THE ROLE OF FINANCING ON PROFITABILITY WITH NON PERFORMING FINANCING AS A MODERATING VARIABLE (STUDY ON BRI SYARIAH PERIOD 2018-2020)

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ABSTRACT

The distribution of financing by banks to the public is used to help launch planned businesses/investments both individually and institutionally. Increased profit growth shows that the bank's ability to earn profits is good and can lead to success in managing its finances. This research aims to determine the role of financing on profitability with non-performing financing (NPF) as a moderating variable in the BRI Syariah period 2018-2020 period. This research uses a quantitative approach with moderated regression. The population in this research is BRI Syariah for the 2018 – 2020 period, with 36 data. The sampling technique was purposive sampling sourced from BRI Syariah's monthly financial reports. The data collection technique used was documentation using secondary data obtained through the official BRI Syariah website and the Financial Services Authority. The research results show that Murabahah financing affects profitability. Mudharabah financing does not affect profitability. Musyarakah financing affects profitability. NPF moderates Murabahah financing on profitability. NPF does not moderate Mudharabah financing on profitability. NPF moderates Musyarakah financing on profitability

*Keywords: **Financing, Profitability, and Non-Performing Financing, BRI Syariah***

INTRODUCTION (12pt, bold)

Sharia banks are banks that, in their operations, follow the provisions of Islamic sharia, especially those that include Islamic procedures for muamalah. The basic philosophy of running a Sharia bank that animates all transaction relationships is efficiency, justice, and togetherness (Muh et al., 2021). Sharia banks function as intermediaries in collecting public funds and distributing financing to the community per Sharia principles (Fadilah Zaidan, 2019). In other words, Islamic banks are not just free from interest but also banks oriented towards creating the welfare of the people. BRI Syariah is one of several Sharia-based financial institutions. In 2000, it opened a Sharia Business Unit (UUS) with five branch offices and obtained a business license. This bank officially operated as a Sharia Commercial Bank as of May 2010 (Annisa et al. Suryaningsih, 2018).

Financing is an activity carried out by banks in providing and channeling funds from parties with excess funds to parties who lack/need funds for the smooth running of an investment that the borrower and the bank have planned. This financing can be carried out individually or by institutions. (Arif, M.N., 2012). One is Murabahah, an activity with a sale and purchase agreement where the interested parties have agreed upon the profit and principal price at the time of the contract (Khaerul Umam, 2013). In this contract, the seller must include the cost price and the total profit earned. One reason why the Murabahah contract is an instrument widely applied in financing activities is because the Murabahah contract is a sale and purchase contract where the profit is determined at the beginning of the transaction (Dewa P.K. Mahardika, 2015).

The high portion of Murabahah financing in Sharia banking is also because this financing process is more straightforward, does not require highly complex analysis, and can even benefit each interested party (Evita et al., 2021). Previous research was conducted by (Neneng et al., 2020), which states that Murabahah financing has a significant and influential effect on profitability.

Every financing distributed to the community carries a risk in its return. Alternatively, it can be called Non-Performing Financing (NPF), which helps provide an overview of the losses experienced by banks due to financing risks. Ratio

This effect contains problematic financing and the entirety of the total financing provided by the bank. (Devi Permatasari & Ahmad Rudi Yulianto, 2018). Various unexpected financing risks, such as non-performing financing, deviating from predetermined requirements, or financing where the payments are not on schedule, can, of course, negatively impact each party. (Ian Azhar, Arim, 2016).

Suppose this is allowed to continue for a long time. In that case, it will have a more significant impact on banks in distributing financing in the future because a bank's ability to generate maximum profits is essential. Apart from developing the bank, maximum profits will attract investors and creditors, and maximum profits can measure the bank's success based on the ability seen from management's performance in generating profits. This research identifies the role of financing on profitability with non-performing financing (NPF) as a moderating variable in the BRI Syariah Period 2018-2020

THEORETICAL BASIS

Agency theory is a branch of game theory that studies the design of principals and agents who are motivated to work as well as possible to attract the principal's attention. This theory also contains meeting points between several parties, namely management and company owners. According to Jensen and Meckling, an agency relationship is a contract between the company owner and the manager (Puji Nurhayati, 2021). The concept of agency theory is based on agency problems that arise when a company's management is separated from its ownership, where the company is a role that provides opportunities for participants to contribute in the form of capital (owner/principal), expertise and labor (company managers/agents) in order to maximize long-term profits (Ernie Hendrawaty, 2017).

Murabahah, a word starting with Vibhu, means profit, so Sharia banks state the amount of profit in advance in this type of buying and selling. In the banking system, this financing is carried out using an installment payment system, where the goods are delivered after the contract, and the customer pays the price of the goods in installments or monthly installments according to the agreement in the contract (Basaria Nainggolan, 2016).

Murabahah is a sale and purchase agreement between two/or more parties, one of which is a Sharia bank; in this case, the Sharia bank sells goods to a second party, a customer opposite. The profit margin adds to the price of the first purchaser from the market as long as the second part is known to be the original price of the goods; after the second part is received, the goods can be paid for what is due immediately or within a sufficient time according to the agreement (Mahmud et al.,2014)

Dharma means walking/beating, where someone walks by tapping their feet to run a business (Muhammad et al., 2001). Mudharabah is a cooperation agreement where the first party provides the required capital. The second party manages the capital for a business, where profits are shared, and the risk is entirely borne by the owner of the funds, unlike if the loss is caused by an error by the fund manager (Kasmir, 2017).

In the Sharia Banking Product Standards, Syirkah or Musyarakah comes from the Arabic root words Syirkatan (masher/root word) and Sarika (fi'il madhi/verb), which means partner/ally/consortium/union. Mixing, in this case, means an individual who combines the assets he owns with other people's assets, where, as a result of the mixing, it is no longer possible to differentiate between that individual's assets and those of others (Andi et al., 2013). Syirkah has many benefits, especially for increasing prosperity and the welfare of the people, because it contains an element of mutual assistance.

Profitability is profitability which measures the company's ability/ bank to generate profits using existing resources such as assets, capital, or sales (Ely Siswanto, 2021). According to Irham Fahmi in the book Financial Performance Analysis, this ratio measures management's overall effectiveness, which is determined by the size of the level of profit obtained from sales and investment. The better the profitability, the better it describes the company's ability to earn high profits. (Irham Fahmi, 2011).

Non-performing financing (NPF) is the pronoun Islamic banks use in the concept of loans at conventional banks. NPF financing has been categorized as problematic because there are already arrears (Ismail, 2013). Non-PerformingNon-performing Financing (NPF) illustrates how capable bank management is of managing various existing problematic financing. This high ratio indicates that the quality of credit at the bank is getting worse, which will have a more significant impact on increasing problematic financing at the bank in the future.

HYPOTHESES

Based on the explanation above, the hypothesis in this research is

H1: Murabahah financing affects the profitability

H2: Mudharabah financing affects the profitability

H3: Musyarakah financing affects the profitability

H4: Non-Performing Financing (NPF) moderates Murabahah Financing profitability

H5: Non-Performing Financing (NPF) moderates Mudharabah Financing profitability

H6: Non-Performing Financing (NPF) moderates Musyarakah Financing profitability

METHOD

In this research process, quantitative research is used, using associative methods. The data collection used at this research stage is documentation. The data source in this research uses secondary data, which is obtained indirectly from the source. However, it has been collected by other parties/intermediaries, such as documentation and data regarding the financial reports of BRI Syariah and the Financial Services Authority (OJK). The population in this study used PT. BRI Syariah Bank. The technique used in selecting this sample is purposive sampling; the sample used is a monthly financial report on BRIS for 2018-2020, published via the official website www.BRISyariah.com, and 36 pieces of data were obtained. The novelty in this research is to increase the productive assets ratio to moderate because of its vital role in the performance of sharia banking. This study modifies Hanum Novega Sari's research (2018) and Siti Masnah Hendrawati, (2020) so that the research framework is as follows

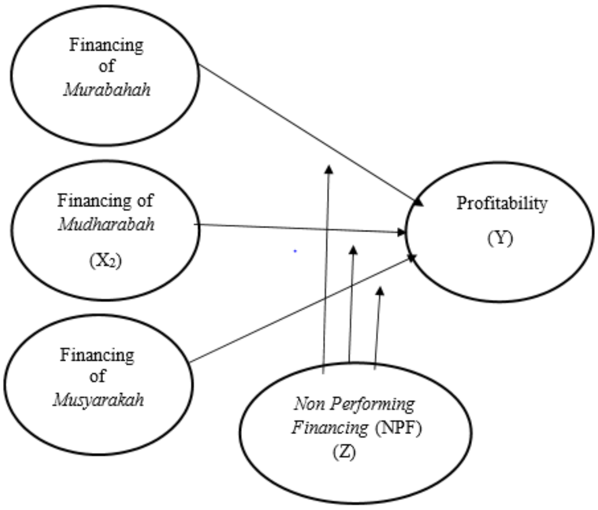

Figure 1. Research Framework

RESULTS AND DISCUSSION

Table 1. Heteroscedasticity test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-9.063	10.656		-.851	.401
	MURABAHAH	.739	.495	.261	1.493	.245
	MUDHARABAH	-.255	.534	-.126	-.487	.630
	MUSYARAKAH	.024	.410	.015	.059	.753

Based on the data above, the Murabahah variable value is obtained with a significance value of (0.245), followed by the Mudharabah variable of (0.630) and the Musyarakah variable with a significance value of (0.753), which means it is more significant than α, namely 0.05, so it can be concluded that no problems occurred in the heteroscedasticity test.

Table 2 . Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.426a	.181	.102	.54459	1.972

a. Predictors: (Constant), LAG_X3, LAG_X1, LAG_X2

b. Dependent Variable: LAG_Y

Based on the data above, the du value is found by looking at the distribution of Durbin Watson table values based on K(3) and N(36) with a significance of 5%, so du (1.6539) < Durbin Watson (1.972) < 4 – du (2, 3461). So, it can be concluded that the regression model does not have autocorrelation symptoms.

Table 3. Multicollinearity Test

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	MURABAHAH	.821	1.086
	MUDHARABAH	.424	2.359
	MUSYARAKAH	.447	2.239

a. Dependent Variable: PROFITABILITY

Based on the data above, the tolerance value for Murabahah is 0.821 > 0.100, followed by Mudharabah at 0.424 > 0.100 and Musyarakah at 0.447 > 0.100. The VIF value for Murabahah is 1.086 < 10.00, followed by Mudharabah of 2.359 < 10.00 and Musyarakah of 2.239 < 10.00. By explaining the data above, it can be concluded that there are no symptoms of multicollinearity.

Table 4. R square table

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.625a	.390	.333	.63085

a. Predictors: (Constant), MUSYARAKAH, MURABAHAH, MUDHARABAH

It can be seen in the table above in the Adjusted R Square column, it is 0.390 or 39%. This means that 39% of the profitability variable is influenced by the Murabahah Financing, Mudharabah Financing and Musyarakah Financing variables. In contrast, the remainder can be affected by other variables, which are also thought to influence profitability.

Table 5. F test

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8,154	3	2,718	6,929	.005[a]
	Residual	12,735	32	,398		
	Total	20,889	35			

a. Predictors: (Constant), MUSYARAKAH, MURABAHAH, MUDHARABAH

b. Dependent Variable: PROFITABILITY

Based on the table above, it can be seen from the significant value of 0.005 < α (0.05) and the calculated F value of 6.929 > 2.89, which means that Mudharabah Financing, Murabahah Financing and Musyarakah Financing together influence profitability of BRI Syariah for the period. 2018-2020

Table 6. Regression model type 1

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-13.294	15.580		-.853	.400
MURABAHAH	-.347	.724	-.069	-.479	.035
MUDHARABAH	1.761	.766	.487	2.298	.128
MUSYARAKAH	.438	.600	.151	.731	.000

a. Dependent Variable: PROFITABILITY

Based on the table above, it can be seen that the regression model equation l is: $Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + e$

Profitability = -13.294 -0.347 X1 + 1.761 X2 + 0.438 X3

Table 7 MRA (Moderated Regresion Analysis type ll

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	9.844	1.457		6.757	.000
MURABAHAH*NPF	-83.937	20.838	-2.445	-4.028	.000
MUDHARABAH*NPF	96.613	42.538	2.203	2.271	.070
MUSYARAKAH*NPF	14.841	35.768	.396	.415	.001

a. Dependent Variable: PROFITABILITY

Based on the table above, it can be seen that the regression model equation ll is:
$Y = \alpha + \beta 4X1{*}Z + \beta 5X2{*}Z + \beta 6X3{*}Z + e$
Profitability = 9,844 -83,937 X1*Z + 96,613 X2*Z + 14,841 X3*Z

The Relationship of Murabahah financing on profitability

Based on the test results above, Murabahah financing has a Sig value of 0.035 < α (0.05), which means that Murabahah affects profitability. So, H1 is accepted, which states that Murabahah Financing affects profitability.

According to the data, Islamic bank financing with the top position is still led by Murabahah financing because the funding is based on a sale and purchase agreement. This also shows that Sharia banks have managed Murabahah financing well to generate optimal profits for Sharia commercial banks. A murabahah contract is a sale and purchase contract where the yield has been determined at the beginning of the transaction, and this financing is more accessible. It does not require a problematic analysis and can benefit each party concerned. The results of this research support the results of previous study such as (Neneng Wididanengsih, Sri Suartini, Nana Diana, 2020),

. **The Relationship of Mudharabah financing on profitability**

Based on the test results above, Musyarakah Financing has a Sig value of 0.000 < α (0.05), which means that Musyarakah Financing affects profitability. So H3 is accepted, stating that Musyarakah Financing affects profitability

Mudharabah financing is less attractive for Islamic banking in Indonesia. Because Mudharabah Financing is included in naturally uncertain contracts where the mudharib cannot provide certainty of income both in terms of amount and time, causing shahibul maal (banks) to hesitate to distribute Mudharabah Financing, apart from that, the risks of Mudharabah Financing are relatively high, namely, side streaming, negligent customers or the possibility that customers are dishonest. The results of this research are in line with research (Cut Faradila, Muhammad Arfan, M. Shabri, 2017)

The Relationship of Musyarakah Financing on profitability

Based on the test results above, Musyarakah Financing has a calculated t-value of 0.731 < t table 2.036 with a Sig value of 0.470 > α (0.05), meaning Musyarakah Financing affects profitability. So Ho is accepted, and H1 is rejected, which states that Musyarakah Financing has an effect on the profit capacity of BRI Syariah for the 2018-2020 period.

This is because Musyarakah financing is included in funding with a profit and loss sharing system, so profits and losses are shared between the customer and the bank. A business has profits and losses; if the company experiences a loss, the bank will share in the loss.

Where Sharia Banks act as owners of capital, they are always required to monitor, check, and evaluate to determine to what extent the business is running according to the financing provided. And ensuring that the manager can carry out the assigned tasks as well as possible, but if the customer's business suffers a loss, the bank will also bear the loss. This study is in line with Hanum Novega Sari (2018)

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The Relationship of Murabahah financing on profitability with Non-Performing Financing (NPF) as a moderating variable

Based on the test results above, Murabahah Financing has Sig. 0.000 < 0.05, so it can be concluded that H4 is accepted, which states that Non-Performing Financing (NPF) moderates Murabahah Financing on profitability

NPF is a benchmark for Sharia banking performance and an essential indicator in measuring bank health, so in this case, all banks are competing to try to reduce this NPF figure. In this financing, the risk is relatively small due to the parties' certainty regarding the return level. These results are in line with research by Cut

Faradila, Muhammad Arfan, M. Shabri, 2017)

The Relationship of Mudharabah financing on profitability with Non-Performing Financing (NPF) as a moderating variable

Sourced from the test results above, Mudharabah Financing has a value of Sig. 0.070 > 0.05, so it can be concluded that H0 is accepted, which states that Non-Performing Financing (NPF) does not moderate Mudharabah Financing on profitability.

When each bank distributes financing, customers must return the financing that the bank has distributed. Based on the profit-sharing ratio that has become an agreement between the bank and the customer, the risk

This financing is also said to be getting smaller. The higher the amount of funds the bank issues for financing, the greater the risk for the bank.

When Mudharabah financing increases, the profitability or profit obtained also increases. However, the rise in Mudharabah Financing accompanied by the rise in NPF will mean that the profitability received by banks will also decrease. These results are by research (Siti Masnah and Hendrawati, 2020)

The Relationship of Musyarakah Financing on profitability with Non-Performing Financing (NPF) as a moderating variable

Based on the test results above, Musyarakah Financing has a value of Sig. 0.001 < 0.05, so it can be concluded that H6 is accepted, which states that Non-Performing Financing (NPF) moderates Musyarakah Financing on profitability.

Musyarakah financing uses a profit-and-loss sharing system. What is clear is that the profits and losses obtained must be shared. The higher the amount of funds the bank issues for financing, the greater the risk for the bank. When the Musyarakah financing increases, the profitability or profit also increases. However, the size of the NPF reflects the cost control stage and what kind of financing policies will be implemented by the bank, so the better the bank is at reducing the NPF figure, the more it will influence the amount of financing that the bank will distribute and have an impact on the profits obtained by the bank. This result shows that the NPF can moderate Musyarakah Financing. This research aligns with previous research (Wahyuni, 2016), where NPF has a significant influence in moderating the power of financing volume on profitability.

CONCLUSION

BRI Syariah has managed murabahah financing well to generate optimal profits for sharia commercial banks. Because a murabahah contract is a sale and purchase contract where the yield is determined at the beginning of the transaction. Mudharabah financing does not affect BRI Syariah's profit capacity for 2018-2020. Mudharabah financing is less attractive for Islamic banking in Indonesia. Because Mudharabah Financing is included in a natural uncertainty contract, the risk of Mudharabah Financing is relatively high. Musyarakah financing is included in funding with a profit and loss sharing system, so profits and losses are shared between the customer and the bank. Musyarakah is attractive to customers because the profit-sharing scheme is still a priority in the principle of justice. Non-Performing Financing (NPF) moderates Murabahah Financing on profits A high NPF will make banks return to murabahah and musyarakah financing because high banking risks due to lousy credit make banks profitable, while mudharabah financing This also shows that Sharia banks have managed Murabahah financing well to generate optimal profits for Sharia commercial banks. Because a murabahah contract is a sale and purchase contract where the yield is determined at the beginning of the transaction . The suggestion for future researchers is to make profitability an intervening variable. This case makes profit the primary goal of banking operations.

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