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THE EFFECT OF GROWTH IN MURABAHAH FINANCE ON PROFITABILITY (Study on Bank Pembiayaan Rakyat Syari'ah (BPRS) Bhakti Sumekar Sumenep)

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ABSTRACT

This study aims to empirically prove the growth of musyarakah financing on the profitability of the Syari'ah Bhakti Sumekar Sumenep People's Financing Bank. Determination of the sample using purposive sampling method. The data used are 40 quarterly financial reports with data analysis methods using simple linear regression. The results showed that the growth of murabahah financing had an effect on the profitability of the Syari'ah Bhakti Sumekar Sumenep People's Financing Bank which was proxied by ROA.

Keywords: *murabahah financing growth, Profitability and ROA*

1. INTRODUCTION

Murabaha financing is one of the products owned by Islamic Banks. Without exception is the Bhakti Sumekar Sumenep People's Financing Bank (BPRS). This murabahah financing product is promising for banks, because this product is a sale and purchase transaction of goods at the selling price plus the agreed profit. In SAK Syari'ah (2019) it is explained that murabaha is a sale and purchase contract with the selling price based on the acquisition cost plus profits agreed between the two parties by disclosing the acquisition price of the goods to the buyer, so that it is clear and without any manipulation from the seller.

Sharia banks as fund owners are required to be more creative in marketing their products, especially murabahah financing products so that customers know about the program owned by the bank. Creativity as intended is marketing to the public so that the amount of financing increases. In this case, the Bhakti Sumekar Sumenep Syari'ah People's Financing Bank (BPRS) in general has experienced an increase and decrease in the amount of financing over the last five years.

Years	Total cost
2017	542,31 Billion
2018	634,20 Billion
2019	674,11 Billion
2020	651,23 Billion
2021	685,52 Billion

Source: annual financial report data

Based on the above, in the last five years, the Bhakti Sumekar Sumenep Syari'ah People's Financing Bank (BPRS) has had a good trend in the amount of financing. This can be seen from the financing figures which are always increasing, except in 2020 it has decreased and is able to increase again in 2021. Therefore, murabahah financing needs to be considered, in order to increase a company's profits.

Research related to the growth of murabaha financing has been carried out by Chairia, at al (2022) which states that the growth of murabaha financing has no effect on profitability. In murabaha financing research has been carried out by several researchers and

showed different results. Novyanti and Wirman, (2022), Bahri, (2022), Nanda and Suryadi (2022) state that murabaha has no effect on profitability. Meanwhile Ramadhani and Rahman (2021), Fauzan and Kurnia (2022), state that murabahah financing has an effect on profitability.

Based on the above, the authors are interested in conducting further research in the hope of providing an overview of the latest results with different objects related to the growth of murabahah financing on profitability proxied by return on assets (ROA). The desired goal is to empirically prove the effect of the growth of mudharabah financing on the profitability of Islamic people's financing banks.

2. STUDY LITERATURE

2.1. Signalling Theory

Financial performance can provide information regarding the company's financial condition. Good financial performance can provide information and guidance for investors regarding the sustainability of the company. This is part of the Signaling Theory, where information related to company development is a good signal for stakeholders. Signal theory is a management action to provide clues to investors about the prospects of an entity (Ross (1977) as cited in Bahri (2022).

The prospect as referred to can be seen from the company's profitability, because profitability is a measure to assess the performance of the financial department. Good financial performance can be used as an illustration for investors to invest in the company.

2.2. Profitability

Fahmi (2011) that the profitability ratio is a ratio that measures the effectiveness of management as a whole in obtaining a profit. This ratio connects sales and investments made by a company. In general, what is often used in this ratio is return on assets, return on equity, gross profit margin and net profit margin.

2.3. Return On Assets (ROA)

Return on assets is the ratio between operating profit and total assets, as shown in the formula below.

Operating profit

$ROA = \frac{\text{Operating profit}}{\text{Total Assets}}$

Total Assets

Murabahah Financing

Murabahah is a sale and purchase agreement for goods at a selling price of the acquisition cost plus an agreed profit and the seller must disclose the acquisition cost of the goods to the buyer. (SAK Syari'ah, 2019).

Murabahah financing is measured by the financing growth formula as shown below.

$$PPMr = \frac{PPMr_t - PPMr_{t-1} \times 100\%}{PPMr_{t-1}}$$

Keterangan:

PPMr : murabaha financing growth

PPMr t : growth in murabahah financing this year

PPMr t-1 : murabahah financing growth in the previous year.

2.4. Definition of Sharia Bank

Law of the Republic of Indonesia number 21 of 2008, concerning Islamic banks explains that Islamic banks are divided into two, namely, Islamic commercial banks and Islamic people's financing banks. Islamic Commercial Banks are Islamic Banks which in their activities provide services in payment traffic. Whereas Islamic People's Financing Banks are Sharia Banks which in their activities do not provide services in payment traffic.

Conceptual framework

Independent Variable (X) Dependent Variable (Y)
Growth of Murabaha Financing (X) → Profitability (Y)

HYPOTHESIS DEVELOPMENT

The Relationship between Murabahah Financing Growth and Profitability Proportioned to ROA

Research related to murabaha financing has been carried out by Novyanti and Wirman, (2022), Bahri, (2022), Nanda and Suryadi (2022) stating that murabaha has no effect on profitability. Meanwhile Raharjo (2019), Ramadhani and Rahman (2021), Fauzan and Kurnia (2022), state that murabahah financing has an effect on profitability.

Meanwhile, research related to the growth of murabahah financing has been carried out by Chairia, at al (2022), which states that the growth of murabahah financing has no effect on profitability proxied by ROA. Based on the above, the hypothesis put forward is as follows:

Ho : Growth of Murabahah Financing has no effect on Profitability Proportioned to ROA

Ha : Growth of Murabahah Financing affects Profitability Proportioned to ROA

3. RESEARCH METHODS

3.1 Types of research

This research is a quantitative research with an associative approach. Quantitative research is research that combines independent variables with the dependent variable. This study aims to prove the effect of the growth of murabahah financing on the profitability of the Bhakti Sumekar Sumenep Islamic People's Financing Bank (BPRS). The data taken in this study is quarterly data for the 2011-2021 period. Data analysis was performed using simple linear regression analysis with the SPSS program tool.

3.2 Population and Sample

The population is the entire object that becomes the determination of the researcher in a study. The population in this study is all quarterly financial report data of the Syari'ah Bhakti Sumekar Sumenep People's Financing Bank during the 2011-2021 period. The total population is 40 quarterly financial reports of the Syari'ah Bhakti Sumekar Sumenep People's Financing Bank, as well as being sampled.

3.3 Variable Operational Definitions

In this research consists of independent variables and dependent variables. The following explanation of each variable is as follows:

Table 3.1. Variable Operational Definitions

Variable	Definition	Indicators
Profitability		Return On Asset (ROA)
Murabaha Financing	Murabahah is a contract of sale and purchase of goods at a selling price of the acquisition cost plus an agreed profit and the seller must disclose the acquisition	Growth of Murabahah Financing $PPMr = \frac{PPMr_t - PPMr_{t-1}}{PPMr_{t-1}}$

	cost of the goods to the buyer (SAK Syari'ah, 2019).	
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3.4 Data analysis

Data analysis was carried out in stages, namely descriptive analysis, hypothesis testing and termination coefficient testing.

3.5 Descriptive analysis

Descriptive analysis was carried out to describe the average related to each variable, namely, profitability and growth of Murabaha financing.

3.6 Simple linear regression analysis

Simple linear regression analysis aims to determine the effect of an independent variable on the dependent variable. Regression analysis is basically a study of the dependence of the independent variable on the dependent variable (Ghozali, 2018). The simple linear regression equation formula is as follows:

$$Pr = a + bX$$

Information:

PR : Profitability (ROA)

a : Constant

b : Regression coefficient

X : PPMr/ Growth of murabahah financing

3.7 Hypothesis testing

Hypothesis testing was carried out to determine the individual relationship between the independent variables and the dependent variable (Ghozali, 2018).

a. If the significance value < 0.05 then H_0 is rejected and H_a is accepted. This means that the murabahah financing growth variable affects the profitability proxied by ROA.

b. If the significance value is > 0.05 then H_0 is accepted and H_a is rejected. This means that the

murabaha financing growth variable has no effect on profitability proxied by ROA.

3.8 The Coefficient of Determination test

The Coefficient of Determination test was carried out to determine the strength of the model in influencing the dependent variable. In this case is to determine the strength of the independent variable on the dependent variable. The value of R2 is between zero and one, that is, if the value of R2 is small, it means that the ability of the independent variable to explain the variation in the dependent variable is very limited. However, if the value is close to one, it means that the independent variable provides almost all the information needed to predict variations in the dependent variable (Ghozali, 2018).

4. RESULTS AND DISCUSSION

4.1 Results of Descriptive Statistical Analysis

The following are the results of the descriptive analysis as shown in table 4.1 as follows:

Tabel 4.1 Descriptive Statistics

	Mean	Std. Deviation	N
ROA	3.3955	1.86233	40
PPMr	16.6093	10.77999	40

Source: data processed in 2022

Based on the table above shows that the average value of each variable. The murabahah financing growth variable is 16.6093 with a standard Deviation value of 10.77999. For the average ROA variable value of 3.3955 with a standard Deviation value of 1.86233. This shows that the murabahah financing growth variable has an average value that is higher than ROA. While the standard deviation value, if the value is small, then the deviation rate is also small, meaning that the smaller the standard deviation value, the smaller the deviation rate from the average value.

4.2 The results of a simple linear regression analysis

The results of a simple linear regression analysis can be seen in the table below.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	1.957	.478	4.091	.000
	PPMr	.087	.024	3.570	.001

Source: data processed in 2022

Table 4.2. Simple Linear Regression Analysis Test Results

Based on the table above, it can be seen that the simple linear regression equation is as follows:

$$\text{Profitability/ROA} = 1.957 + 0.087 \text{ PPMr}$$

a. The constant of 1,957 states that if the growth in Murabahah financing is ignored or equal to zero, then the profitability proxied by Return On Assets (ROA) is 1,957.

b. The regression coefficient of murabahah financing growth (X) is 0.087 and has a positive sign. This means that for every 1% increase in murabahah financing growth, profitability will increase by 0,087 or 8.7%.

4.3 The Results of Hypothesis test

The t significance test aims to determine the relationship between the independent variables and the dependent variable using an alpha level of 0.05 ($\alpha = 5\%$). The results of this test can be seen in the table below.

Table 4.3. The Results of Hypothesis test

Model	Coefficients ^a			t	Sig.
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		
1	(Constant)	1.957	.478	4.091	.000
	PPMr	.087	.024	3.570	.001

Source: data processed in 2022

Based on the table above, it can be explained that the growth variable of murabahah financing has a positive and significant effect on profitability which is proxied by Return On Assets (ROA). This can be seen from the sig value of 0.001 which is smaller than the α level of 0.05 (Sig 0.001 < α 0.05), meaning that the null hypothesis/Ho is rejected and Ha is accepted.

The influence of the growth of murabahah financing on profitability proxied by ROA provides a signal for policy makers to increase murabahah financing, because it can provide increased profitability for the bank. Murabahah financing is promising for banks to obtain profits or margins as expected. Murabahah, which is a sale and purchase agreement, provides maximum profit for Islamic banks. This is a signal for banking managers to be even tougher in conducting murabahah financing so that the profitability they

obtain also increases. Sharia banking must focus more on murabaha financing, because murabaha financing can increase profitability. Besides that, the bank can also minimize the risk of loss, because the products sold are in accordance with the acquisition price plus the agreed margin.

The results of this study are not in line with research conducted by Chairia, et al (2022), which states that the growth of murabahah financing has no effect on profitability. In terms of murabahah financing, this research is not in line with research conducted by Novyanti and Wirman, (2022), Bahri, (2022), Nanda and Suryadi (2022) which states that murabaha has no effect on profitability. Meanwhile, Ramadhani and Rahman (2021), Fauzan and Kurnia (2022), state that murabaha financing has an effect on profitability.

4.4 The results of the Coefficient of Determination

The results of the Coefficient of Determination test are used to measure how far the ability of the model is to explain variations in the dependent variable as shown in the table below.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.501 ^a	.251	.231	1.63261

Table 4.4. The results of the Coefficient of Determination

Based on the table above shows the results of the coefficient of determination R Square of 0.251. This means that 25.1% of the ROA rate is influenced by the growth variable in murabahah financing. While the remaining 74.9% is influenced by other variables not examined in this study.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

This study aims to prove empirically about the effect of the growth of murabahah

financing on profitability, which is proportional to Return On Assets (ROA) at the Bhakti Sumekar Syariah People's Financing Bank.

Based on the results of the data analysis as explained in the previous chapter, it shows that the growth of murabahah financing has a positive and significant effect on profitability which is proportional to ROA at the Bhakti Sumekar Syariah People's Financing Bank. This can be seen from the significance value of $0.001 < 0.05$. This means that the higher the murabahah financing provided to customers, the more it will have an impact on the profitability obtained by the bank.

The strength of the model is 25.1%, which means that the independent variable is able to influence the dependent variable by 25.1%. While the rest is influenced by other factors not explained in this study. These factors can be in the form of mudharabah, musyarakah, ar rahn and so on financing variables.

5.2 Recommendation

This study has limitations that will be used as suggestions for future research. The limitation in this study is that it only uses one research object and one variable, so it is recommended for further research to add other objects such as BPRS banks in East Java.

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