Panel Data Regression Analysis of Partnership Contract in Indonesian Sharia Banks

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Abstract : Sharia banks in Indonesia are experiencing very rapid growth. Currently, there are 13 Sharia Banks and 21 Sharia Business Units.However, market share of Islamic banks is still very small, as is the role of Islamic banking in partnership financing contracts. The contract value is still far below the value of the sales-based financing contract. The purpose of this research is to find out the factors that influence the distribution of financing with a partnership contract. This research was conducted on all sharia banks and sharia business units that have run their businesses in the period of 2011 and 2016. The analytical tool used is panel data regression. Because this analysis tool is the most appropriate analysis tool for panel data. The results of the study indicate that *wadiah* third party funds, *mudharabah* third party funds and bank monitoring affect financing with a partnership contract.

1 INTRODUCTION

Sharia bank is a bank that is operated based on the principles of Islam, so that the objectives of sharia bank is also part of the goal of Islam is as.. This purpose is applied in various sharia bank *Rahmatan Lil Alamin*products.

Sharia banks distribute three types of financing contracts namely sales based financing contract, leasing based financing contract and partnership financing contract(Tahir, 2013). There are several types of sales or trade based contract, namely *murabahah*, *salam* and *istisna*. Leasing based contract consists of *ijarah* financing, while financing based on a partnership contracts consists of *mudharabah* and *musyarakah*.Salas based contract and leasing based contract are often used for consumer financing, while partnership contract is often used for productive activities and encourage the growth of the real sectors. (Abduh & Omar, 2012).

The amount of funds distributed through partnership contract is still very low, and lower than sales based contract and leasing based contract.The following table describes the financing data:

Table 1: Financing Composition at Sharia Banks in Indonesia

Contracts	2014 (%)	2015 (%)	2016 (%)
Partnership financing contracts	31.98	35.46	37.78
Sales based financing contracts	59.20	57.69	56.61
Leasing based financing contracts	5.83	4.99	3.67
Others	2.99	1.86	1.94
Total			

Source: SPS 2016

The composition of partnership contracts is smaller than sales based contracts. This fact shows the banks have not yet become the ideal bank. Some researchers argued that the ideal financing product of sharia bank based on partnership contract(Saad & Razak, 2013).

Some facts are the background of this phenomenon. Financial intermediation theory stated that a bank is an institution delegated the authority to channel funds by creditors or investors, as well as being given responsibility for monitoring (Diamond, 1996). Investors want a lot of profits, regardless of people's welfare. The bank becomes an intermediary institution between creditor, investor and debtor.

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Third party funds, investor capital and bank monitoring are the main factors in bank lending.

The research results of some researchers stated that third party funds and capital influence the provision of credit (John, 2014). Research conducted at the sharia bank also showed the same results, that third party funds affected the distribution of funding(Ghoniyah & Wakhidah, 2012).

However, there are some differences in this study. This study focus on partnership contract, whichis considered risky financing (Abdul-rahman & Nor, 2016). The banks will get a share of profits, when the funding users get a profit, on the contrary the banks must also bear part or all of the loss, if they bear losses. Banks get uncertainty about profits and share of losses. These two reasons have caused banks to be reluctant to finance this financing

Partnership contract is an ideal financing contract. This financing contract is most in accordance with the principles of Islamic finance, namely no exploitation and risk sharing. Therefore this financing should be the main financing of sharia banks. Sharia banks must involve all stakeholders to increase this financing contract. Freeman (1984)explained that an organization must involve capital owners, creditors, suppliers, employees, management, and consumers to achieve common goals.

Al-Shamali (2013) explained that stakeholders in sharia banks are tied to Islamic identity, namely piety to Allah SWT. This identity is binding on all stakeholders who are more concerned with piety compared to profit. Stakeholders prioritize community welfare rather than personal benefits.If the piety of Allah SWT is more favored, sharia banks should choose to provide partnership contracts rather than sales based contracts.

Sharia banks need the support of all stakeholders to provide their resources. They have to support banks to become ideal Islamic banks.Sharia banks cannot rely solely on investors and creditors. Sharia banks as management play a role in monitoring and increasing management commitment in fighting for this financing contract.

Management must have a strong commitment to become the ideal Islamic bank. Commitment is always the main factor that can drive management success to achieve its goals (Tzempelikos, 2015). commitment can affect management to improve company performance(Babakus, Yavas, Karatepe, & Avci, 2003).

Sharia banks are different from conventional banks. They have an independent board that always ensures the bank to carry out sharia principles, namely sharia supervisory board. This board controls sharia bank to establish products and services that are in accordance with sharia. Several studies have been conducted on the Sharia Supervisory Board. Alman (2013) examined the effect of the composition of the shariah supervisory board on the behavior of Islamic banks in loan risk taking. The study was conducted on Islamic banks in the Middle East, North Africa and Southeast Asia in the study period from 2000 to 2010. The results showed that there was an influence on the composition of the sharia supervisory board on the behavior of Islamic banks in taking credit risk.

2 LITERATURE REVIEW

2.1 Financial Intermediation Theory

Initially the traditional allocation of company and household resources was carried out through markets and financial intermediation. Along growth of the money market, traditional interactions do not promise efficiency. Allocation of investments or loans directly to fund users or borrowers requires high monitoring costs and faces the risk of asymmetry information. Banking is needed as an intermediary for channeling resources to agents who need fund. An understanding of the role of intermediation in the financial sector has been discussed in models known as the Financial Intermediation Theory. This theory is built on a model of allocation of resources to a perfect and complete market by proposing transaction costs and asymmetry information. Transaction costs that should be incurred by the owner of the capital can be shared by the bank by means of diversification, so that the distribution of funds by banks is more efficient.

Banks that run the financial intermediation function are agents, or groups of agents delegated power to invest in financial assets (Diamond, 1996). In carrying out the financial intermediation function, the bank designed two debt contracts. The first debt contract was made by the bank as an intermediary and borrowers who used the bank's funds. The second debt contract is a contract made jointly with a bank investor.

2.2 Stakeholder Theory

Stakeholder theory was introduced by Freeman (1984). This theory stated the company as an organ that has a relationship with other interested parties, both internal and external parties of the company. Stakeholders of a company consist of individuals or groups who earn profits or suffer losses, where their rights can be valued or disturbed by company actions.

This Stakeholder Theory differs from the opinion of neo-institutional economists which stated that companies are required and pay attention to shareholders and creditors, and involve them in explicit and implicit contracts. According to this neo-institutional economist, the core elements of the company which consist of employees, customers, suppliers and investors provide their assets for profit. All the core elements of this company are bound by clear contracts, and with rights determined through bargaining.

Donalson and Preston (1995) explain three approaches in explaining stakeholder theory. The approach is descriptive approach, instrumental approach and normative truth approach. Descriptive approach described the company as a combination of interests to work together, compete and have intrinsic value. The instrumental approach explained a framework to test the relationship between management and the achievement of company goals. The normative approach explained that all individuals or groups of stakeholders have interests. They identify their interests, to find out whether the company has interests related to their interests. Donalson and Preston (1995) also explained that management must provide simultaneous attention to the legitimate interests of all stakeholders appropriately, both in the formation of organizational structures, general policies and in each case of decision making.

2.3 Capital

Capital is residual ownership of company assets. Bank capital buffer above the cost of bank difficulties (Diamond and Rajan, 1999) and can withstand adverse shocks (Karmakar and Mok, 2013). Large amounts of bank capital can cover capital losses without having to reduce their assets. But large number bank capital can reduce efficiency due to the high cost of capital (Diamond and Rajan, 1999).Bank capital is one of the bank's main incentives for monitoring (Jayaraman and Thakor, 2014). Monitoring is performed to maintain capital security and investor confidence. This is an application of Financial Intermediation Theory, Banks are delegated by investors to monitor.

2.4 Third Party Funds

Sharia banks classify third party funds in two groups, namely *wadiah* and *mudharabah*. *Wadiah*third party funds is a deposit in the form of authority granted to someone to maintain ownership of respectable personal property in a certain way that is safeguarded and gives back when requested (Qaed, 2014).

*Mudharabah*third party fund is applied to savings and deposits, where banks are given full power to manage these funds without being limited by any conditions (Prabowo, 2015). In this contract the customer as *Rabbul Maal* deposits the money to the bank as *mudarib* who will then use the money for investment purposes. Profit distribution will be given in accordance with the agreement agreed at the beginning of the contract (Qaed, 2014).

Third party funds obtained using the *wadiah* contract and *mudarabah* contract are two sources of third party funds entrusted by customers to Islamic banks. Customers' expectations of third party funds invested through these two contracts are different, both related to the responsibility of their use and the expected returns of the customer. As a result of these differences in characteristics, the effect of these two types of third party funds on *mudarabah* and *musyarakah* financing is also likely to be different.

2.5 Management Commitment

Commitment is defined as agreement or attachment to doing something best in a particular organization or group. Management commitment includes active support activities for a company goal, making oneself a figure, strengthening and communicating the value of the company. Management commitment is a very important factor in all achievement activities (Nurhayati and Mulyani, 2015).

Management commitment can be identified and evaluated by seeing and observing its actions. Caroline, Kidombo and Ndiritu (2016) observed management commitment through promotion of quality, quality policy as an integral part of the group, the level of communication between leaders and members, the frequency of leadership communication regarding quality, goals and processes, allocation of resources with the help of evaluating leadership quality improvement quality performance, and formation of the committee hierarchy to provide confidence in improving quality services. Babakus et al., (2003) used training, authority and awards as indicators of management commitment. Javed (2015) looked at and observed management commitment through managerial actions in demonstrating, communicating and strengthening quality.

2.6 Sharia Supervisory Board

Sharia Supervisory Board is an independent board that is placed in Islamic banks to ensure the implementation of sharia principles in every bank activity. Its members consist of several experts who understand general knowledge about banking and other capabilities that are relevant to their daily tasks (Faozan, 2013). AAOIFI explains the main function of the Sharia Supervisory Board is to direct, review and supervise institutional activities to ensure sharia compliance, provide sharia guidelines and advice, provide sharia approval of products and services and provide final reviews (Injas et al., 2016).

Alman (2013), Rahman and Bukair (2013) have conducted research on the role of the Sharia Supervisory Board on the behavior of banks in risking loans and monitoring banks. The proxy used in this study is the number of members of the Sharia Supervisory Board, membership in other Islamic banks, educational qualifications, academic reputation and expertise of the Sharia Supervisory Board.

2.7 Monitoring

Various definitions about monitoring have been expressed by practitioners and academics. In general, monitoring is defined as continuous or periodic observation activities that aim to provide information about the status of the development of a program or activity, and identify problems that arise and formulate the necessary follow-up (Hanik and Subiantoro, 2010). In particular, for banks, monitoring is a tracking action held by banks and is a long-term relationship model in which banks can monitor collateral balances, financial transactions and business users' funds (Besanko and Kanatas, 1993).

Rigorous bank monitoring can increase the number of good loans and obtain loan payments in accordance with predetermined provisions (Jayaraman and Thakor, 2014). By monitoring the bank has the ability to reduce the selection of adverse investments (adverse selection) and prevent moral hazard (Vashishtha, 2014); (Carletti, 2003). Bank monitoring can also influence the debtor's reporting behavior (Ahn and Choi, 2009).

2.8 Partnership Financing Contracts

Partnership financing contract isan agreement between investors and fundusers, where investors can obtain the return of their investments with the risk of losses (Ahmed and Barikzai, 2016). This financing is in line with the spirit of the Islamic banking system, upholds the justice system and eradicates oppression and prevents capitalism (Abdul-rahman and Nor, 2016). This financing is the main financing of Islamic banking (Badaj and Radi, 2016), and is dominantly discussed in the theoretical literature (Dar and Presley, 2000).

3 METHODOLOGY

3.1 The Scope of Research

This research was conducted on all Sharia Commercial Banks and Sharia Business Units in Indonesia. This research was conducted by observing capital variables,*wadiah* third party funds, *mudarabah* third party funds, management commitment, the role of the Sharia Supervisory Board, monitoring and profit-based financing. Data collected from annual reports of Sharia Banks and Conventional Banks that have Sharia Business Units which are published in each company website from 2011 to 2016.

3.2 Types and Data Sources

The data needed for this study are secondary data from the Indonesian Banking Statistics issued by the Financial Services Authority, annual reports of all Sharia Commercial Banks and annual reports of conventional banks that have Sharia Business Units. data obtained by the documentation method

3.3 Population and Sample

In this study all members of the population became members of the sample. However, to get balanced panel data, the sample is selected using certain criteria. only sharia banks have been operating since 2011 to 2016 which are members of the research sample. Sharia banks must finance partnership financing.

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3.4 Analytical Techniques

Data analysis used is panel data regression. Panel data refers to data that contains time series observations from a number of individuals. Observations in panel data consist of cross section data and time series data. there are three advantages of researching using a data panel namely (i) data availability, (ii) greater capacity than cross section data and time series, (iii) challenging methodology (Hsiao, 2007).

3.5 Data Panel Regression Equation

Based on the background and literature review, the following panel data regression equations are formed:

$$Y_{it} \quad {}_{0it} + Mo_{it} + DpkW_{it} + DpkM_{it} + KM_{it} + DPS_{it} + M_{it} + \mu_{it}$$

Description of variable :

i	1,2,.....N show unit data *cross section*
t	1,2 ....T show unit data *time series*
Y_{it}	The value of partnership financing contract of unit *cross section*at- i for t periode
$_{0it}$	interceptof individual effect of unit *cross section i* for time period t
$_{1\text{-}6\ it}$	$_{1,2,3,4,5,6}$
Mo	capital
DpkW	Third party fund *wadiah*
DpkM	Third party fund *Mudarabah*
KM	Management commitment
DPS	The Roles of Sharia Supervisory Board
M	Monitoring
μ_{it}	regression error for unit cross section i for time period t

4 RESULTS AND DISCUSSION

4.1 Result

This panel data usage is very appropriate for researching sharia banks in Indonesia, because the number of banks is still very limited. The number of observations can be increased by examining sharia bank data for several years. The increase in the amount of data will result in a greater degree of freedom.

The initial step of analysis using panel data regression is to determine the appropriate model, common effect, fixed effect or random effects. Based on data collected from annual reports of each sharia bank and sharia business unit on conventional banks for 6 years, which began in 2011 to 2016, panel data regression was conducted using the common effect and fixed effects models.

The common effect and fixed effects models are estimated by Chow test. The chow test results can be seen in the following table:

Table 2: Chow Test

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	11.024720	(24,119)	0.0000
Cross-section Chi-square	175.568900	24	0.0000

Source : analysis result

The chi-square value shown in the table above shows a value of 0.0000 which is smaller than 0.05. If the probability value of the chi-square cross section is smaller than 0.05, then the model that will be chosen is the fixed effect model.

After the chow test is applied, and the fixed effect model is obtained as the best model, then panel data regression will be continued using the random effect model. The test will be continued with Hausman estimation test. The Hausman test is implemented to choose the best research model, whether using a fixed effect model or using random effects. The Hausman estimation test results can be seen in the following table:

Table 3: Hausman Test

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	25.906728	6	0.0002

Source : Analysis Results

The table above shows that the Hausman test p-value is 0.0002, this value is less than 0.05. The conclusion taken from the results of this estimation test is to re-select the fixed effect model as the best research model.

The results of panel data regression analysis using the fixed effect model are as follows:

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Table 4: Results of Panel Data Regression Analysis Using the Fixed Effect model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	365.7690	447.5926	0.817192	0.4155
MO	0.011004	0.209505	0.052524	0.9582
DPKW	0.382929	0.184247	2.078349	0.0398
DPKM	0.210328	0.033065	6.361089	0.0000
KM	9.189205	5.727909	1.604286	0.1113
DPS	-14.26194	12.95005	-1.101303	0.2730
M	3.184754	0.788456	4.039231	0.0001
R-squared	0.970142	Mean dependent var	2170.640	
Adjusted R-squared	0.962614	S.D. dependent var	4357.952	
F-statistic	128.8827	Durbin-Watson stat	0.987809	
Prob(F-statistic)	0.000000			

Source : Result Analysis

4.2 Classical Test

The right model after chow test and Hausman test is the fixed effect model, so it is relevant to do the classic assumption test. This is because the fixed effect model uses least square estimation method. So the estimation procedure is identical to the Ordinary Least Square estimation method (Astuti, 2010). By using a dummy estimate, it must be ensured that the error variance between periods is the same. if the error variance is different it can lead to wrong conclusions. Therefore a heteroscedasticity test and multicollinearity are needed,

Heterescedasticity test is applied to check if there are residual of a regression have changing variance. White test is used to detect heteroscedasticity. If the significance value is greater than 0.05, there is no heteroscedasticity.

Multicollinearity test is applied to check if there is a situation that indicates a strong correlation between two independent variables or more in a ordinary least square model. The signal of multicollinearity problem can be detected from correlation coeffisient of two or more independent variables. If the coeffisient is greater than 0.9, there is multicollinearity problem (Gujarati, 2013)

The results of heteroscedasticity test can be seen in the following table:

Table 5: Heteroscedasticity Test

Dependent Variable: RESABS
Method: Panel Least Squares
Date: 11/05/18 Time: 20:42
Sample: 2011 2016
Periods included: 6
Cross-sections included: 25
Total panel (balanced) observations: 150
White diagonal standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
MO	-0.053277	0.073573	-0.724137	0.4704
M	0.562115	0.661477	0.849788	0.3971
KM	2.025799	2.112591	0.958917	0.3395
DPS	-0.990541	4.995815	0.198274	0.8432
DPKW	0.007995	0.113098	0.070690	0.9438
DPKM	-0.009214	0.019314	-0.477072	0.6342
C	360.0837	211.6219	1.701543	0.0915

Source : Result Analysis

From the table, it can be concluded that the significance value is greater than 0.05, there is no heteroscedasticity problem.

Table 6: Multicollinearity Test

	MO	DPKW	DPKM	KM	DPS	M
MO	1.000000	0.803160	0.828540	0.465071	0.089915	0.555701
DPKW	0.803160	1.000000	0.898802	0.614443	0.051106	0.708221
DPKM	0.828540	0.898802	1.000000	0.594375	0.006410	0.764631
KM	0.465071	0.614443	0.594375	1.000000	0.175900	0.515828
DPS	0.089915	0.051106	0.006410	0.175900	1.000000	0.060423
M	0.555701	0.708221	0.764631	0.515828	0.060423	1.000000

Source : Result Analysis

From the table, it can be concluded that, the correlation coeffisient is greater than 0.9, there is multicollinearity problem
Equation of partnership financing is:

$$Y = 365.77 + 0.01MO + 0.38DPKW + 0.210DPKM + 9.189KM - 14.26DPS + 3.18M + \varepsilon$$

Based on the results of estimating the partnership financing model and through simultaneous testing. The F-statistic value of 128.88 is obtained. This F-statistic value is greater than the F-table at the 95% confidence level of 2.28. The results of this study show that capital variables, *wadiah* third party funds, *mudarabah* third party funds, management commitment, the role of the shariah supervisory board and monitoring have significant effect on partnership financing. This influence is indicated by the value of the coefficient of determination (Adjusted R-Square = 0, 96). This result means that the independent variables are able to explain the change in partnership financing by 96 percent, while the remainder is explained by other factors not included in this research model.

Partial testing of parameter estimation is done by t-test. Six independent variables that influence partnership financing individually. In the research model have t-values (t-statistics) of 0.05 for capital, 2.07 for Dpk *wadiah*, 6.36 for Dpk_*Mudarabah*, 1.60 for management commitment, -1.10 for the role of the shariah supervisory board and 4.04 for monitoring. The test is done by comparing the t-theoretical value (t-table) with the value of t-value (t-statistics) obtained from the calculation results. The critical value obtained in a one-way test with df = n-k-1. df = 150-5-1 = 144. So that t table is worth 1.9765. Value of t-variable variable of *wadiah* third party funds, *mudarabah* third party funds and monitoring is greater than t-table. This shows that the three variables partially have a significant effect on partnership financing. While the t-statistics of the other three variables are capital variables, management commitment and supervisory board roles are smaller than t-table. This shows that the three variables partially do not significantly influence the partnership financing.

Both the variables of *wadiah* third party funds, *mudarabah* third party funds, and monitoring have a positive influence on partnership financing. This positive influence can be seen from the value of t statistics that are positive. Estimates of the level and signs for *wadiah* third party funds, *mudarabah* third party funds, and monitoring are in accordance with statistical criteria and theories that support this research.

4.3 Discussion

The test results on the estimation of the partnership financing model with panel data regression show simultaneously the variables of capital, *wadiah* third party funds, *mudarabah* third party funds, management commitment, the role of shariah supervisory board and monitoring significantly influence partnership financing. The results of this study support the theories used in this study. The theory is the theory of financial intermediation, the banksappliedtheir intermediation function, by collecting customer funds, preparing monitoring and distributing these funds to fund users

The results of this study also support the Stakeholder theory, where sharia bank stakeholders consisting of third party deposit holders and deposits of *mudarabah* third party funds, capital investors, management who have management commitment and hold monitoring, and the role pf sharia supervisory board simultaneously influence partnership financing. The analysis of the influence of independent variables on partnership financing also supports Sharia Enterprise Theory. This theory explained that Allah SWT as the real owner, third party depositors, investors and management still try to provide the ideal financing for this Islamic bank, even though this *mudarabah* and *musyarakah* financing is a risky financing.

All variables in this study affect banks in distributingpartnership financing Simultaneously. These results show that banks need strong support from all stakeholders in an effort to finance more partnership financing. This support is not only needed from within the bank but all internal and external stakeholders of Islamic banks.

There are only three variables that have t-statistics greater than t-tables partially. These results show that these three variables have a real effect on partnership financing. These variables are *wadiah* third party funds, *mudarabah* third party funds and monitoring. The results of the t-statistical test, these three variables have a positive effect on profit-based financing.

The results of this study support several previous studies. The amount of third party funds affects the amount of lending (John, 2014). The results of this study also support several studies that specifically examine Islamic banks. Conclusion of Amelia and Fauziah (2017) study stated that third party funds affect *mudarabah* financing are also in line with the results of this study which states that third party funds, both third party *wadiah* funds and *mudarabah* third party funds, affect two partnership financing consisting of *mudarabah* financing and *musyarakah*.

Othman and Masih (2015) who are investigating the relationship of third-party *mudarabah* funds and partnership financing, result in the same conclusions. They also concluded that *mudarabah* third party funds affected the value of *mudarabah* financing and *musyarakah* financing.

One variable that also gives significant partial effect on partnership financing is the monitoring variable. The monitoring variables measured allowance for bad debt (Johnson, 1997) affect the amount of partnership financing that are intended to be given to users of funds. The results of this study are in line with several research results. One of them is a study conducted by Ascarya (2010, which states that the lack of partnership financing is due to internal factors for monitoring.

One of the variables in this study are not statistically proven to affect partnership financing. These variables are capital, management commitment and the role of shariah supervisory board. The results of this study are not in line with some of the results of previous studies, namely research conducted by Berrospide and Edge (2010), Karmakar and Mok (2013) and Siringoringo (2012) research, which stated that capital affects lending.

The results of the research that show the value of capital do not give significant effect on the partnership financing in accordance with the results of research conducted by Rahman and Nor (2016). The results of Rahman and Nor's study using questionnaires as a way of collecting data stated that banks were still thinking about their capital security in providing financing. They said that the bank had not received adequate capital security guarantees for this type of financing.

The management commitment variable used in this study to predict partnership financing is not statistically proven to affect this financing. The results of this study are not in line with the results of Keramati and Azadeh (2007), Tzempelikos (2015), Caroline, Harriet and Anne (2016), Javed (2015) and Cooper (2006). The results of previous studies state that managementcommitment will influence the success of these actions. Management's commitment to distribute these partnership financing listed in the annual report is still in the form of communication regarding this financing. While the real form of management commitment in the form of training for staff or prospective customers is indeed not done.

The variable role of the shariah supervisory board on partnership financing is also not proven statistically. The results of this study are not in line with the results of Alman's (2013) study, where Alman (2013) concluded that the composition of the sharia supervisory board had an effect on the risk taking of lending. The analysis in research is precisely in line with the results of Dusuki (2008) research which explained that the sharia supervisory board prioritizes the business continuity of Islamic banks rather than maintaining the ideal product of Islamic banks. In implementing its duties, sharia supervisory board places more emphasis on sharia compliance, so that sharia supervisory board pay low attention on partnershipcontract. Other financing contracts such as *murabahah*, *ijarah*, *istisna* and *salam* financing contracts are also halal financing contract, Sharia supervisory board does not impose sharia commercial banks and sharia business units to implement partnership contract

5 CONCLUSION

1. Capital, *Wadiah* third party funds, *mudarabah* third party funds, management commitment, the role of sharia supervisory board simultaneously have a positive and significant effect on partnership financing.
2. *Wadiah* third party funds, *mudarabah* third party funds and partial monitoring have a significant positive effect on partnership financing.

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