

Musyarakah Financing Contribution to the Profitability of Bank Syariah Indonesia (BSI)

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Abstract: Financing products offered by Islamic banks are diverse, but the most popular one is the *murabahah* contract. However, the desired contract from Islamic banks is the *musyarakah* financing because it is the mainstay of the Islamic banking industry. The purpose of this research is to examine the contribution of *musyarakah* financing to the profitability of Bank Syariah Indonesia (BSI). This study used a descriptive and verification method where the processed data were secondary financial reports with *musyarakah* financing and profitability variables and Return on Assets (RoA) was used as the indicator. Financial data was taken from financial reports for three years, namely 2019, 2020, and 2021. The data were then processed using SPSS version 23.0 with a simple linear regression analysis method. The results of the study show that the *musyarakah* financing variable has an effect on the profitability of BSI. In conclusion, *musyarakah* financing is an ideal product for Islamic banks because it provides the same opportunity for partners to contribute in the form of capital or expertise.

Keywords: *GDP, Exchange Rate, Interest Rate, Inflation*

Introduction


Islamic banks are one of the banking institutions that have a very vital role in the Indonesian economic structure, as they absorb funds from the public and channel them back to the public, as well as providing services to the public related to economic activities. Islamic banking also responds to customer demand in order to advance investment companies or entrepreneurs' businesses as long as the activities of the company are not prohibited by Islam. One of the ways in which funds are channelled is through profit-sharing financing based on the *musyarakah* contract. The *musyarakah* contract is a partnership agreement between two or more parties for a specific project, with each party providing a share of the funds with the condition that profits will be shared according to the agreement, while losses will be borne according to each party's share of the funds.

Profit-sharing financing in the form of *musyarakah* is regulated in Law Number 10 of 1998 concerning the Amendment to Law Number 7 of 1992 concerning banking. Article 1 paragraph (3) explicitly states that the *musyarakah* contract is one of the financing products offered by Islamic banks. In *musyarakah* financing, there is a technical aspect of Islamic banking, one of which is profit sharing where the distribution of profits is based on business results according to the customer's financial statements. However, in practice, profit sharing may not be based on the customer's financial statements, but on an agreement between the parties involved in the financing.

According to Faustina Prima Martha (2022), there are several opportunities for *musyarakah* contracts in some Islamic banks, particularly in home ownership, which has become popular due to its profit-sharing system that does not burden customers with the certainty of installments. Romy Buchari (2022) mentions that Maybank's sharia business unit facilitates financing for working capital and asset purchases, with a financing limit of Rp 300 million to 50 billion for MSME players. On the other hand, Bank Danamon offers sharia products such as iB for financing new, used, indented, ready-to-build plots,

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multipurpose financing, and takeovers (Herry Hykmanto, 2022). In the case of PT BRI Syariah's sharia business unit financing, the contribution of capital is provided by both partners in the form of cash, where the customer acts as the manager and the bank acts as a sleeping partner while the bank conducting sufficient oversight (Muhammad Imam Syairozi, 2017). In addition, the *musyarakah* contract carried out by Islamic banks is fully in line with fiqh (Islamic jurisprudence), as the nominal amount of money deposited is determined at the beginning, while the venture has yet to know whether it will make a profit or incur a loss (Mahmudatus Sa'diyah and Nur Aziroh, 2014). In addition, According to Achmad K. Permana (2022), the existence of Islamic banks has a positive impact, as they contribute to the development of MSMEs by improving accessibility to financing, as MSMEs have significant potential for increasing gross income but are still constrained by capital and access. Amitra received a financing facility of Rp 200 billion from PT Bank Muamalat Indonesia Tbk in the form of a sharia financing agreement line facility using *musyarakah* contracts with a maximum tenure of 5 years after the pandemic (Yulian Warman, 2022). The strength of the *musyarakah* contract includes a strategic office location and attractive sharia principles, according to Sugito, Nazaruddin A. Wahid, and Muhammad Zuhilmi (2020).

However, the general issue is that Islamic economic activists are asked to introspect because Islamic banks are not yet perfect, their market share is still capitalist, often hiding behind *murabahah* contracts and it is often said that Islamic banks are more ruthless than conventional banks (Ronald, 2021). Next, it is mentioned that the use of *musyarakah* contracts is still small because it has higher risks compared to other financing contracts. Another reason is that the community is not yet ready for the profit-sharing system. The weakness of *musyarakah* contracts is the lack of socialization and education to the public (Sugito, Nazaruddin A. Wahid., Muhammad Zuhilmi. 2020). Based on this background, we are interested in researching the contribution of *musyarakah* financing to the profitability of Bank Syariah Indonesia.

Literature Review and Hypothesis

Musyarakah Financing

Musyarakah originates from the word “*Syarikah*” or “*Syirkah*”. According to the word definition, *musyarakah* in Arabic means “*al-ikhtilath*” which means mix or mixture. *Musyarakah* is a cooperation between two or more parties for a specific business in which each party contributes funds with profits and risks to be borne jointly in accordance with the agreement. According to scholars in the fatwa of DSN-MUI No. 08/DSN-MUI/IV/2000, *al-syirkat* is a financing based on cooperation agreements between two or more parties for a particular business in which each party contributes funds with the provision that profits and risks will be borne jointly in accordance with the agreement. This understanding is the basis for Law No. 21 of 2008 in defining *al-syirkat* operationally.

In the Quran, in Surah An-Nisa (4) verse 12, the understanding of *syirkah* is to be partners in owning *property* obtained from inheritance. In the Quran, in Surah *Shad* (38) verse 24, the term *al-khutha* is interpreted as *syirkah*, which means people who mix their property to be managed together.



Figure 1. Musyarakah Financing Scheme

Profitability

Every company expects optimal profit or earnings. Profitability is the ability of a company to generate profits with all the capital working in it (Sutrisno (2009:16). Profitability describes the ability of a company to earn profits through all the capabilities and resources available, such as sales activities, cash, capital, number of employees, or the number of company branches (Sofyan Syafri Harahap, 2009:304). Profitability is the end result of a number of policies and decisions made by the company (Brigham and Houston (2009:109). From these definitions, it can be said that profitability is the ability of a company to generate profits using the resources available in the company.

The ratio used to measure profitability is regulated in Bank Indonesia Regulation No.6/10/PBI/2004 and one of the ratios is Return on Asset (ROA). It is mentioned in Bank Indonesia Circular Letter No.9/24/DPbS/2007 that the purpose of ROA is to measure the success of bank management in generating profits. If the ROA is small, then bank management is considered poor in managing assets to increase revenue and reduce costs. Financing is one of the Shariah products that generate profits, as well as *musyarakah* financing (Imam Munandar, 2020).

Previous Research

According to the Financial Services Authority, *musyarakah* financing in Islamic Banks in Indonesia experienced a significant increase from 2012 to 2016 compared to *mudharabah* financing. As is known, profitability is an analysis tool used to evaluate management performance in generating profit from business operations. If profitability is high, financial performance is considered high and vice versa.

Previous research has shown that *musyarakah* financing has a significant negative effect on the profitability of Islamic Banks. It is also mentioned that the risk of *musyarakah* financing is quite significant and affects the Return on Asset (ROA) of Islamic Banks. The negative relationship between *musyarakah* financing and ROA is due to the uncertainty of business activities that are not immune to risks. It is also mentioned that the continued increase in *musyarakah* financing does not guarantee that Islamic Banks are already optimal in generating profit.

Similar research has mentioned that *musyarakah* financing has an effect on profitability, while other research has mentioned that *musyarakah* financing has a negative effect on ROA. As for the Non-Performing Financing (NPF), *musyarakah* financing has a positive effect, while NPF does not have an effect on ROA. Furthermore, it is mentioned that *musyarakah* and *murabahah* financing have a positive effect on ROA through NPF as an intervening variable.

This study is a quantitative study using the Structural Equation Modeling (SEM) analysis technique. The considerations used for this analysis are since exploring the intentions of the younger generation in adopting or using digital banking requires a combination of various variables. The construct in this study adopts the research of Hati, Wibowo & Safira (2020) which has been published in a reputable journal (Emerald), but there is the addition of *perceived benefit* and *ease of use* variables. The construct used for this research involves the following variables.

Methodology

This study used descriptive and verificative methods. Descriptive method is used to analyze data by describing or depicting the collected data as it is without intending to draw general conclusions or generalizations (Sugiyono, 2017:147). Descriptive method aims to describe existing phenomena, which occur at present or in the past (Hamdi & Bahrudin, 2015:5).

Verificative method is a research method that aims to determine the relationship between two or more variables, or a method used to test the truth of a hypothesis (Sugiyono, 2015:36). Verificative research is explanatory research that aims to test a truth through hypothesis testing about the cause-and-effect relationship between various variables studied (Sofar Silaen, 2018:19).

Based on several definitions above, it can be said that the descriptive research method is a method used to analyze data by describing existing phenomena. Meanwhile, the verificative research method is a method aimed at determining the relationship between two or more variables through hypothesis testing. In this study, both descriptive and verificative methods are used to examine whether *musyarakah* financing affects profitability in Indonesian Islamic banks.

Results

This study was conducted using secondary data, namely the financial reports of Bank Syariah Indonesia (BSI) from 2019 until 2021. The variables studied were *musyarakah* contract and profitability. The research data was processed using SPSS version 23.0. The hypotheses of this research are:

H0: *Musyarakah* has an effect on the Profitability of Bank Syariah Indonesia

H1: *Musyarakah* has no effect on the Profitability of Bank Syariah Indonesia

Descriptive Statistics

In this research, the data consists of annual financial reports, where the number of *musyarakah* financing contracts and profitability measured by the Ratio on Asset (ROA) from 2019 to 2021 were examined. The ROA variable has an average value of 1.4767 with a standard deviation of 0.11930. This result indicates that the standard deviation value is smaller than the average value of ROA, which shows a good result. The *musyarakah* financing variable also shows good results. The Bank Indonesia regulation states that the good standard for ROA is 1.5%, so the average ROA of Bank Syariah Indonesia is in a condition that is close to ideal. These results are shown in the descriptive statistics table for profitability and *musyarakah* financing as follows:

Table 1. Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. Deviation
<i>Musyarakah</i>	3	48072607	57554436	52991858.67	4750966.505
RoA	3	1.38	1.61	1.4767	.11930
Valid N (listwise)	3				

Simple Linear Regression Analysis

This research uses simple linear regression analysis. The data processing results show a significant value with a probability value of 0.05. This indicates that:

- If the significance value is less than 0.05, it means that variable X has an effect on variable Y
- If the significance value is more than 0.05, it means that variable X does not have an effect on variable Y

Comparing the value of T-statistic with the T-table

- If the value of T-test > T-table, it means that variable X has a significant effect on variable Y
- If the value of T-test < T-table, it means that variable X does not have a significant effect on variable Y

Table 2. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.665 ^a	.443	-.115	.12596

a. Predictors: (Constant), *Musyarakah*

Based on the above output, the correlation coefficient (R) is 0.665 and the coefficient of determination (R Square) is obtained at 0.443. This result shows that ROA is influenced by *musyarakah* contracts by 44.3%, while the remaining portion is influenced by other variables not examined in this study.

Table 3. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.591	.996		.594	.659
<i>Musyarakah</i>	1.671E-8	.000	.665	.891	.537

a. Dependent Variable: ROA

Based on the significance value from the coefficients table, the value is 0.537 which is more than 0.05, so it can be concluded that variable X does not affect variable Y. Based on the T-value, it is known that the obtained T-value is 0.891, while the T-table value is 12.706. With this comparison, the T-value of $0.891 < T\text{-table value of } 12.706$, so it can be concluded that the *musyarakah* (X) variable does not affect the variable ROA (Y). Based on these results, *musyarakah* has an insignificant effect on profitability

Discussion

Musyarakah affects profitability

This study shows that *musyarakah* has an insignificant effect on profitability. *Musyarakah* is a cooperation to run a business between two or more related parties who contribute equally in terms of capacity and value with the risk-sharing equally (Sri Dewi Anggadini and Adeh Ratna Komala, 2020:195). Profitability, on the other hand, is the ability of a company to generate profits (Sofyan Syafri Harahap, 2009:304). Every company is established to gain profit, and so is Bank Syariah Indonesia (BSI). The results show that BSI's profitability is influenced by *musyarakah*. This indicates that even though *musyarakah* is less popular, it still contributes to profitability. Generally, the problems in Islamic banking, including BSI, are that *musyarakah* has a low demand due to high risk, the market share is still dominated by capitalistic environment, and the lack of socialization and education to customers. However, there are still many opportunities that can be explored for the progress of Islamic banking in Indonesia.

Conclusion

The research results show that *musyarakah* contract has an effect on the profitability of Bank Syariah Indonesia. *Musyarakah* is an ideal contract that should be further developed to contribute significantly to the Islamic banking sector in generating profitability.

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