard deviation values, from the mudharabah, musyarakah, and profitability variables. Based on descriptive statistical analysis, the sample description is obtained as follows.

Table 1. Descriptive Statistics of Mudharabah, Musyarakah and Profitability
Descriptive Statistics

	N	Minimum	Maximum	mean	Std. Deviation
Mudharabah	30	.0100	.0525	.023394	.0141285
Musharakah	30	.0050	.0804	.027976	.0187296
Profitability	30	.0005	.0208	.009379	.0050797
Valid N (listwise)	30				

Based on Table 1, it is known that the minimum mudharabah value is 0.01 at PT. Bank BCA Syariah from 2010 - 2015, and a maximum of 0.0525 at PT. Bank Syariah Mandiri in 2013. Meanwhile, the average and standard deviation of mudharabah are 0.023394 and 0.0141285. It is known that the minimum musharakah value is 0.0050 at PT. Bank BCA Syariah in 2011, and a maximum of 0.0804 at PT. Mandiri Syariah Bank. Meanwhile, the mean and standard deviation of musharaka are 0.0279 and 0.0187296. It is known that the minimum profitability value is 0.0005 at PT. Bank BRI Syariah in 2014, and a maximum of 0.0208 at PT. Bank Syariah Mandiri in 2012. Meanwhile, the average and standard deviation of profitability are 0.009379 and 0.0050797.

3.2 Classical Assumption Test

a.   Normality test

In study this, test normality to residual using the Kolmogorov-Smirnov test. The level of significance that used = 0.05. The basis for making decisions is to look at the probability number ,

with the following conditions. If the probability value 0.05, then the assumption of normality is met. If probability < 0.05, then the assumption of normality is not met. Note that based on Table 4.2, the probability value of p or Asymp is known. Sig. (2-tailed) of 0.472. Because the probability value of p, which is 0.472, is greater than the level of significance, which is 0.05. This means that the assumption of normality is met.

Table 2. Normality Test *One-Sample Kolmogorov-Smirnov Test*

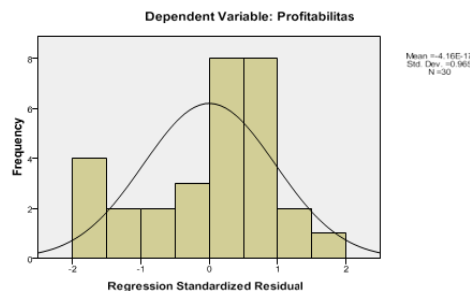|		Unstandardized Residual
N		30
Normal Parameters[a,,b]	mean	.0000000
	Std. Deviation	.00453827
Most Extreme Differences	Absolute	.154
	Positive	.098
	negative	-.154
Kolmogorov-Smirnov Z		.846
asymp. Sig. (2-tailed)		.472

Figure 1. Histogram Graph

Figure 1 shows that the variables are normally distributed, this is indicated by the distribution of the data not skewed to the left or skewed to the right.
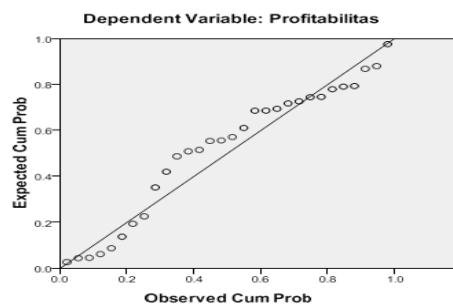

Figure 2. Normal P-Plot of Regression Standardized Residual

Figure 2 is a P-Plot curve that shows the spread of data points around the diagonal line and follows the direction of the diagonal line. So it can be concluded that the data on the variables used in this study are normally distributed.

b. Multicollinearity Test

To check whether there is multicollinearity or not, it can be seen from the value of the variance inflation factor (VIF). A VIF value of more than 10 indicates that an independent variable has multicollinearity (Ghozali, 2013).

Table 3. Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Mudharabah	.945	1.059
	Musharakah	.945	1.059

Note that based on Table 3, the VIF value of the mudharabah variable ($X1$) is 1.059, and the VIF value of the musyarakah variable ($X2$) is 1.059. Because each VIF value was not greater than 10, there were no severe multicollinearity symptoms.

c. Heteroscedasticity Test

Detection of the presence or absence of heteroscedasticity can be done by looking at the presence or absence of certain patterns on the scatter plot graph between SRESID on the Y axis, and ZPRED on the X axis. (Field, 2009:230, Ghozali, 2011:139). Field (2009:248, Ghozali, 2011:139) states that the basis of the analysis is that if there is a certain pattern, such as the existing dots forming a certain regular pattern (wavy, widening, then narrowing), it indicates that heteroscedasticity has occurred. If there is no clear pattern, and the points spread above and below the number 0 on the Y axis, then there is no heteroscedasticity.

Note that based on Figure 4.3, there is no clear pattern, and the points spread above and below the number 0 on the Y axis, so there is no heteroscedasticity. certain regular conditions (wavy, widened, then narrowed), it indicates that heteroscedasticity has occurred. If there is no clear pattern, and the points spread above and below the number 0 on the Y axis, then there is no heteroscedasticity.

d. Autocorrelation Test

According to Ghozali (2013) the autocorrelation test aims to test whether there is a correlation between the nuisance error in period t and the error in period t-1 (previous). A good regression model is a regression that is free from autocorrelation. Assumptions regarding the independence of the residuals (non-autocorrelation) can be tested using the Durbin-Watson test (Gio, 2015: 61-62, Field, 2009: 220). The statistical value of the Durbin-Watson test ranged between 0 and 4. Statistical values of the Durbin-Watson test that were smaller than 1 or greater than 3 indicated an autocorrelation.

Table 4. Autocorrelation Test

Model	Durbin-Watson
1	1,279

Based on Table 4, the value of the Durbin-Watson statistic is 1.279. Note that since the value of the Durbin-Watson statistic lies between 1 and 3, the non-autocorrelation assumption is satisfied. In other words, there is no autocorrelation.

3.3 Hypothesis test

a. Partial Effect Significance Test (t Test)

The t statistic test was conducted to test whether the independent variable (X) individually had a significant relationship or not to the dependent variable (Y).

In table 5 the regression coefficient values are presented, as well as the t statistic value for partial effect testing.

Table 5. Significance Test for Partial Effects (Test)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.006	.002		2,956	.006

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Mudharabah	.011	.064	.031	.175	.862
Musharakah	.120	.048	.441	2,493	.019

Based on Table 5, the following linear regression equation is obtained. Y = 0.006 + 0.011X1 + 0.120X2 + e. Based on Table 4.5, the regression coefficient values for each independent variable are presented, along with their interpretations (Table 6).

Table 6. Regression Coefficient and Its Interpretation

Variable	Regression and Interpretation Coefficient
Mudharabah	0.011 (positive value), it means that mudharabah has a positive effect on profitability. The higher the mudharabah tends to increase profitability.
Musharakah	0.120 (positive value), it means that musharakah has a positive effect on profitability. The higher Musharakah tends to increase profitability.

Table 7. Significant Test of Effect with t Value

Variable	t value Count	Value of t Table (Represented in the Appendix)	Interpretation
Mudharabah	0.175	2.05183	The partial effect of mudharabah is not significant on profitability (t **Count < t Table**l)
Musharakah	2,493	2.05183	Partial influence of musharakah significant to profitability (t Count > t Table)

b.   Coefficient of Determination Test

The coefficient of determination is a value (proportion value) that measures how much the ability of the independent variables used in the regression equation to explain the variation of the dependent variable (Gujarati, 2003: 212).

Table 8. Coefficient of Determination
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.449[a]	.202	.143	.0047034	1,279

Predictors: (Constant), Musyarakah, Mudharabah
Dependent Variable: Profitability

Based on Table 8, the coefficient of determination 2 is located in the R-Square column. It is known that the coefficient of determination is 2 = 0.202. This value means that all independent variables simultaneously affect the profitability variable by 20.2%, the remaining 79.8% is influenced by other factors.

4.   CONCLUSION

Mudharabah and musyarakah variables on profitability have a significant simultaneous effect. Mudharabah variable has a positive effect on profitability, but not significant . Variable musyarakah take effect positive and significant to profitability.

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