

## MURABAHAH FINANCING ON NON-PERFORMING FINANCE IN SHARIA COMMERCIAL BANKS IN INDONESIA

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### Abstract

The purpose of this study is to find out how Murabahah Financing affects Non-Performing Finance (NPF) at Islamic Commercial Banks in Indonesia from 2018 to 2021. The research method was carried out using a quantitative method using secondary data. Secondary data is taken from the Sharia Banking Statistics report published by the Financial Services Authority (OJK) of Bank Indonesia for the period January 2018 to December 2021. There are 48 data in this research. The dependent variabel in this study is Murabahah Financing, while the dependent variabel is NPF. The analysis technique uses regression analysis, correlation and determination using the SPSS 23 application. The results of the enter method regression analysis yielded a correlation (R) of 0.701 and a coefficient of determination (R square) of 0.491 and the ANOVA results of F count regression 44.403 with a significance of  $0.000 < 0.05$ . So, it can be concluded that Murabaha financing has a negative effect on NPF.

Keyword: Murabahah, Non-Performing Finance, Sharia Commercial Bank

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### 1. Introduction

Islamic Commercial Banks show significant developments in the economy in Indonesia in a relatively short time. The map of the population of Indonesian people, who are predominantly Muslim, supports this based on research in 2019 by (Anugerah, 2019). Islamic commercial banks are banks that use sharia principles in their business activities, based on the law of the Koran and Hadith. Form savings and distribute them through the financial system. One way to distribute Islamic bank money is through Murabahah Financing based on research in 2021 by (Nasution, 2021; Ismal, 2014)

Murabahah financing is buying and selling of products with an initial and additional price based on research by (Nasution, 2021). The financing mechanism in a murabaha contract is similar to credit loans in conventional banking, which is the main form of financing in most Islamic banks in the world. Global Islamic banking financing is around 70 percent based on a murabaha (cost plus financing scheme) rather than the ideal mudharabah (equity-based profit-sharing scheme). Murabaha As the most popular system in banking, it is not only popular among consumers, but is also considered a generalization of Islamic banking based on a 2016 study by (Loo, 2010 ; Wulandari et al., 2008) .Murabahah financing has a dominant portion of the total financing disbursed by Islamic commercial banks in Indonesia every year. This can be seen from the increase in the total average murabahah financing in the 2018-2021 period, as shown in Table 1.

**Table 1**  
 Growth of Murabaha Financing

Year	Murabahah Financing (billions of rupiah)	Percentage of Murabahah Financing from Total Financing	Total Financing (Billion Rupiah)
2018	151.580	49,37%	306.996
2019	158.725	46,14%	344.000
2020	172.548	46,54%	370.740
2021	173.141	43,70%	396.131

Source: OJK-Statistik Perbankan Syariah 2021

Islamic bank managers always take financial risks for every financing, because funds managed by Islamic banks are customer money stored in Islamic banks and must be managed carefully to avoid losses. Islamic banking funding sources are dominated by third party funds based on research in 2022 by (Saputri et al., 2022; Staehr & Uusküla, 2021). Non-performing financing, or better known as bad credit, is a condition that is a major problem in the operation of Islamic banks, because the amount of non-performing financing indicates whether Islamic banks are healthy or not. According to Bank Indonesia, a bank is categorized as healthy if the ratio of non-performing financing is not more than 5% based on research in 2018 by (sitti saleha majid 2018 ; Rottke & Gentgen, 2008)). The non-performing financing ratio in December 2021 decreased from December 2020 of 3.13 percent to 2.59 percent.

Another thing that can be used by Islamic banks as an indicator that Islamic banks are in the healthy category or not is by looking at the effectiveness of the financing they provide to customers based on research in 2018 by (Harmoko, 2018)( Hadisumarto & Ghafar, 2010);.The amount of financing that has increased, it cannot avoid the increase in the risk of problem financing. The non-performing loan ratio or NPF at a bank is used to determine the amount of problem financing. The higher the NPF ratio, the higher the problem financing based on research in 2022 by (Djatkiko & Rachman, 2022; Elazouni et al., 2015)

The influence of CAR and FDR variables on Murabahah Financing partially and simultaneously. NPF in moderating the relationship between independent variables with Murabahah financing. The results of the study show that CAR has no effect on Murabahah financing, FDR has no effect on Murabahah financing, and simultaneously CAR and FDR have no effect on muarabah financing. Whereas the results of research related to the moderating variable state that NPF moderates the effect of CAR on Murabahah financing but NPF moderates the effect of FDR on Murabahah financing, and also NPF moderates the effect of CAR and FDR on Murabahah financing simultaneously, based on research in 2021 by (Yulyani & Diana, 2021)

The effect of mudharabah, musyarakah, murabahah and NPF financing on BPRS profitability using the VAR/VECM method. In general, from the results of IRF it can also be concluded that the response of the ROA variable to the mudharabah, musyarakah, murabaha and NPF variables as a whole is consistent with the theory. Meanwhile, based on the FEVD results, the variable that has a major contribution to ROA in Indonesia is NPF. Then followed by murabahah and mudharabah. As for musyarakah, it is still considered a complement to Islamic banking financing based on research in 2020 by (Turmudi, 2017;Edriyanti et al., 2020)

## 2. Theoretical Background

One of the financing contracts based on the Natural Certainty Contract (NCC) is the Murabahah Financing contract because there is certainty of income (return) seen from the amount or time. Profits can be known from the start based on the contract and are certain, this is the reason that Murabahah Financing dominates Islamic commercial banks. There are also other types of financing, but the portion is under Murabahah Financing based on research in 2018 by (Harmoko, 2018). Ar-ribhu is a word that comes from Arabic which is the origin of the word al-murabaha which means advantage or advantage. Murabahah means an agreement for a sale and purchase of goods between the customer and the bank in the amount of the purchase price of the goods including the profit agreed upon by the customer and the bank, before the customer is notified of the purchase price by the bank. The sale and purchase price may not change as long as the sale and purchase contract has not ended. The contract will be canceled if there is a change. Customers can fulfill the need for an item without having to have cash in advance. Customers get financing from banks to fulfill their needs for goods. Bank activities in Islamic banking in channeling Islamic financing funds often use murabahah contracts based on research by (Afrida, 2016; Maali, 2017)

There are two types of Murabahah Financing, namely, murabahah without orders and with orders. Murabahah without an order is an Islamic bank providing goods to be traded regardless of whether a customer has bought or not beforehand. Procurement of goods is carried out before the existence of a contract or agreement. Murabaha by order is an Islamic bank providing goods needed by the customer or which will be traded after the customer places an order and submits a Murabahah Financing. Procurement of goods is carried out by banks after a murabaha contract or agreement is based on research in 2021 by (Nasution, 2021) Murabahah financing has two benefits, namely for customers and for banks. The benefit for the customer is to get the goods needed, then be paid by the bank first, then the customer can make installment payments that will not change during the agreement period. Benefits for banks are a form of channeling bank funds so that banks can receive income in the form of profits. Payment methods made by customers in murabahah financing can be done in installments or cash based on research by (Sairally, 2002) In summary, it can be concluded that the Murabahah Financing agreement between Islamic banks and customers is carried out based on the customer's need for goods, while the financing for these goods is guaranteed by the bank. Islamic banks take a number of benefits that have been informed in advance to the customer and the customer agrees. The financing contract includes an agreement on the term of payment and the payment system. If murabaha contracts are examined more deeply, they contribute positively to the progress of the real sector of the economy. The amount of murabahah financing is increasing, so the number of goods produced is also increasing, employment has increased and, in the end, it can grow people's income based on research by (Harmoko, 2018).

NPF is a condition when the customer does not make payments and all obligations to the bank as agreed upon and approved by both parties, namely the bank and the customer. Financing those experiences problems in Islamic banks is another word for non-performing loans based on research in 2019 by (Sa'diyah, 2019). Non-performing costs are the sensitivity of NPF in Islamic banks. Banks will get more profit if the NPF value is small based on research by (Putri & Wirman, 2021) NPF is a financial ratio used as a measure of the value of a problem financing risk. OJK Circular No. 10/SEOJK.03/2014 explains the amount of troubled financing included is financing that

is classified as substandard, doubtful and loss collectability. One of the main factors in the development of Islamic public banking in Indonesia is due to the fact that Indonesia's population is predominantly Muslim and the contract system uses the laws of the Koran and Hadith based on research in 2019 (W & Nadliroh, 2020), in 2021 by (Nasution, 2021). Another factor that supports the development of Islamic commercial banks is because the operational concept of loans is similar to conventional banking so that the systems and supporting equipment remain the same, based on research in 2021 by (Nasution, 2021), in 2016 by (Wulandari et al., 2016).

Judging from the statistical data as shown in Table 1, the growth of Murabahah Financing has increased from 2018-2021. In addition, Murabahah Financing is not affected by the Covid-19 pandemic. In the 2020-2021 period, which was the start of the Covid-19 pandemic, Murabaha financing has actually increased. If calculated as a percentage, Murabaha financing at the beginning of the Covid-19 pandemic was the highest compared to before the pandemic. The ratio of non-performing loans or NPF in conventional and Islamic banking can be used as a reference standard for determining the amount of problem financing. The higher the NPF ratio, the higher the problem financing and vice versa, based on research in 2022 by (Djatkiko & Rachman, 2022). The statistical hypothesis in this study looks at the concept of Murabaha financing in Islamic public banking against the risk of credit failure or NPF as follows:

H1: Murabahah financing has no effect on NPF at Islamic Commercial Banks in Indonesia

H2: Murabaha financing has an effect on NPF at Islamic Commercial Banks in Indonesia

### 3. Methods

This study uses a quantitative method, with a descriptive explanatory approach, namely explaining the relationship between the variables that influence the research hypothesis based on (sugiyono, 2020). The type of data used in this study is quantitative, namely data input into a statistical measurement scale expressed by numbers, while the source of data used in this study is secondary data (Sekaran & Bougle, 2017). The population in this study is OJK Published Financial Reports for Islamic commercial banks in Indonesia in 2018-2021. The samples taken are the financial ratios of Islamic commercial banks as well as monthly Financing Reports and NPF of Islamic commercial banks throughout Indonesia, so that there are 48 months in total in 2018-2021.

This study uses two data collection methods, namely library research and documentation study. The documentation study is the collection of secondary data in the form of financial reports published by OJK for Islamic commercial banks in Indonesia in 2018-2021.

### 4. Result dan Discussion

the research data is normally distributed, and passes the classic assumption test as evidenced in table 2

**Tabel 2.** *One-Sample Kolmogorov-Smirnov Test*

		Unstandardized Residual
N		48
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	.39920551
Most Extreme Differences	Absolute	.166
	Positive	.166

Negatif	-1.113
Test Statistic	.166
Asymp. Sig. (2-tailed)	.002 <sup>c</sup>

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.

To test the research hypothesis using the correlation regression test and the determination in table 3

**Tabel 3. Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.645	.770		11.234	.000
	Murabahah	-.031	.005	-.701	-6.664	.000

a. Dependent Variabel: NPF

(Source: Output IBM SPSS Statistic

shows the fourth output which is the coefficient of the regression test results. The constant output coefficient (a) is 8.645 while the murabahah value (b or regression coefficient) is -0.031 so that the regression equation can be written as shown in Equations (2) and (3) as follows.

$$Y=a+bX \dots\dots\dots(2)$$

$$Y=8.645-0.031X \dots\dots\dots(3)$$

This equation can be translated, a constant of 8.645 means that the consistent value of the participation variable is 8.645. Meanwhile, the regression coefficient X of -0.31 states that for every 1% addition of the murabahah value, the NPF value decreases by 0.031. The regression coefficient is negative, so it can be said that the direction of the influence of variable X on Y is negative. Decision making in the simple regression test based on the significance value of Table 3 (coefficients) obtained a significance value of 0.000 <0.05 so it can be concluded that the Murabahah affects the NPF variable (Y), the t value is known to be t count of -6.664.

**Tabel 4. Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.701 <sup>a</sup>	.491	.480	.40352	.281

a. Predictors: (Constant), Murabahah

b. Dependent Variabel: NPF

(Source: Output IBM SPSS Statistic 23)

The correlation between Murobahah and NPL is 0.7, meaning that NPL and Murobahah have a strong relationship and Murobahah contributes 49% to NPL According to the first hypothesis, murabahah financing has no effect on NPF, so it is unacceptable. However, the second hypothesis of Murabahah Financing affects the NPF of Islamic commercial banks in Indonesia so that it can be accepted. The effect that occurs is negative, meaning that an increase in the amount of Murabahah Financing has the effect of decreasing the number of NPF in Islamic commercial banks in Indonesia. This is due to the condition of murobahah customers in completing their obligations which are influenced by macro conditions such as the country's economic conditions, political conditions and community stability, especially during the pandemic which started in 2020 (Ben Saada, 2018).



## 5. Conclusion

Murabahah financing has a negative effect on NPF at Islamic commercial banks. The increase in the amount of murabahah financing has resulted in a decrease in the value of the NPF ratio at Islamic commercial banks in Indonesia. The NPF ratio is influenced by external and internal factors. Influencing external factors, namely the customer is committed to carry out the financing in accordance with the agreed agreement or contract, especially smooth payments according to the due date. The internal factor that affects the NPF ratio is well-organized bank management so that the performance of murabahah financing is in accordance with the target and is at a reasonable level based on research in 2019 (Anisa & Tripuspitorini, 2019). The NPF value is expected to decrease each period, to reduce the NPF value is to increase the principle of prudence and be selective in the distribution of murabahah financing so that it remains current based on research in 2017 (Shofawati, 2014).

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