

The Influence of Financing Against Profitability at Bank Syariah in Indonesia in General 2010-2016

Yola Yunisa Pratami, Kusnendi Kusnendi and Heraeni Heraeni

*Economics and Islamic Finance Department, Universitas Pendidikan Indonesia, Jl. Dr. Setiabudhi, Bandung, Indonesia
risa.sari.pertiwi@student.upi.edu*

Keyword: trade financing, profit-loss sharing financing, lease financing, profitability (ROA).

Abstract: The aim of this study is to test empirically about effects of trade financing, profit-loss sharing financing, and lease financing to profitability rate. The objects that used in this study is seven Islamic Commercial Banks which giving the three types of financing in 2010-2016 period. This research uses quantitative approach by using panel data. The data analysis technique in this study uses panel data regression with common effect model. The results of study show that trade financing and lease financing have positive effect on profitability. Therefore, profit-loss sharing financing has negative effect on profitability. The result of simultaneous regression show that three types of financing have effect on profitability.

1 INTRODUCTION

Market share and increasing Islamic banking assets have not showed a better performance than conventional banking, particularly the level of profitability as measured by ROA. The Financial Services Authority data (2017) pointed out that ROA on public Bank Syariah (BUS) is much lower than with a conventional public Bank (BUK). In December 2016 level ROA on the BUS of 0.63 percent while ROA on the THUMP of 2.23 percent. Low levels of ROA on the BUS means that managerial BUS performance and less efficient asset utilization (Marbelanty and Adityawarman, 2015).

Islamic banks serve as the intermediary institutions that connect between the parties that have excess funds and those who require funding through financing activities. Financing is a product of channeling funds Islamic banking which became the Foundation of the survival efforts of Islamic banking and can support the growth of Islamic banking market share nationwide.

Based on Sharia Banking Statistics data published by the financial services authority (2017), financing is channeling funds between the highest types of channeling funds to each other. On average the share of remittances in the form of financing during the year 2014 to 2016 is over one hundred per cent of the total funds disbursed, the rest is channeled through placement in Bank Indonesia,

placement in other banks, investment securities, and inclusion.

Islamic banking is generally provides funding in three contract, such contract and selling (murabaha, greetings, and istishna), sharing (mudharabah and musyarakah) and rent (ijarah). Among the three types of financing, financing and selling is a product of the most sought after by most customer financing, especially the use of contract murabahah.

Based on statistical data of Sharia Banking the financial services authority (2017), through the year 2016 total funds from these three types of financing are disbursed is Rp. 173,599 billion. Financing and selling got 63 percent of the total parts financing channelled BUS, followed by the financing for the results amounted to 36 percent of the total financing, and amounted to one percent of the total financing is a financing lease.

The reason the large number of product use and selling financing is marked up and sure enough transactions and ease compared to the profit and loss sharing, so that the bank is able to obtain comparable to banking conventional interest-based (Rahman and Rochmanika, 2012). In addition, the financing for the results is financing the second transmitted after financing and selling. The cause is the financing for the results have the biggest risk levels whereas financing in the form for these results is the main operational principles of Islamic banking and impacting directly to economic growth (Hadi, 2011).

According to Muhammad (2002) is a non-profit or profit in Islamic banking can be obtained from the margin of the selling price of the financing of the sale, the share of business results of the financing for the results, the results of the ijarah contract rent, as well as fee and the administrative fee upon services others. This is supported by the research of Izhar and Asutay (2007) which revealed that the portion of the income of the bank from channeling financing generally positive effect against the probitabilitas Islamic banks.

2 METHODOLOGY

Approach this research using a quantitative approach (Tanjung and Dewi, 2013). Based on the methods used in this research is quantitative research of causality (Muhammad, 2008). Based on the goal of this research including research into verifikasi (Arikunto, 2006). The object in this study is the amount of funds channelled financing of financing and selling, for results, and rent, as well as the profitability measured by ROA. This research will be conducted on annual financial reports published by the seven companies public Bank Syariah (BUS) in Indonesia. Research related to financing and selling was done by Abusharbeh (2014) in his journal holds that the relationship of distribution financing and selling a positive effect towards profitability

Data analysis techniques used in this research is the analysis of the influence of the test through the panel data regression testing (regression pooling). According to Rosadi (2012) data panel is "Data that presents a number of variables over some categories and collected in a specific time period for the observed". In panel data regression analysis there are three approaches to parameter estimation techniques of regression model data between other panels common effect, fixed effects, and random effect.

3 RESULTS

Table 1: The Result of Test Chow.

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.944164	(6,39)	0.4750

Source: Research Result (2017).

Based on table 1, the test results with the Test value indicated that Chow Prob Cross-section F of 0.4750 or more than 0.05. Thus, this research can

perform regression analysis by using the common model of the effect and the Test Hausman is not necessary

Table 2: Panel Data Regression Results.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.017704	0.900791	-1.129788	0.2646
X1	0.317748	0.105130	3.022443	0.0041
X2	-0.327017	0.104125	-3.140625	0.0030
X3	0.146372	0.049888	2.934007	0.0053

Source: Research Result (2017).

Based on the results of the regression test output in table 2 regression equations were obtained with the model of common effect, namely:

$$Y = -1,017704 + 0,317748X_1 - 0,327017X_2 + 0,146372X_3$$

- $Y = -1,017704$, This means that if none of these three types of financing are provided then the level of profitability of the BUS which was projected with the ROA will decrease amounting to 1.017704 percent;
- $\beta_1 = 0,317748$, This means that any increase in rupiah financing and selling one provided, level of profitability also increased by 0.317748 percent;
- $\beta_2 = -0,327017$, This means that every rise of one rupiah financing for the results provided will lower the profitability rate of 0.327017 percent;
- $\beta_3 = 0,146372$, This means that every rise of one lease financing given the rupiah will raise the level of profitability of 0.146372 percent.

Table 3: The t-test Result.

Variable	Value t	Table t	Prob. T Value
Financing Selling (X1)	3,022443	1,67943	0,0041
Financing for Result (X2)	-3,14062	1,67943	0,0030
Financing Lease (X3)	2,934007	1,67943	0,0053

Source: Research Result (2017).

Based on table 3, the value t calculate on the third independent variable is greater than the value of t and t probability values tabulated in the third independent variable is below the value significance of 0.05. So the third type of influential and significant funding towards profitability. Variable selling and financing financing lease has influence with the direction of the relationship is positive while the financing for the results variable has

influence with the direction of the relationship is negative.

Table 4: The F-Test Result.

F-statistic	7.576816
Prob(F-statistic)	0.000332

Source: Research Result (2017).

In table 4, the value of F tables obtained from the values of the numerator and denominator df df. With the provisions of the value $k = 4$ and the value of df is the denominator (N2) is 45 where $N2 = n - k = 49 - 4 = 45$ and the value of df is the numerator (N1) was where $N1 = k - 1 = 4 - 1 = 3$. The value F table with 0.05 significance is 2.81. Based on the results of a regression test in table 5 were obtained F value count of 7.576816. Thus the value of F F table value $>$ count and value probability 0.05 significance level $<$ F. This test result is obtained that third F independent variable affect the dependent variables simultaneously (profitability).

Table 5: The R² Result.

R-squared	0.335602
Adjusted R-squared	0.291308

Source: Research Result (2017).

Based on the regression results shown in Table 5 retrieved value R² of 0.335602 and the adjusted R² value (Adjusted R-squared) of 0.291308. This means that 33.5602 percent of profitability can be explained by a third independent variable (financing and selling, financing for results, and lease financing). As for the 66.4398 percent of affected by other factors that are not included in the regression model.

Results of testing the hypothesis concerning the influence of financing and selling against the profitability of selling financing showed that positive effect significantly to profitability. It means an increase in funds for financing of the sale provided a BUS every year potentially will increase the profitability of the BUS as measured by ROA. Thus the hypothesis which States that the existence of a positive influence between financing and selling with acceptable profitability.

Otoritas Jasa Keuangan (2017) in Shariah Banking Statistics 2016 States that selling financing provided by BUS is the largest financing portion in between other types of financing, that amounted to 63 percent of the total financing. According to Karim (2011), when compared with Akkadian istishna customer greeting, and prefer to apply for financing from the side of murabaha financing object acceptance, especially for financing consumer clients.

Selling financing in accordance with the theory of Exchange or natural certainty contracts (NCC) where the financing deals and selling give certainty of payment, both in terms of quantities or time, so that the flow of funds for sure or already agreed at the beginning of the object of exchange of contracts and also certainly in quantity, quality, time, and price (Rivai and Veithzal, 2008). Flow of funds financing repayment the definite buy sell and fit the target can support towards income generation BUS itself so that it can increase the ROA.

The research is in line with research Haq (2015) and Abusharbeh (2014) stating that the financing and selling a significant and positive effect toward profitability. Similarly, research conducted with Rahman and Rochmanika (2012) that the financing of the sale of influential positive towards profitability. Selling financing potential greater than other financing was able to give positive influence against ROA because the level marked up from selling financing can provide the greatest revenue for Islamic banks.

Results of testing the hypothesis concerning the influence of finance for results against profitability indicates that financing for the negative effect the results significantly to profitability. This research was originally alleged that financing for the results have a positive affect toward profitability, but after doing a panel data regression test research hypotheses stated that financing for the results of a positive effect against the profitability of denied. The results of this study indicate that if financing for results increases then it will lower the profitability on the BUS.

According to Karim (2011), financing for results is a form of investment contracts that are included in the theory of mixture or natural uncertainty contracts (NUC). In the NUC parties Transact mutually mixing assets into one, and then run the risk of being together for profit. This investment contracts do not provide certainty of income (return), both in terms of quantities or time. Income and the timing of cash flows obtained depends on the performance of the sector riilnya.

The level of profits that accrue to the bank always did not remain high due to the low profits from financing for results obtained depends on the success of bank business borrowers. Part of the profits be shared revenue is directly proportional to the customer. That means if the rate of profit a great effort both parties got a big part anyway and if the level of small business advantage then gained the advantage small part anyway. The repayment of any loan principal in accordance with the customer's

business cash flow. Division of business results have difficulties to apply because the calculation of the profit sharing is complicated and would have to follow what's happening in actual business. In addition the cost of funds obtained on the basis of the system for results not known clearly and definitely (Veithzal and Rivai, 2008).

Karim (2011) suggested that in the event of losses in finance for the results the bank took losses of profits in advance because the advantage is patron capital, whereas if the losses exceed the amount of the advantage then the bank can pick it up from the principal capital.

Research conducted by Riyadi and Yulianto (2014) also revealed that the financing for the results negative effect against the profitability of foreign exchange on the BUS. This is so because of the high risk of moral hazard posed by customer financing.

Results of testing the hypothesis concerning the influence of lease financing toward profitability indicates that the positive effect of lease financing significantly to profitability. It means an increase in funds for financing of the sale provided a BUS every year potentially will increase the profitability of the BUS as measured by ROA. Thus the hypothesis which States that the existence of a positive influence between financing and selling with acceptable profitability.

Finance leases are included in the category of natural certainty contracts (NCC) or Exchange theory. Technically, any lease financing have in common with the financing. The difference is in financing the transaction object is used. On the financing lease financing is object services then the bank can also serve clients who only need the services, i.e. the benefit upon the object of financing given Sharia bank (Karim, 2011).

Object of financing lease transferable ownership at the end of the rental period or known as *ijarah muntahiya bi tamlik* (IMBT). According to Antonio (2001), Islamic banking more use IMBT in financing the lease because of a simple bookkeeping and maintenance of asset financing that is not too complicated. To get the maximum income is usually the bank selling the object of financing to customers after the ending of contract rent compared to grant the lease assets. In addition to obtaining rental income, the bank also gets revenue from the margin of the selling price of the asset sale transaction financing leases. Therefore technical contract IMBT do not differ greatly with technical selling financing, particularly Akkadian *murabaha*.

The results of this research are consistent with research conducted by Ogilo (2016) and Pratama et

al. (2017), Both these studies reveal that financing leases given a positive effect against Islamic bank profitability. The potential rental income obtained by the bank especially in the revenue generated from the Akkadian IMBT contribute to increased profitability of Islamic banks.

But there are also studies that show different results as research done Haq (2015); Haron and Wan (2004) that the financing for the influential results negatively to profitability. So did research with Haron and Wan (2004) that the financing and selling does not have significant influence towards Islamic banking profitability.

The results of testing hypotheses about the influence of these three types of financing against profitability indicates that financing has an impact on the profitability of the BUS. It means financing provided to contribute to the improvement of profitability on a BUS in Indonesia.

Rivai and Veithzal (2008) and Muhammad (2005) suggests that profitability (profitability) is one of the objectives of the financing reached syariah bank acquires the maximum profit. This goal is achieved by increasing the ability of the BUS companies in the management of the Fund's financing. The profit margin earned from selling price, the portion for the results, and the rental fee is the dominant source of income so that they can have an effect on the development of profitability on a BUS.

The results of this research are consistent with research conducted by Izhar and Asutay (2007) that the revenue obtained from the Islamic bank financing channelling effect on profitability as measured by ROA. So did research with Ogilo (2016) who suggested that the financing of *mudharabah musyarakah*, financing, financing of *murabaha*, *ijarah* financing and simultaneous effect on profitability.

4 CONCLUSIONS

There is a trend of increased financing and selling will result in increased levels of profitability so that financing and selling a positive effect towards profitability. Selling financing gives the certainty of payment, both in terms of quantities or time, as well as the use of sales margin was able to contribute to the improvement of the profitability of the BUS.

There is a trend of increased financing for results will result in a decrease in the level of profitability so that financing for the influential results negatively

to profitability. Financing system for results that are still fairly complicated and risky hasn't been able to contribute to the improvement of the profitability of the BUS.

There is a tendency of an increase in lease financing will result in increased levels of profitability so that the positive effect of lease financing toward profitability. The BUS can increase profitability through financing lease contract IMBT with techniques, mainly by selling assets leases to customers.

There is a tendency that the financing of the sale, the financing for the results, and lease financing can support the development of profitability so that these three types of financing on the BUS simultaneously has an impact on profitability.

REFERENCES

- Abusharbeh, M. T., 2014. Credit Risks and Profitability of Islamic Banks: Evidence from Indonesia. *World Review of Business Research*. 4(3), 136-147.
- Antonio, M. S., 2001. *Bank Syariah: Dari Teori ke Praktik*, Gema Insani. Jakarta.
- Arikunto, S., 2006. *Prosedur Penelitian: Suatu Pendekatan Praktik*, Rineka Cipta. Jakarta.
- Hadi, A. C., 2011. Problematika Pembiayaan Mudharabah. *Al-Iqtishad*. 3(2), 193-208.
- Haron, S., Wan, A. W. N., 2004. Profitability Determinants of Islamic Banks: A Cointegration Approach. *Islamic Banking Conference*. (hal. 1-18). Beirut: Union Arab Bank.
- Haq, N. A., 2015. Pengaruh Pembiayaan dan Efisiensi terhadap Profitabilitas Bank Umum Syariah. *Perbanas Review*. 1(1), 107-124.
- Izhar, H., Asutay, M., 2007. Estimating the Profitability of Islamic Banking: Evidence from Bank Muamalat Indonesia. *Review of Islamic Economics*. 11(2), 17-29.
- Karim, A., 2011. *Bank Islam: Analisis Fiqh dan Keuangan*, Rajawali Pers. Jakarta.
- Marbelanty, F., Adityawarman, 2015. Analisis Perbandingan Kinerja Keuangan Antara Perbankan Konvensional dengan Perbankan Syariah di Indonesia. *Diponegoro Journal of Accounting*. 4(4), 1-10.
- Muhammad, 2002. *Manajemen Bank Syariah*, UPP AMP YKPN. Yogyakarta.
- Muhammad, 2005. *Manajemen Pembiayaan Bank Syariah*, UPP AMP YKPN. Yogyakarta.
- Muhammad, 2008. *Metodologi Penelitian Ekonomi Islam: Pendekatan Kuantitatif*, Rajagrafindo Persada. Jakarta.
- Ogilo, F., 2016. Effects of Financial Instruments on Performance of Islamic Banks in Kenya. *The International Journal of Bussiness and Management*. 4(8), 40-45.
- Otoritas Jasa Keuangan, 2017. *Statistik Perbankan Indonesia Desember 2016*, Otoritas Jasa Keuangan. Jakarta.
- Pratama, D. N., Martika, L. D., Rahmawati, T., 2017. Pengaruh Pembiayaan Mudharabah, Pembiayaan Musyarakah dan Sewa Ijarah terhadap Profitabilitas. *Jurnal Riset Keuangan dan Akuntansi*. 3(1), 53-68.
- Rahman, A. F., Rochmanika, R., 2012. Pengaruh Pembiayaan Jual Beli, Pembiayaan Bagi Hasil, dan Rasio Non Performing Financing terhadap Profitabilitas Bank Umum Syariah di Indonesia. *Jurnal Iqtishoduna*. 8(1), 1-16.
- Rivai, V., Veithzal, A. P., 2008. *Islamic Financial Management*, Rajagrafindo Persada. Jakarta.
- Riyadi, S., Yulianto, A., 2014. Pengaruh Pembiayaan Bagi Hasil, Pembiayaan Jual Beli, Financing To Deposit Ratio (FDR) dan Non Performing Financing (NPF) terhadap Profitabilitas Bank Umum Syariah di Indonesia. *Accounting Analysis Journal*. 3(4), 466-474.
- Rosadi, D., 2012. *Ekonometrika and Analisis Runtun Waktu Terapan*, Penerbit Andi. Yogyakarta.
- Tanjung, H., Dewi, A., 2013. *Metodologi Penelitian Ekonomi Islam*, Gramata Publisihing. Jakarta.