

DETERMINANT OF MUDHARABA FINANCING: A STUDY AT INDONESIAN ISLAMIC RURAL BANKING

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Abstract.

This study aims to determine the variables that affect the financing in the Islamic rural banking in Indonesia. The data used in this study is a monthly time series data that is from June 2009 until June 2015 in the monthly financial statements Islamic Banking Statistics published by Bank Indonesia. The analytical method used in this research is multiple linear regressions. The results of data analysis showed that the variables simultaneously deposit fund, capital adequacy ratio, inflation, exchange rate and the level of revenue sharing significantly influence the composition of financing. Partially deposit funds and the exchange rate significant positive effect, while capital adequacy ratio had a negative effect. Variable inflation and the level of revenue sharing do not significantly influence the composition of financing. This result implies that Islamic rural banking should increase the deposit funds to increase the mudharaba financing.

Keywords: mudharaba financing, Islamic rural banking, multiple linear regression

Abstrak.

Penelitian ini bertujuan untuk mengetahui variabel-variabel yang berpengaruh terhadap penyaluran pembiayaan di bank pembiayaan rakyat syariah. Data yang digunakan dalam penelitian ini adalah time series data bulanan yang dari Juni 2009 sampai Juni 2015 dalam laporan keuangan bulanan Islamic Statistik Perbankan yang diterbitkan oleh Bank Indonesia. Metode analisis yang digunakan dalam penelitian ini adalah regresi linier berganda. Hasil analisis data menunjukkan bahwa variabel secara bersamaan dana pihak ketiga, rasio kecukupan modal, inflasi, nilai tukar dan tingkat bagi hasil secara signifikan mempengaruhi komposisi pembiayaan. Sedangkan secara individu, variabel dana pihak ketiga dan nilai tukar berpengaruh positif. Sementara rasio kecukupan modal berpengaruh negatif. Kemudian variabel inflasi dan tingkat bagi hasil tidak berpengaruh terhadap pembiayaan. Hasil ini berimplikasi bahwa bank pembiayaan rakyat syariah sebaiknya meningkatkan dana pihak ketiga apabila menginginkan kenaikan pembiayaan mudharabah.

Kata Kunci: pembiayaan mudharabah, bank pembiayaan rakyat syariah, regresi linear berganda

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INTRODUCTION

One product distribution of funds with the principle of sharing is carried out by Islamic banks is of financing. Of financing is a form of cooperation between two or more parties in which the owners of capital (shahib al-maal) entrusts the amount of capital to the manager (mudharib) with a profit sharing agreement (Karim, 2004). Financing with the principle of sharing is at the same traits distinguishing between Islamic banks with conventional banks. Islamic banks do not use the system but the system of profit sharing interest in its operations. Financing is very important and can be carried out to maintain the benefit of the people. Own funds have a lot of money to invest funds or to other parties trusted to manage the fund.

Likewise, employers who want to do business but do not have sufficient funds, it can request funds from the party that has a lot of funds. This is very useful because it can help each other and can move the real economy sector is creating jobs to absorb the labor force and the unemployment rate was reduced. Islamic banks use the system for results instead of burdening the public interest is small, so the results particularly of financing products should be the dominant mechanism in its banking activities. But in fact, that the current financing products more widely used is the financing murabaha (sale and purchase). Similarly, in the Islamic rural bank's (IRB) murabaha financing dominates and much in demand by customers compared with of financing.

Table 1. Composition of Financing Provided Islamic Banks and IRB

Period	Financing in Islamic Banks (in billion IDR)		Financing in IRB (in Million IDR)	
	Mudharabah	Murabahah	Mudharabah	Murabahah
June-14	14.312	114.322	117.505	3.857.695
July-14	14.559	114.128	120.765	3.865.210
August-14	14.277	114.002	120.617	3.854.672
September-14	14.356	114.891	123.717	3.889.660
October-14	14.371	115.088	123.691	3.918.522
November-14	14.307	115.602	124.847	3.940.199
December-14	14.354	117.371	122.467	3.965.543
January-15	14.207	115.979	118.415	3.990.394
February-15	14.147	116.268	118.353	4.054.034
March-15	14.136	117.358	123.975	4.132.430
April-15	14.388	117.210	133.805	4.212.147
May-15	14.906	117.777	143.760	4.281.505
June-15	14.906	117.777	158.936	4.367.727

Source: Islamic Banking Statistics, June 2015

Lack of financing in Islamic banks as well as in the IRB caused by several factors, including the risks are high, then the financing is the bank will always be very careful in conducting of financing. In addition there is also the uncertainty of financing is. Bank only based on predictions of the future of the business types (Adnan and Purwoko, 2013). According to Law No. 10 of 1998 on banking, stated that the Islamic rural banking is a bank conducting business based on sharia principles in their activities do not provide services in payment traffic. Government regulates the establishment of the Islamic rural banking to embrace the weak economic community, usually located in rural areas or districts and have problems with their business capital. Most of the people of Indonesia have a business belonging to the small and medium enterprises. Based on data from the Ministry of Cooperatives in 2010 the number of Small and Medium Enterprise (SMEs) amounted to 99.99% and 0.01% belong to large enterprises (Ministry of Cooperatives, 2010).

The ability of IRB in channel financing is influenced by several factors. On the internal side as third party funds that have been collected by the IRB, adequacy of capital held and the level of revenue sharing. Third party funds are funds that come from the community and a source of funds most reliable banks. Activities of the bank after collecting funds from the public The funds are channeled back to the people who need it, in the form of loans or better known as the financing. Other factor that can had an impact on financing is Capital Adequacy Ratio (CAR). Bank Indonesia set a bank owned by the CAR of at least 8%. If the provisions of CAR is not met, it will affect the health of banks and will reduce the ability to expand the distribution of funds (Darmawi, 2012). Financing the development of the IRB can not be separated from the effect of current economic conditions such as inflation and the exchange rate. Inflation is a symptom of the rise in prices of goods that are general and ongoing. High inflation will not promote the economic development of a country. Costs continue to increase lead productive activity is not very profitable. Then the capital owners usually prefer to use the money for speculative purposes. Among others, this goal is achieved by buying treasures remain as land, houses and buildings (Rahardja and Manurung, 2004).

How to invest like that, of course lowers the public interest to invest funds in the bank so that the bank will reduce the provision of financing. The rupiah exchange rate jumped dramatically bounced uncontrollably will cause difficulties in running their

businesses, especially those that use raw materials from abroad or to sell their goods to export markets (Pohan, 2008). In addition, the number of financing deals influenced by factors of profit, which in this case the shared revenues. Giannini (2013) states that a variable degree to the partial results of significant positive effect on mudaraba financing. So it can be said that the higher level of revenue sharing in an Islamic bank will increase the amount of financing.

METHOD

This research is quantitative. The data used in this research is time series data (*time series*) monthly within six years, from June 2009 to June 2015. The study was conducted by looking at the financial statements issued by Bank Indonesia, the Islamic Banking Statistics. The object of this research is the Islamic rural banking in Indonesia. The analytical method used in this research is multiple linear regression analysis.

The estimation of multiple regression equation in this research can be formulated as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e$$

Where: Y is Mudharabah financing; X_1 is Deposit funds; X_2 is Capital Adequacy Ratio (CAR); X_3 is Inflation; X_4 is Exchange Rate; X_5 is yield of profit sharing.

Before testing multiple linear regression, classic assumption test is required in advance, the tests performed are normality test, multicollinearity, heteroscedasticity and autocorrelation. Normality test in this study was conducted by examining the residual value on the regression model using *the Kolmogorov-Smirnov test*, using *Variance Inflation Factor (VIF)* and the value of *Tolerance*. Heteroscedasticity test conducted by test and autocorrelation *Glejser* test seen from *the Durbin-Watson (DW)*.

RESULT AND DISCUSSION

Financing is a dependent variable in this study. Based on the data found that the financing is channeled by the Islamic rural banking in Indonesia from 2009 to 2015 in general continue to rise. Starting from June 2009 in the amount of 50 170 billion and continued to increase to 69 549 billion in October 2010. Had experienced a decline in early 2011 but moved up back to 79 774 billion in August 2011. In January to June 2015 of financing has increased from 118 415 billion to 158 936 billion (Bank Indonesia, 2009-2015). The development of financing does fluctuate. Overall, however, continued to show improvement financing is quite encouraging and there is no significant reduction. This

suggests that the financing is in IRB has progressed well.

Based on the Kolmogorov-Smirnov test is known that the value of significance (*Asymp. Sig. 2-tailed*) is equal to $0.200 > \alpha$ of 0.05, so it can be concluded that the data is independent and dependent variables in this study is a normal distributed data. A regression model is said to be free from the problem of multicollinearity if the value of *Tolerance* > 0.01 or *VIF* < 10 . The following are the test results multikolinieritas:

Table 2. Multicollinearity Test

Variable	Tolerance	VIF
DEP	0,117	8,535
CAR	0,228	4,392
Inflation	0,647	1,545
Exchange Rate	0,300	3,337
yield	0,624	1,601

According to the Table 2 that the value of the *Tolerance* of each independent variable (DPK, CAR, inflation, exchange rate and TBH) > 0.10 . Similarly, the value of *VIF* independent variable (deposit fund, CAR, inflation, exchange rate and yield of profit sharing) < 10 . These results indicate that there is no multikolinieritas on all independent variables.

Table 3. Glejser Test

Variable	t count	Sig.
DEP	0,644	0,522
CAR	1,203	0,233
Inflation	0,814	0,419
Exchange Rate	1,466	0,147
yield	1,985	0,051

Based on data processing, the value of *the Durbin-Watson* stated on SPSS output amounted to 0.612. *The Durbin-Watson* value in the range of -2 and +2, then there is no problem of autocorrelation and regression model was fit for use. The results of multiple linear regression analysis in this study can be seen in the results of Table 4.

Based on the results of multiple regression analysis in table 4, the estimated regression equation obtained are as follows:

$$\text{Financing} = 3.156 + 0.542 \text{ DEP} - 0.413 \text{ CAR} + 0.178 \text{ Inf} + 0.282 \text{ Exch} + 0.202 \text{ yield}$$

Based on Table 4, it is known that the variable coefficients in deposit funds (DEP) is 0.542 and t value of 10.987. This means deposit funds significantly positive effect

on mudaraba financing. This is because the main task of an Islamic bank and the IRB is to conduct the collection and distribution of funds. The results of this study are also consistent with studies conducted by Pratin and Akhyar (2005), Mufqi (2013), Kurniawanti and Zulfikar (2014), Al Arif (2015), Wahyudi (2016), and Husaeni (2017). So the higher third party funds that have been collected by Islamic rural banks, the higher funding channeled including of financing.

Table 4. Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.156	.510		6.184	.000
DEP	.542	.049	.778	10.987	.000
CAR	-.413	.168	-.125	-2.457	.017
Inflation	.178	.228	.024	.782	.437
Exchange rate yield	.282	.099	.126	2.842	.006
	.202	.198	.031	1.022	.310

From Table 4 it can be concluded that the CAR significant negative effect of financing. Capital owned by a bank should be sufficient to meet the basic functions, namely finance organization and operations of the bank and most important functions. Capital funds should be sufficient to absorb losses and ensure the safety of depositors' funds. To anticipate a considerable risk in financing is, then IRB using the capital to finance the operations of the other lower risk. The results are consistent with research conducted by Yuda and Meiranto (2010) that the CAR negative effect on lending. This condition implies that the higher or big loans extended by the bank then diminishing capital owned by the bank. this is because the loans extended by the bank much trouble and cause a reduction in bank capital. Similarly to the research conducted by Katmas (2014) which states that in the short term and long term CAR negative influence significantly to the financing of Islamic banking in Indonesia, although the CAR terus decreased, the condition is still secure because Bank Indonesia set amount of minimum capital shall be provided by banks is 8%. Ali and Miftahurrohman (2016) also found that CAR had a negative effect on murabahah financing in Islamic banking industry.

The inflation variable has no effect on mudaraba financing. Any rate of inflation

will not affect the financing is in IRB in Indonesia. This is in line with the results of research conducted by Mufqi (2013) that inflation does not affect the financing of Islamic banks as well as the IRB. Because Indonesia is often experienced a rise in the price of goods but the inflation rate in Indonesia is still classified into low inflation because it is still below the number 10. On the exchange rate variable can be concluded that the exchange rate variable is significantly positive effect on financing is in the IRB. These results reinforce previous research conducted by Lia (2010), which states that the exchange rate significantly to the positive effect of financing. With the strengthening of the rupiah exchange rate, especially against the US dollar in this case, which reflects the stability of the economy more stable will reduce the risk of trying that in the end will be responded by the business world with increasing of financing, the weakening of the rupiah was also caused by the condition of the American economy is getting better so dollar regained some strength, in addition to the country's trade balance in deficit, imported products are still flooding the market, and the level of the country's exports are still low.

Variable yield of profit sharing did not significantly influence of financing. These results are consistent with research conducted by Pratin and Akhyar (2005) and Lia (2010) that the level of revenue sharing does not affect the financing, including of financing. But the result is in contrast to a previous study conducted by Giannini (2013), Kurniawanti and Zulfikar (2014) which states that the rate of profit sharing positive effect on financing based on the results, the level of the results received each month vary, sometimes for the results of its large and sometimes small amounts, it is because for results that are distributed to customers depend on business profits earned.

Based on the results of data processing, obtained F count equal to 327.200. It can be concluded that all the variable simultanously affect the financing mudaraba, the regression model can be used to predict of financing. The coefficient of determination can be seen from the value of *Adjusted R-square*. Adjusted R-square value obtained at 0.958 or 95.8%. It shows that of financing can be explained or influenced by deposit fund, CAR, inflation, value exchange rate and the yield of profit sharing has a share of 95.8%. While the remaining 4.2% ($100\% - 95.8\% = 4.2\%$) is explained by other variables not included in this study.

CONCLUSION

Deposit, capital adequacy ratio, exchange rate significantly had a positive effect on the composition of financing in the Islamic rural banks in Indonesia. The other variables such as: inflation rate and yield of profit sharing don't had an impact of mudharaba financing. It is expected that the Islamic rural banking as Islamic microfinance institutions that are currently very helpful for small and medium entrepreneurs, to continue to perform well and managing bank while maintaining liquidity and have HR (human resources) who are experts in their fields, so that Islamic rural banking can still provide financial services in particular of financing to small businesses to additional capital.

Islamic rural banking should prepare a strategic policy to increase the performance. Because the Islamic rural banking had a competitor from Islamic banks and conventional banks. If they don't prepare a strategic policy, there will be a declining growth and performance. Besides that, the Islamic rural banking should develop a new product to attract the customer.

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