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The Impact of Profit Sharing Ratio on the Amount of Mudharabah Deposits at Islamic Banks in Indonesia During the Period 2018-2022

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Abstract

This study aims to analyze the effect of profit sharing ratios on mudharabah deposits in Islamic banks in Indonesia during the 2018-2022 period. The research method used is secondary research. Hypothesis testing in this study was carried out using simple linear regression analysis using panel data from the annual financial reports of 10 Islamic banks in Indonesia registered with the Financial Services Authority (OJK) in 2022. This analysis uses SPSS version 22 software. The results of the study reveal that the impact of the profit sharing ratio on total mudharabah deposits is explored through a simple linear regression equation: $Y = 11.705 + 0.187X + e$ The coefficient of the impact of the profit sharing ratio on mudharabah deposits is statistically significant, with a calculated t value of 2.238 which exceeds the t table value of 0.67906. This indicates rejection of the null hypothesis (Ho) and acceptance of the alternative hypothesis (Ha). The coefficient of determination of 0.095 indicates that about 9.5% of the variation in mudharabah deposits can be explained by variations in the profit sharing ratio. The remaining 90.5% is influenced by other factors not included in this model.

Keywords: *profit sharing; mudharabah deposits; islamic banks.*

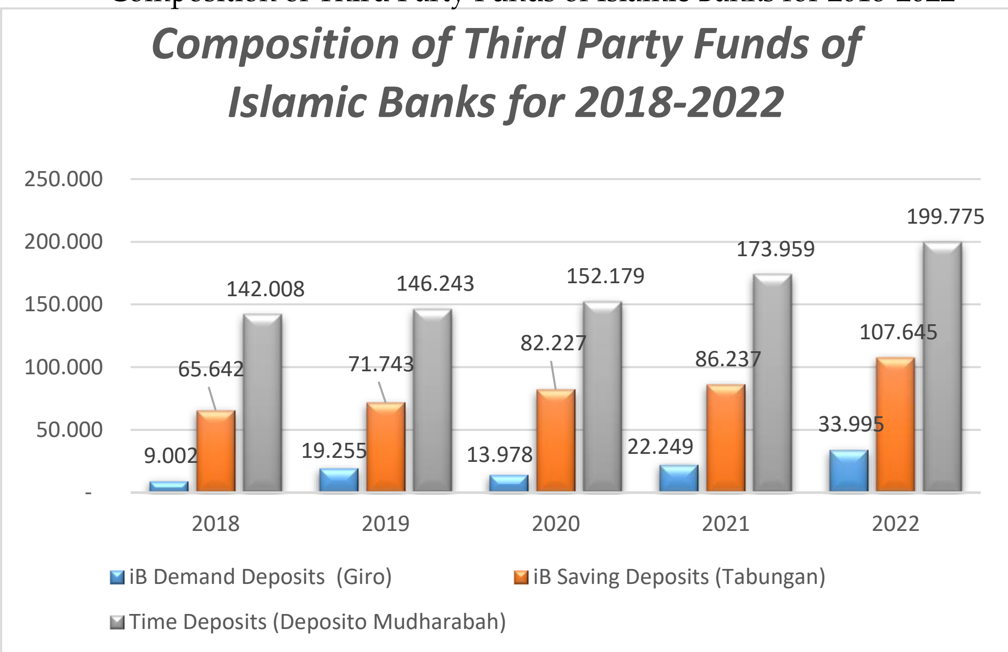
A. Introduction

The establishment of Islamic banks aims to assist the community in effectively managing their surplus wealth and generating profits. Islamic banks not only provide financial services in accordance with Islamic principles, but also support the overall economy by offering an alternative that focuses on sustainability and alignment with religious values. Law No. 21 of 2008 states that Islamic banks are financial institution that conduct their business activities based on Sharia principles and are categorized as either Sharia Commercial Banks, according to Law No. 21 of 2008 concerning Sharia banking, which encompasses everything related to Sharia Banks and Sharia Business Units. This includes the institutional business activities, as well as the methods and processes for conducting their business activities.

The progress of the Islamic banking industry over the years has shown a positive trajectory. The rapid advancement of Sharia banks in Indonesia can also be attributed to their ability to target a market segment based on Sharia principles, thus attracting consumers who consider conventional bank interest as prohibited. According to Sri and Rahmadani (2018), Muslim communities demonstrate greater loyalty towards Sharia banks due to their perception of these institutions as financial entities rooted in Islamic principles and devoid of elements such as usury, uncertainty, and transactions prohibited by Islamic law.

Various compositions of third-party funds received by Islamic banks show that mudarabah deposits have become a prominent and highly demanded product among the community. This product holds the largest portion compared to savings and demand deposits. According to Naf'an (2014), the most significant pillar of the banking sustainability is the deposit, even though it also relies on two other sources, namely capital and credit. The following is an explanation of the composition of Third-Party Funds in the form of mudarabah deposits, demand deposits, and savings.

Chart 1.1
Composition of Third Party Funds of Islamic Banks for 2018-2022



Source: Sharia Banking Statistics 2020 and 2022, OJK (data processed)

The diagram above illustrates the development of Third Party Funds at Islamic Commercial Banks from the year 2018 to 2022. It is evident that mudarabah deposits have increased year by year. And mudarabah deposits are the most favored product compared to current accounts and savings (under wadi'ah and mudarabah contracts). This demonstrates that the community prefers to place their funds in the form of mudarabah deposits compared to other savings products. The high interest in this product by the community can be understood as Islamic banks offer a higher profit-sharing rate on mudarabah deposits compared to other forms of savings. This is in line with the research by Fauziah and Segaf (2022), which states that the community tends to prefer mudarabah deposit products because their assumption is that they will receive more benefits compared to savings and current account products.

According to Isna and Sunaryo (2012), customers always consider the return rate obtained when investing in Islamic banks. If the profit-sharing rate at an Islamic bank is too low, customer satisfaction will also decrease, and there is a high likelihood that they will transfer their funds to a bank with a higher profit-sharing rate. Saputra and Wahidahwati (2018) stated that the profit-sharing ratio has a positive influence on mudarabah deposits. Increasing the designated profit-sharing ratio will enhance public interest in long-term investments in mudarabah deposit products offered by Islamic banks. This is because customers generally seek maximum profits from their long-term investment funds entrusted to Islamic banks. However, contrary to the findings of Natalia et al. (2014), which statistically demonstrated a significant negative effect of profit-sharing rates on mudarabah deposit savings in Islamic banks, this can be seen from the unstable and even declining profit-sharing rates. Similarly, the study by Al Farizi et al. (2016) explained that the profit-sharing rate does not influence the amount of mudarabah deposits. This is because the motivation to achieve high returns is not the primary basis for choosing a bank; rather, it is based on compliance with Sharia principles.

Based on the previous research that has been explained above, there is a disparity between the research findings and the theory, as well as the findings of previous studies. To further substantiate the theory and previous research findings, the author is interested in conducting a study titled "The Impact of Profit-Sharing Ratio on the Amount of Mudarabah Deposits in Islamic Banks for the Period 2018-2022."

B. Literature Review

Islamic Bank

As stated by Sudarsono (2012), Islamic banking refers to a financial establishment that operates by delivering financial and additional services within the realms of commerce and Sharia-compliant working capital. In Law Number 21 of 2008 concerning Islamic Banking in article 1 paragraph (1) it is explained that Islamic banking is everything related to Islamic Banks and Islamic Business Units, including institutions, activities, and the process of carrying out banking business activities.Sharia banking in other terms (al-mashrafiyah al-islamiyah) is a banking system whose implementation is based on Islamic (shariah) law. With the formation of this system because of the prohibition in Islamic law on lending or collecting loan proceeds by charging credit interest (usury), and also prohibitions on investing in businesses classified as forbidden (haram) (Naf'an 2014: 21).

Based on the Financial Services Authority, Islamic banks offer services that are generally carried out by financing institutions such as leasing services (business leasing), as well as profit-sharing financing which are generally offered by investment institutions such as venture capital (investment in the form of financing). Sharia Commercial Banks collect funds through deposits in the form of current accounts, savings, or other forms such as wadi'ah contracts or other contracts that do not conflict with sharia principles, investments in the form of deposits, savings or other forms such as mudharabah, musyarakah, or other forms of contracts that do not contrary to sharia principles. Meanwhile, the distribution of funds is carried out using mudharabah, murabaha, qardh, and ijarah contracts.

Profit Sharing Conccept

Profit sharing or profit sharing is the main characteristic for bank interest-free financial institutions. It is called a profit-sharing financial institution, because this institution benefits from what is generated from its efforts to manage third-party funds. As in the Al-Qur'an letter al-Ma'idah verse 1 which orders every believer to be able to fulfill contracts.

بِٱلْعُقُودِ أَوْفُوا۟ ءَامَنُوٓا۟ ٱلَّذِينَ يَـٰٓأَيُّهَا

Meanings: "O believers! Honour your obligations…" (al-Ma'idah:1).

According to Antonio (2010), profit sharing stands as a method of capital utilization in Islamic economics. This approach involves the distribution of business profits between individuals possessing capital (shahibul maal) and managers (Mudharib). Additionally, temporary syirkah funds indicate funds acquired for investment purposes within a predefined timeframe, established through an agreement between two parties.

In Indonesian Islamic banking, a profit sharing system is applied to a profit sharing system based on a revenue sharing system. Islamic banks can act as managers or as owners of funds, when the bank acts as a manager then these costs will be borne by the bank, and vice versa if the bank acts as the owner of the funds it will charge these costs to the customer managing the funds (Muhammad, 2016).

Mudharabah Deposits

Mudharabah deposits are deposits that are carried out based on sharia principles. Based on the MUI National Sharia Council that deposits allowed by Islam are deposits based on the mudharabah principle contained in Fatwa Number 03/DSN-MUI/IV/2000 Concerning Deposits. Mudharabah deposits are transactions of investing funds from the owner of the funds (shahibul maal) to the fund manager (mudharib) to carry out certain business activities in accordance with sharia, with the distribution of business results between the two parties based on a pre-agreed ratio (Muhammad, 2015).

According to Soemitra, (2017) the features and mechanisms for deposits based on mudharabah are as follows:

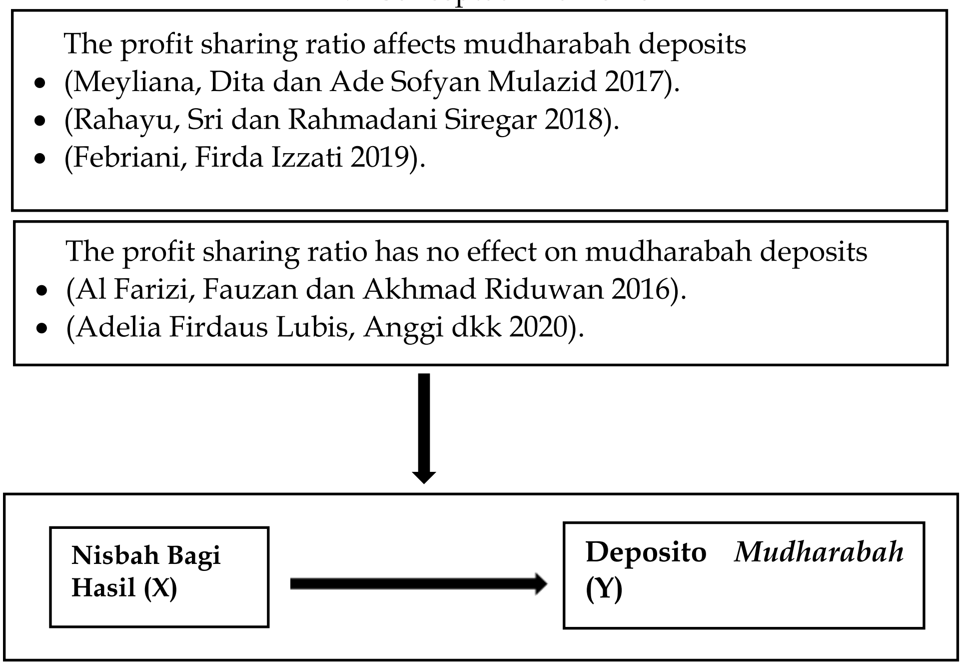
1. Banks act as fund managers (mudharib) and customers act as fund owners (shahibul maal).
2. Management of funds by the bank by the owner of the funds in accordance with the limits set by the owner of the funds (mudharabah muqayyadah) or carried out without restrictions from the owner of the funds (mudharabah mutlaqah).
3. In mudharabah muqayyadah, conditions must be clearly stated within certain limits made by the customer.
4. Profit sharing is expressed in the form of an agreed ratio.
5. Withdrawals by customers can only be made according to the agreed time.

6. Banks may charge customers administration fees in the form of costs directly related to account management fees, including stamp duty fees, printing of transaction reports and account balances, account opening and closing.
7. Banks are not allowed to reduce a customer's profit ratio without the approval of the customer concerned.

Conceptual Framework

Research conducted by (Rahayu and Siregar, 2018) explains that the profit sharing variable has a significant effect on the dependent variable on mudharabah deposits. Then research conducted by (Febriani, 2019) showed the same result that the independent variable profit sharing level had a positive effect on mudharabah deposits. However, research conducted by (Al Farizi and Riduwan, 2016) explains that the independent variable profit sharing level does not affect the amount of mudharabah deposits. Then research conducted by (Lubis et al, 2020) shows that the independent variable profit sharing has no significant effect on the dependent variable on mudharabah deposits. The existence of different voices from the previous studies that have been discussed above will be illustrated in the following Conceptual Thinking:

2.1 Conceptual Framework



Hypothesis

According to Isna and Sunaryo (2012) customers in saving funds will always consider the level of return obtained in investing in Islamic banks. If the rate of profit sharing at an Islamic bank is too low, then the level of customer satisfaction will also decrease and it is likely that the funds will be transferred to a bank with a higher profit sharing level. Based on the relationship between profit sharing and mudharabah deposits, it can be hypothesized as follows:

H1: The profit sharing ratio affects mudharabah deposits

H0: The profit sharing ratio has no effect on mudharabah deposits

C. Research Methods

This research utilizes quantitative research methods and employs time series data. The data type used is secondary data sourced from annual reports published by banks each year for a span of five years, from 2018 to 2022. The list of Islamic banks in Indonesia is compiled from the Sharia Banking Statistics for the year 2022. Thus, this study aims to measure the extent to which the results impact the existing mudharabah deposits at Islamic Commercial Banks in Indonesia.

Table 3.1
Sample Procedure

No.	Description	Amount
1	The Amount of Islamic Banks in Indonesia in 2022	13
2	Number of banks that do not meet the criteria for data availability for 2018-2022	(3)
3	Number of banks that meet the criteria and meet the data in 2018-2022	10
	Total sample used 5 years	10 x 5 = 50

Table 3.2
List of Samples of Islamic Bank

No.	Islamic Banks
1	Bank Aceh Syariah
2	BPD Nusa Tenggara Barat Syariah
3	Bank Muamalat Indonesia
4	Bank Victoria Syariah
5	Bank Jabar Banten Syariah

6	Bank Mega Syariah
7	Bank Syariah Bukopin
8	Bank BCA Syariah
9	Bank Tabungan Pensiunan Nasional Syariah
10	Bank Panin Dubai Syariah

Source: data processed, 2023

The data analysis technique utilized in this research is simple linear regression. Simple linear regression is conducted to ascertain the extent to which one variable influences another variable, with the aim of determining the relationship between the independent variable (Profit Sharing Ratio) and the dependent variable (Amount of Mudharabah Deposits). The test for simple linear regression analysis in this study is performed using SPSS version 22 for Windows.

D. Result

Hypothesis

Ho = There is no effect between the profit sharing ratio on mudhorobah deposits

Ha = There is an effect between the profit sharing ratio on mudharabah deposits

One-Sample Kolmogorov-Smirnov Test

		Deposito Mudharabah
N		50
Normal Parameters[a,b]	Mean	19.9600
	Std. Deviation	4.88630
Most Extreme Differences	Absolute	.104
	Positive	.071
	Negative	-.104
Test Statistic		.104
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Normality test

Significance > 0.05, the data is said to be normal and can be continued to a simple regression test.

R Square

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.307[a]	.095	.076	4.69787

a. Predictors: (Constant), Nisbah bagi hasil

Based on the table above, it can be seen that the test value of the coefficient of determination is from the R-Square value because the independent variable used is one. The R^2 test value of the R-Square is 0.095, which means that the percentage contribution to the influence of the profit sharing ratio variable on the total mudharabah deposits is 9.5%, while the rest is influenced by variables not included in the regression model.

T test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.705	3.748		3.123	.003
	Nisbah bagi hasil	.187	.084	.307	2.238	.030

a. Dependent Variable: Deposito Mudharabah

Criteria

t count < t table then Ho is accepted

t count > t table then Ho is rejected

t table (df = n-1; two sides/0.05) = 0.67906

t count	>	t table
2.238	>	1.673

t count > t table so that Ho is rejected, then there is a significant influence between the profit sharing ratio on mudharabah deposits.

Simple Linear Regression Test

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	11.705	3.748		3.123	.003
	Nisbah bagi hasil	.187	.084	.307	2.238	.030

a. Dependent Variable: Deposito Mudharabah

Equation: $Y = a + \beta 1X1 + e$

Criteria

Ho is accepted if Sig > 0.05

Ho is rejected if Sig < 0.05

Sig < 0.05 so that Ho is rejected, then there is a profit sharing ratio that affects mudharabah deposits. Simple Regression Equation Y = 11.705 + 0.187X + e

Constant 11.705 if there is no profit sharing ratio, then the mudharabah deposit value is 11.705. A positive constant value means that if it is assumed that the independent variable is a constant profit sharing ratio, it will increase the value of the total mudharabah deposits by 11.705. The profit-sharing ratio of 0.187is positive (unidirectional relationship) if the profit-sharing ratio increases by one unit, the value of the total mudharabah deposits also increases by 0.187 and if the profit-sharing ratio decreases by one unit, the value of the total mudharabah deposits also decreases.

E. Conclusion

Based on the results of a simple regression test through the t test on the profit sharing ratio variable, it partially has a positive and significant effect on mudharabah deposits at Islamic Banks because the results of the t count are 2.238 > t table 0.67906 with a significance value of 0.030 <0.05 so the results are significant. The profit sharing ratio affects mudharabah deposits at Islamic Banks for the 2018-2022 period, this is because the authors see that the composition of third party funds at Islamic Commercial Banks for the 2018-2022 period continues to increase which explains the three deposit products, namely demand deposits, savings and time deposits. Mudharabah that more customers choose mudharabah deposit products compared to current accounts and savings. This high customer interest is due to the profit sharing that will be obtained, so that customers are interested in placing their funds in mudharabah deposit products compared to other forms of savings products.

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