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The Influence of *Mudharabah*, Musyarakah, *Murabahah*, Ijarah , and Istishna Financing on Profitability in Sharia People's Financing Banks in 2019-2022

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A B S T R A C T

Sharia People's Financing Bank is a bank that carries out business activities based on sharia principles and in its activities does not provide services in payment traffic. This research aims to determine the effect of *mudharabah*, musyarakah, *murabahah*, ijarah and istishna financing on profitability at Sharia People's Financing Banks in 2019-2022. The population in this study was 167 BPRS, through a purposive sampling technique with several predetermined criteria, a sample of 10 BPRS was obtained. This type of research is quantitative with panel data regression analysis using E-views 12 software. The results of this research show that the *murabahah* variable has a positive and significant effect on profitability at BPRS. This means that every increase or decrease in ROA affects the profitability of the Sharia People's Financing Bank. Meanwhile, the *mudharabah*, musyarakah, ijarah and

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istishna variables have no effect on profitability at BPRS. This means that every increase or decrease in ROA does not affect profitability.

1. Introduction

Profitability is one of the measurements for the performance of a bank, which is the goal of company management by maximizing shareholder value, optimizing various levels of return, and minimizing existing risks. Apart from that, profitability is also something that reflects the ability of each company to generate profits. A company's managerial performance is said to be good if the company's profitability level is high. Ditha Nada Pratama, Lia Dwi Martika and Teti Rahmawati (2017)

A bank's ability to generate profits will depend on the ability of the bank management concerned to manage existing assets and liabilities. In this research the author uses Return On Assets (ROA) to measure profitability. ROA is a ratio that describes the bank's overall ability to generate profits, with ROA being able to describe the bank's productivity in managing funds so as to generate profits.

2. Literature Review

Islamic banking has experienced substantial growth globally, operating on principles that align with Sharia law. This review explores the impact of Islamic financing methods - *Mudharabah*, Musyarakah, *Murabahah*, Ijarah, and Istishna - on the profitability of Sharia People's Financing Banks.

Mudharabah and Musyarakah Financing

Mudharabah and Musyarakah, both profit-sharing arrangements, have been extensively studied in Islamic finance literature. Azhar and Nasim (2019) examined these financing methods in Indonesian Islamic banks, finding *Mudharabah* positively impacted profitability while Musyarakah showed a negative but insignificant effect.

Expanding on these findings, Muda et al. (2020) conducted a study on Malaysian Islamic banks, revealing that *Mudharabah* financing had a significant positive impact on Return on Equity (ROE), while Musyarakah showed a positive but less significant effect. The authors suggested that the risk-sharing nature of these contracts could contribute to enhanced bank performance when properly managed.

Murabahah Financing

Murabahah, a cost-plus financing method, remains one of the most widely used Islamic financing tools. Wahyudi (2020) found a positive correlation between *Murabahah* financing and bank profitability in Malaysian Islamic banks.

Building on this, Alzoubi (2021) examined Jordanian Islamic banks and discovered that *Murabahah* financing not only positively affected profitability but also contributed to improved liquidity ratios. The author noted that the relatively lower risk associated with *Murabahah* contracts made them attractive for both banks and customers, potentially explaining their positive impact on profitability.

Ijarah Financing

Ijarah, an Islamic leasing contract, has shown varied effects on bank profitability. Rahman and Haron (2021) found a positive but moderate impact of Ijarah on the profitability of Islamic banks in GCC countries.

Complementing these findings, Shawtari et al. (2022) investigated Yemeni Islamic banks and found that Ijarah financing had a strong positive impact on both Return on Assets (ROA) and Return on Equity (ROE). The authors attributed this to the steady income stream generated by Ijarah contracts and their suitability for financing durable assets.

Istishna Financing

Istishna, a manufacturing contract, has been less studied compared to other Islamic financing methods. Abusharbeh (2022) found a positive effect of Istishna financing on the profitability of Palestinian Islamic banks.

Extending this research, Khattak and Rehman (2023) examined Pakistani Islamic banks and found that Istishna financing had a positive impact on profitability, particularly in banks with a focus on infrastructure and development projects. They suggested that the long-term nature of Istishna contracts could provide a stable income base for banks, contributing to sustained profitability.

Comparative Analysis

Hassan et al. (2023) conducted a cross-country analysis of Islamic financing methods, highlighting the varying effectiveness of these methods across different economic and regulatory environments.

Adding to this comparative perspective, Zainuddin et al. (2024) performed a meta-analysis of studies on Islamic financing methods and bank profitability across Southeast Asian countries. Their findings indicated that while all financing methods generally showed positive effects on profitability, *Murabahah* and Ijarah demonstrated the most consistent positive impacts across different countries and economic conditions.

Conclusion

The literature reveals a complex relationship between Islamic financing methods and bank profitability. While most studies indicate positive

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relationships, the strength and significance of these relationships vary based on factors such as market conditions, regulatory environments, and specific implementation strategies. The research underscores the importance of a diversified financing portfolio for Islamic banks to optimize profitability while adhering to Sharia principles.

3. Research Method

This research uses secondary data with the type of research being quantitative. With regression analysis, panel data analysis uses E-views 12 softwear. The population in this study is all BPRS in Indonesia registered with the Financial Services Authority (OJK), namely 167 BPRS. Sampling in this study used a purposive sampling technique , with several predetermined criteria, the Financial Reports at Sharia People's Financing Banks (BPRS) that met the sample eligibility criteria were 10 Sharia People's Financing Banks (BPRS). With data collection techniques using documentation studies.

4. Result and Discussion

This research was conducted to determine the effect of *mudharabah*, musyarakah, *murabahah*, ijarah and istishna financing on profitability at Sharia People's Financing Banks for the 2019-2022 period. The following is a discussion of the results obtained during the research:

The Effect of *Mudharabah* Financing on ROA

Based on the results of the research conducted, it shows that in this research the *mudharabah* financing variable has no effect on the profitability of Sharia People's Financing Banks for 2019-2022. This is because the significance results obtained are greater, so that the *mudharabah* variable has no effect on the increase in ROA. The reason for the increase in ROA which is not influenced by *mudharabah* financing is that in *mudharabah* financing there is a risk that the financing that has been provided to the mudharib is not used properly to maximize profits for both parties . The results of this research are consistent with research conducted by Afkar (2017) which states that *mudharabah* financing does not have a significant effect on the profitability of Sharia Banking in Indonesia. Ditha Nadha (2017)

The Effect of Musyarakah Financing on ROA

Based on the results of the research conducted, it shows that in this study the musyarakah financing variable had no effect on profitability at Sharia People's Financing Banks for 2019-2022. This is because the significance results obtained are greater, so the musyarakah variable has no effect on the increase in ROA. The reason for the increase in ROA which is not influenced by musyarakah financing is that in *mudharabah* financing there is a risk that the financing that has been provided to the mudharib is not used properly to maximize profits for both parties. The results of this research are not in line with research conducted by Emha (2014), Fadholi (2015), Setiawiani (2017), Sari and Anshori (2017), Almanaseer and Al Slehat (2016), and Ogilo (2016) which stated that musyarakah has significant influence on the profitability of Sharia Commercial Banks. Faiz Nurfajri (2019)

The Effect of *Murabahah* Financing on ROA

Based on the results of research that has been carried out, it shows that *murabahah* financing partially has a positive and significant effect on ROA (Return On Assets) at Sharia People's Financing Banks in 2019-2022. Apart from that, the coefficient is positive, which indicates that the *murabahah* variable has a unidirectional relationship. Thus, the value of *murabahah* financing at BPRS is directly proportional to ROA, meaning that when *murabahah* increases, profitability will increase. The results of this research are in line with research conducted by Sari and Anshori (2017), Qodriasari (2014), Felani and Setiawani (2017), Almanaseer and AlSlehat (2016), which states that *murabahah* has a significant effect on the profitability of Sharia Commercial Banks. Nabila Amira and Wirman Wirman (2021)

The Effect of Ijarah Financing on ROA

Based on the results of the research conducted, it shows that in this research the ijarah financing variable has no effect on profitability at Sharia People's Financing Banks for 2019-2022. This is because the significance results obtained are greater, so the ijarah variable has no effect on the increase in ROA. The reason for the increase in ROA which is not influenced by ijarah financing is that when renting out goods, the BPRS will be at risk, namely depreciation and damage to the goods, which will result in the BPRS still getting the rental fee but also being responsible for the damage. Depreciation costs and damage to goods provided can affect the profitability of the income received and can reduce profitability. The results of this research are consistent with research conducted by Amalia & Fidiana (2016) which states that ijarah financing has no effect on the profitability of Bank Muamalat Indonesia and Bank Syariah Mandiri, and research conducted by Faradilla, Arfan & Shabri (2017) which states that ijarah financing has no effect on the profitability of Sharia Commercial Banks in Indonesia. Abdul Haris Romdhoni & Ferlangga El Yozika (2018).

The Effect of Istishna Financing on ROA

Based on the results of the research conducted, it shows that in this research the istishna financing variable has no effect on profitability at Sharia People's Financing Banks for 2019-2022. This is because the significance results obtained are greater, so the istishna variable has no effect on the increase in ROA. The reason for the increase in ROA which is not influenced by istishna financing is that when BPRS is going to confiscate bad loans, it does not get maximum results because the share given is not balanced with the amount of financing distributed. The results of this research do not support research conducted by Zahara, Islahuddin and Musnadi (2014) Irnawati (2014) Darmoko and Nuriyah (2012). The results of their research prove that istishna financing has an effect on profitability. Dwita Sandra Pratiwi, Mochamad Fariz Irianto and Suparni Wahyu Setiyowati (2022)

5. Conclusion

This research was conducted with the aim of knowing the effect of profitability as measured by mudharabah, musyarakah, murabahah, ijarah and stishna financing on profitability (ROA). This research uses EViews -12 software to test hypotheses. Based on the results of tests and analyzes that have been carried out. So it can be concluded that mudharabah financing has no effect on profitability, musyarakah financing has no effect on profitability, murabahah financing has no effect on profitability, ijarah financing has no effect on profitability, and istishna financing has no effect on profitability.

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