GEMILANG: Jurnal Manajemen dan Akuntansi
Vol.3, No.2 April 2023
e-ISSN: 2962-3987 , p-ISSN: 2962-4428 Hal 94-101

PROFIT SHARING FINANCING FACTORS IN ISLAMIC BANKING

Hardi Fardiansyah[1], Nanda Dwi Rizkia[2], Irma Maria Dulame[3], Rahmawaty Arifiani[4]
STIH Dharma Andigha Bogor[1,2] ,STIE Bhakti Pembangunan Jakarta[3]
,STIEB Perdana Mandiri[4]
hardifardiansyah.law@gmail.com[1],nandadwirizkia.law@gmail.com[2]
,Mariadulame.bp28@gmail.com[3],ari.maniss@gmail.com[4]

ABSTRACT

Sharia bank profit sharing financing is divided into mudharabah and musyarakah financing based on profit sharing or revenue sharing schemes. This scheme is very different from interest-based conventional bank credit. The aim of the study was to analyze the effect of third party funds (DPK), financing to deposit ratio (FDR), and non-performing financing (NPF) on financing for the results of Islamic banking in Indonesia. The study consisted of 35 observations covering the period August 2019 to August 2022. Data were analyzed using the multiple linear regression method. The research found that DPK and FDR had a positive effect on profit-sharing financing, while NPF had a negative effect on profit-sharing financing. The lower the bank's risk, the higher the collection of customer funds,

Keywords:third party funds, profit sharing financing, problem financing, financing ratios, Islamic banks

1. INTRODUCTION

Islamic banks as financial intermediary institutions play a role in encouraging the improvement of the real economy in society. The total assets owned by sharia banking in August 2022 reached IDR 561.84 trillion, of which the financing to deposits ratio (FDR) of sharia banking was 77.06% (OJK, 2022). FDR describes the ability of Islamic banks to channel funds to customers compared to funds received by banks from customers (Gunanto, et al. 2018). This FDR achievement is still lower when compared to the loan to deposits ratio (LDR) achieved by conventional banking. In the same period, conventional banking LDR was recorded at 83.46% (OJK, 2022). This achievement of Islamic banks indicates that the intermediary role of Islamic banks through financing distribution can still be improved and optimized.

Funding carried out by Islamic banks basically includes buying and selling, leasing and profit sharing schemes. For sale and purchase financing, it is used for the ownership of goods and lease financing is used to obtain services. Meanwhile, profit-sharing financing is used for businesses involving several parties. In profit-sharing financing, the profit margin earned by the bank depends on the business profitsdistributed based on the principle of revenue sharing, where profits are distributed according to certain predetermined ratios and agree beforehand. This profit sharing agreement is carried out with musyarakah or easerabah financing products.

Initially, the majority of sharia banking financing distribution was buying and selling financing (murabaha). However, in its development, profit-sharing financing through mudharabah and musyarakah contracts has continued to increase. In August 2022, sharia banking profit sharing financing was recorded at IDR 181.72 trillion, higher than

Received Januari 21, 2022; Revised Februari 25, 2023; Accepted March 02, 2023
** Hardi Fardiansyah*, hardifardiansyah.law@gmail.com

buying and selling financing which amounted to IDR 170.84 trillion. The amount of this financing distribution can be one of the indicators for assessing the performance of sharia banking. Sharia banking also needs to be careful when distributing financing, so that the quality of financing is maintained. Banking
sharia must be able to maintain the level of non-performing financing (NPF). The higher the NPF indicates its decline
financing quality. A high NPF indicates that banks must increase their reserves and this can affect the erosion of bank capital (Indriastuti & Kartika, 2018)

The importance of DPK, FDR, and NPF in the distribution of Islamic bank financing can be seen from the many previous st udies that have been conducted. Gunanto, et al. (2018) found that FDR and DPK had a positive effect on Bank Syariah Mandiri's musyarakah financing in 2012-2021. This is in line with Indriastuti & Kartika (2018) who found that FDR and DPK had a positive impact on the total financing of Islamic banks, while NPF had no significant impact. Widiastuty (2019) also found that NPF has no influence on profit sharing financing. Similar to Hasnadina & Mulazid (2019) who found DPK, FDR, and financing margins to have a positive effect on buying and selling financing (murabaha), while NPF had no effect.

Previous research has generally discussed the effect of DPK, FDR, and NPF on the level of Islamic bank financing in the scope of total financing. Meanwhile, the purpose of this study is to specifically examine the effect of DPK, FDR, and NPF on the amount of profit-sharing financing, namely on mudharabah and musyarakah contracts. The research focus is on profit-sharing financing because this scheme emphasizes the existence of a system of cooperation with profit sharing or income sharing which naturally plays a role in optimizing community economic development, especially for the MSME sector. The study includes the DPK factor because this factor is the main source of financing funds, while the FDR factor indicates how big the bank's intermediation function is in channeling financing to the public. This study aims to examine the causality relationship between independent variables on the dependent variable based on previous theory and research. The independent variables used consist of DPK, FDR, and NPF variables. The dependent variable is profit sharing financing, which is the total financing for mudharabah and musyarakah contracts.

2. Methodology

2.1. Model/Concept Development

The amount of DPK indicates the availability of funds owned by the bank. The greater the savings, current accounts, and time deposits will further increase the ability of banks to channel financing. This can be seen from the increasing trend of financing disbursement which is in line with the increasing trend of DPK (Adzimatinur et al., 2015). Thus, DPK is thought to have a positive influence on PBH financing.

H1: DPK has a positive effect on PBH

FDR describes the ability of Islamic banks to channel financing to customers compared to the funds received by Islamic banks from customers (Gunanto et al., 2018). The higher the FDR level indicates the greater the level of bank intermediation.

H2: FDR has a positive effect on PBH

NPF indicates a situation where the customer is unable to pay his obligations or becomes problematic. An increase in the NPF value indicates a decline in the quality of bank financing and the bank's soundness level will decrease. The high level of NPF will cause Islamic banks to be more careful and selective in channeling financing (Indriastuti & Kartika, 2018).

H3: NPF has a negative effect on PBH

PBH in the previous period can affect the distribution of PBH in the following period. This can be seen in the distribution of financing provided to customers who have a good track record of payments but still need capital or to new customers who meet bank criteria and conditions (Priyanto et al., 2016).

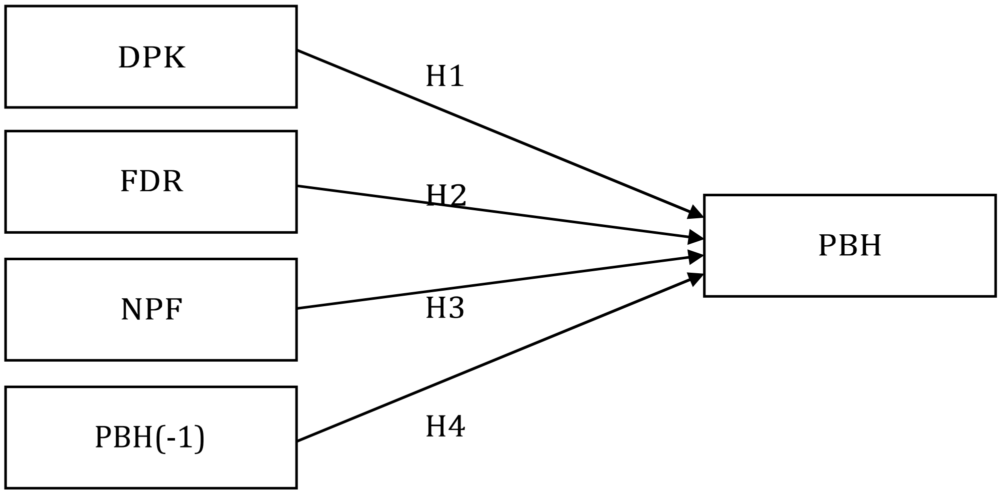
H4: PBH(-1) has a positive effect on PBH

Variable measurements are presented in table 1. The alleged relationship between the DPK, FDR, and NPF variables and PBH can be described in the framework as shown in Figure 1.

Table 1. Variable Operationalization

Variables/Concepts/Indicators	Scale
Third party funds (DPK) include all funds from demand deposits, savings, and deposits from non-bank customers or consumers, both with wadiah and mudharabah contracts (Indriastuti & Kartika, 2018). $DPK = giro + tabungan + deposito$	Ratio
Financing to deposits ratio(FDR) is the ratio of all bank financing to non-bank third parties with funds from third parties (DPK) (Indriastuti & Kartika, 2018). $FDR = \frac{Pembia\text{kers } kepa\text{iety } pihak\ ketiga\ buk\ (}{Dana\ pihak\ ketiga}\ x\ 100\%$	Ratio
Non-performing financing(NPF) is a ratio that calculates the amount of non-performing financing from all bank financing (Widiastuty, 2019). $NPF = \frac{Pembiayaan\text{Home}}{Total\ Pembiayaan}\ x\ 100\%$	Ratio
Profit sharing financing (PBH) includes all sharia bank financing distribution to non-bank third parties using mudharabah and musyarakah contracts (Widiastuty, 2019).	Ratio
PBH(-1) is financing for the results of the previous period	Ratio

Source: Theory and processed, 2022



Source: Model development, 2022

Figure 1. Thinking Framework

2.2. Analysis Method

This research was conducted using data in the form of Islamic banking secondary which was sourced from the August 2022 Sharia Banking Statistics report issued by the Financial Services Authority (OJK). The research uses Islamic banking monthly data for the period August 2019 to August 2022 which consists of 14 general Islamic banks (BUS) and 34 Islamic business units (UUS). Furthermore, data processing was carried out with the help of the Eviews 10 program.

The methods used include tests for normality, multicollinearity, heteroscedasticity, and autocorrelation. After testing the classical assumptions, the data was processed by multiple regression testing to see the effect of the DPK, FDR, NPF, and PBH(-1) variables on the PBH variable which includes the t test, F test, and the coefficient of determination. The model in this study uses logarithmic equations because there are differences in the variable units used as follows:

$ln\ PBH = a + b1lnDPK + b2lnFDR + b3lnNPF + b4ln\boldsymbol{N}(1)$………………..1)

3. RESULTS

The correlation value between the dependent variables is <0.7 which reflects that there is no multicollinearity problem with the variables in the research model. Furthermore, based on the autocorrelation test it is known that through the Breusch-*Godfrey*a probability value of 0.6292 > 0.05 indicates no autocorrelation symptoms in the research model. The results of the heteroscedastic test using the white method show a probability value of 0.7312 > 0.05 indicating that there is no heteroscedasticity in the research model. Then a normality test was carried out where it was found that the Jarque Berra probability value was 0.8913 > 0.05 which means that the residual data values are normally distributed.

The adjusted square value (Adj R2) was obtained at 0.9923 as shown in table 2. This value indicates that profit sharing financing can be explained by 99.23% of DPK, FDR, NPF, profit sharing financing for the previous period. The high value of this adjusted square can be said that the DPK, FDR, NPF, and profit-sharing variables in the previous period are the main variables of profit-sharing financing that have a large influence.

Table 2. Coefficient of Determination

R^2	Adj. R^2	F-stat	Prob (F-stat)	DW
0.9932	0.9923	1163,970	0.0000	1.820926

Source: Processed research data, 2022

Table 3. Statistical Test Results

Variable	coefficient	std. Error	t	Sig.	Results
Constant	-3.6414	1.6072	-2.2658	0.0304	
LNDPK	0.5492	0.1536	3.5748	0.0011	H1 accepted
LNFDR	0.4711	0.1918	2.4560	0.0197	H2 accepted
LNNPF	-0.1325	0.0322	-4.1104	0.0003	H3 accepted
LNPBH(-1)	0.5558	0.0953	5.8318	0.0000	H4 is accepted

Source: Processed data, 2022

The results of multiple linear regression testing in table 3 show that the coefficient value of the DPK variable on PBH is 0.5492 with a sig value. 0.0011 so that H1 is accepted because it is significant. The coefficient value of the FDR variable on PBH is 0.4711 which has a sig value. 0.0197 so that H2 is accepted because it is significant. The coefficient value of the NPF variable on PBH is -0.1325 which has a sig value. 0.0003 so that H3 is accepted because it is significant. PBH variable coefficient (-1) to PBH of 0.5558 has a sig value. 0.0000 so that H4 is accepted because it is significant. Based on multiple linear regression testing, the results can be seen as follows:

$$ln\ PBH = -3.64 + 0.55lnDPK + 0.47lnFDR - 0.13lnNPF + 0.56ln\boldsymbol{N}()(1)\ldots2)$$

4. DISCUSSION

4.1. Effect of Third Party Funds (DPK) on Profit Sharing Financing (PBH)

The results of the study show that third party funds (DPK) have an effectpositive towards profit-sharing financing (PBH). A change in DPK by one percent can result in an increase in PBH by 0.55 percent. This finding is in line with the research by Adzimatinur et al. (2015), Husaeni (2019), Indriastuti & Kartika (2018), and Primadhita & Wicaksana (2022) who found a positive effect of DPK on Islamic banking financing. The existence of DPK is a source for the size of the financing channeled to the community. This is reflected in the pattern of TPF growth which is in line with PBH growth.

The greater the DPK will affect the greater the availability of funds channeled in the form of profit-sharing financing. For this reason, Islamic banks must continue to

GEMILANG: Jurnal Manajemen dan Akuntansi
Vol.3, No.2 April 2023
e-ISSN: 2962-3987 , p-ISSN: 2962-4428 Hal 94-101

increase the collection of third party funds. However, most of the Islamic banking third party funds are still dominated by high-cost deposit funds. As of August 2022, the portion of deposits is 52% of all third party funds managed by Islamic banking, while the remaining 48% is in the form of savings and current accounts. The proportion of third party funds should also be directed at increasing low-cost funds, namely savings and demand deposits. Thus, it will further increase the level of bank profits.

4.2. Effect of Financing to Deposits Ratio (FDR) on Profit Sharing Financing (PBH)

The research finding is that the financing to deposits ratio (FDR) has a positive effect on profit sharing financing (PBH). An increase in FDR by one percent will cause an increase in PBH by 0.47 percent. This result is the same as that of Adzimatinur et al. (2015), Husaeni (2019), Indriastuti & Kartika (2018), and Gunanto et al. (2018).

FDR can describe the liquidity conditions of Islamic banks. The higher the FDR level indicates the greater the value of the distribution of financing. The current condition of Islamic banks' FDR is still lower than the loan to deposits ratio (LDR) of conventional banks, indicating that it is still possible for Islamic banks to increase financing distribution to reach an optimal level. The composition of profit-sharing financing also needs to be carried out in a balanced manner between distribution to large businesses and MSMEs. PBH distribution of Islamic banks is currently still dominated by businesses
large, for that in the future it should be necessary to increase the distribution of financing to the MSME sector. This is because MSMEs are the driving sector of the people's economy.

4.3. Effect of Non Performing Financing (NPF) on Profit Sharing Financing (PBH)

The research finding is that non-performing financing (NPF) has a negative effect on profit-sharing financing (PBH). An increase in NPF by one percent causes a decrease in PBH by 0.13 percent. This result is the same as that of Adzimatinur et al. (2015). This finding is not the same as the research by Widiastuty (2019) and Husaeni (2019) which shows that NPF has no significant effect on PBH.

NPF shows the amount of problematic financing to the overall financing. When the level of non-performing financing increases, it will cause Islamic banks to increase the availability of write-off costs for uncollectible financing. This will reduce the quality of financing and this will have an impact on the performance of Islamic banks to distribute financing. For this reason, Islamic banks should focus on business sectors that are experiencing good and sustainable performance. Currently, business sectors that can be targeted include business sectors in the fields of information and telecommunications, health and education.

4.4. Influence Financing For Results Period Previously (PBH(-1))on Profit Sharing Financing (PBH)

The research finding is profit-sharing financingthe previous period (PBH(-1)) had a positive effect on profit sharing financing (PBH). An increase in PBH(-1) by one percent causes an increase in PBH by 0.56 percent. These results are the same as research (Priyanto et al., 2016). This condition reflects that the previous period's profit-sharing financing was one of the influences on financing distribution. Financing decisions on customers depend on the customer's track record. The performance of timely installment payments is a consideration for these customers to increase their access to financing or increase the value of their financing. Financing for the previous period can also be used as a reference for which financing sector can provide greater profits for the bank.

5. CONCLUSION

This study resulted in the conclusion that the lower the risk of Islamic banks as shown by the low ratio of non-performing financing has an effect on increasing profit-sharing financing to the public. Meanwhile, the increasing collection of customer funds and the greater the ratio of financing distribution has an effect on increasing the distribution of profit sharing financing. Thus, the risk of financing must be maintained in a selective manner towards the customer's history and the sustainability of the customer's business sector. Fundraising should also be further enhanced by issuing products that can increase public savings in Islamic banks and be easily accessible to the public as well as improving services with mobile banking and the internet.

*banking.*For further research should be able to add variables
such as the level of profitability, the level of capital adequacy ratio (CAR), as well as macro factors such as inflation, interest rates and economic growth.

Bibliography

Adzimatinur, F., Hartoyo, S., & Wiliasih, R. (2015). Faktor-faktor yang memengaruhi besaran pembiayaan perbankan syariah di Indonesia. *Al- Muzara'ah*, *3*(2), 106–121. https://doi.org/10.29244/jam.3.2.106-121

Dacholfany, M. I., Khataybeh, A. M., Lewaherilla, N. C., Yusuf, M., Sihombing, H. B. M., & Chang, M. L. (2022). APPLICATION OF THE BALANCED SCORE CARD CONCEPT AS A HUMAN RESOURCE PERFORMANCE MEASUREMENT TOOL AT THE MINISTRY OF HIGHER EDUCATION IN INDONESIA. MULTICULTURAL EDUCATION, 8(04), 1-13.

Gunanto, D. S., Suprihati, S., & Aristi, F. W. (2018). Pengaruh financing to deposit ratio (FDR), dana pihak ketiga (DPK), dan return on asset (ROA) terhadap pembiayaan musyarakah. *Jurnal Ilmiah Edunomika*, *02*(02), 219–230. https://doi.org/10.29040/jie.v2i02.316

Hasnadina, P. S., & Mulazid, A. S. (2019). Analyze the Effect of Third Party Fund (TPF), Non-Performing Financing (NPF), Financing To Deposit Ratio (FDR)and Profit Margin on Murabahah Financing of Sharia Commercial Bank. *Al-Masraf : Jurnal Lembaga Keuangan Dan Perbankan*, *4*(1), 17–27. https://doi.org/10.15548/al-masraf.v4i1.227

Husaeni, U. A. (2019). Determinan Pembiayaan Pada Bank Pembiayaan RakyatSyariah di Indonesia. *Esensi*, *7*(1), 49–62. https://doi.org/10.15408/ess.v7i1.4542

Indriastuti, M., & Kartika, I. (2018). Factors That Affect The Financing Volume In The Sharia Commercial Banks. *Trikonomika*, *17* (1), 38–42. https://doi.org/10.23969/trikonomika.v17i1.894

Saepudin, A., & Yusuf, M. (2022). THE EFFECTIVENESS OF VILLAGE FUND POLICY ON INFRASTRUCTURE DEVELOPMENT. LITERACY: International Scientific Journals of Social, Education, Humanities, 1(3), 172-180

Salim, N. A., Sutrisno, S., Maango, H., Yusuf, M., & Haryono, A. (2022). Employee Performance And The Effects Of Training And The Workplace. Jurnal Darma Agung, 30(2), 549-558.

Sutaguna, I. N. T., Sampe, F., Dima, A. F., Pakiding, D. L., & Yusuf, M. (2022). Compensation and Work Discipline's Effects on Employee Achievement at Perumda Pasar Juara. YUME: Journal of Management, 5(3), 408-428.

Soukotta, A., Sampe, F., Putri, P. A. N., Cakranegara, P. A., & Yusuf, M. (2022). FINANCIAL LITERACY AND SAVINGS BEHAVIOR FEMALE ENTREPRENEURS IN KIARACONDONG MARKET, BANDUNG CITY. Jurnal Darma Agung, 30(2), 652-662.

Pudjowati, J., Cakranegara, P. A., Pesik, I. M., Yusuf, M., & Sutaguna, I. N. T. (2021). THE INFLUENCE OF EMPLOYEE COMPETENCE AND LEADERSHIP ON THE ORGANIZATIONAL COMMITMENT OF PERUMDA PASAR JUARA EMPLOYEES. Jurnal Darma Agung, 30(2), 606-613.

Primadhita, Y., & Wicaksana, I. (2022). Analisis economies of scale pembiayaan usaha mikro kecil dan menengah di perbankan syariah. *Prosiding Manajerial Dan Kewirausahaan*, 1–10. https://doi.org/10.33350/prc.v4i0.452

Priyanto, T., Fahmi, I., & Ismal, R. (2016). Faktor-faktor yang memengaruhi pembiayaan berbasis bagi hasil (equity financing) pada bank syariah X. *Jurnal Aplikasi Bisnis dan Manajemen*, *2*(3), 301–290. https://doi.org/10.17358/jabm.2.3.301

Widiastuty, T. (2019). Faktor-faktor yang mempengaruhi volume pembiayaan berbasis bagi hasil pada perbankan syariah di Indonesia. *Jurnal Manajemen*, *21*(1), 90–103. https://doi.org/10.24912/jm.v21i1.149

Yusuf, M., Haryono, A., Hafid, H., Salim, N. A., & Efendi, M. (2022). Analysis Of Competence, Leadership Style, And Compensation In The Bandung City Pasar Bermartabat. Jurnal Darma Agung, 30(1), 524-2.

Yusuf, M., Sutrisno, S., Putri, P. A. N., Asir, M., & Cakranegara, P. A. (2022). Prospek Penggunaan E-Commerce Terhadap Profitabilitas Dan Kemudahan Pelayanan Konsumen: Literature Review. Jurnal Darma Agung, 30(1), 786-801.

Yusuf, M., Fitria, H., & Mulyadi, M. (2020). The Influence of Teacher's Supervision and Professionalism on Teacher's Performance. Journal of Social Work and Science Education, 1(3), 234-240.