# ANALYSIS OF MURABAHAH FINANCING ON SHARIA BANKING PROFITABILITY DURING THE COVID-19 PANDEMIC (CASE STUDY OF PRIVATE SHARIA BANK)

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Abstract

Murabahah financing is one of the superior products of sharia banking companies. This financing has an important role in supporting the bank's financial performance, especially in uncertain economic conditions, such as the Covid-19 pandemic. This research aims to analyze the effect of murabahah financing on *profitability* Islamic banking during the Covid-19 pandemic. Using quantitative descriptive methods. The data used in this research is secondary data obtained from the official website of the financial services authority (OJK), using 60 murabahah financing report data and ROA reports. From the analysis carried out, it was found that murabahah financing had a positive effect on *profitability* Islamic banking during the Covid-19 pandemic.

Keywords: Murabahah Financing,*Profitability*, ROA, Sharia Bank, Covid-19

## A. Introduction

WHO determined the status of the Covid-19 Pandemic based on the number of viruses spreading significantly and sustainably globally, this was responded to by the Indonesian Government by determining the status of the Covid-19 outbreak as a National Disaster on March 14 2020 as stated in Presidential Decree Number 12 of 2020 concerning Determination of the Non-Natural Disaster Spread of Corona Virus Disease 2019 (Covid-19) as a National Disaster (President, 2020). This condition certainly hampers economic growth, especially in banking. A study conducted by the Ministry of Finance shows that the Covid-19 pandemic has had a negative impact on the national economy, such as a decline in consumption and people's purchasing power, a decline in company performance, threats to

the banking and financial sector, and the existence of Micro, Small and Medium Enterprises (MSMEs). (Alfajri, 2021).

There are several direct effects of this pandemic on the banking sector. First, there is a low interest rate scenario, along with the significant impact of COVID-19, which could then reduce *profitability* bank. In addition, in this pandemic condition financial institutions have thus shifted to commission-based income from payments and technology businesses. Second, one of the direct impacts of the health emergency on the global real economy is the increase in credit risk for both individual and corporate and retail customers. To continue funding the real economy and support its recovery, banks are required to differentiate between temporary phenomena, which will be reabsorbed in the short term, and long-term impacts that require management and reclassification actions (Latoree et al., 2020).

*Profitability* is one of the analytical tools used to assess management performance in generating profits or profits from the operations of a business. High profitability can indicate good financial performance. On the other hand, if the profitability achieved is low, it indicates less than optimal management performance in generating profits (Karina et al., 2021). Banks are companies that collect funds from the public and then distribute them back to the community through a financing system. Financing is funding provided by one party to another party to support planned investments, whether carried out by themselves or by institutions (Ulpah, 2020).

The growth of sharia banking financing in 2020 as mentioned above was dominated by murabahah financing (46.11%) and musyarakah (44.72%). Mudharabah financing was ranked third with a percentage of 3.07%. The remainder is filled by other financing with qardh, ijarah, istishna, etc. (OJK, 2023). This shows that murabahah financing is still the main choice among other financing. From the above background, researchers will analyze the influence of murabahah financing on the profitability of sharia banking during the COVID-19 pandemic with a case study of private sharia banks.

## B. Literature review and hypothesis development

1. Literature review

In the murabahah financing concept, the bank buys goods requested by customers and then resells them at a higher price, including *margin* profits agreed between the bank and the customer. In carrying out sales (murabahah contracts) to customers, the bank does not produce the goods it will sell itself. The bank makes purchases from suppliers regarding goods that it will sell to customers (Basri et al., 2022).

*Profitability* is one of the performance measures in describing the ability to generate profits during a certain period in a company (Darmawan & Sukartha, 2014). In this research, to measure the level of profitability, researchers used the Return On Assets (ROA) ratio as an analysis tool for profitability. Return on Assets (ROA) or rate of return on assets is an indicator that measures how well a company is utilizing the assets it owns to generate profits (Setiabudhi, 2022). The formula for ROA can be seen below:

$$LENGTH = \frac{NET\ PROFIT\ AFTER\ TAX}{TOTAL\ ASSETS} X100\%$$

Various studies show a positive relationship between murabahah financing and Islamic bank profitability. Murabahah financing management is one of the largest asset components in sharia banks, which will generate income in the form of margin. He got it *margin* can influence the profits obtained by Islamic banks, and ultimately increase bank profitability (Fitriyani et al., 2019). However, the positive influence is also influenced by other factors, such as government policies, inflation rates, and monetary policies implemented during the pandemic.

2. Hypothesis development

Murabahah financing is a form of consumer financing, this financing uses a joint system. The profits obtained from this financing are also in accordance with the

mutual agreement, the agreement between the sharia bank and the customer. Previous research examining murabahah financing has a positive effect on *profitability* among them are Ferdian Arie Bowo (2014), Ahmad Maulidizen (2019). Based on the description above, a hypothesis can be put forward, namely:

**H: financing has a positive effect on sharia banking profitability during the COVID-19 pandemic**

**C.** Research methods

This research uses quantitative descriptive methods. Qualitative descriptive (QD) is a research method that uses a simple qualitative approach with an inductive flow. This research was carried out by analyzing sharia banking financial reports to see the profitability of sharia banking during the COVID 19 pandemic. The population in the research was 14 sharia private banks recorded in OJK sharia banking statistics. Sampling uses an approach *nonprobability sampling* with method *positive sampling*. With Criteria for sharia private banks registered with the OJK, banks that have murabahah financing receivables reports for the period 2020 to 2022. Banks that have ROA reports for the period 2020 to 2022. The data used in this research is a secondary data source.

**D. Discussion**

Description of Research Data

Statistical tests are carried out in table 1 to find out statistical information from the data obtained. The results of this test can be seen in the table below:

### Descriptive Statistics

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| LONG | 60 | ,02 | 2,08 | ,7980 | ,64316 |
| murabahah financing | 60 | 78614,00 | 124284807,00 | 21128213,8500 | 36278533,96000 |
| Valid N (listwise) | 60 | | | | |

Table 1. output table from *descriptive statistic*

1. LONG

   From the results of variable descriptive statistical analysis, using 60 quarterly financial report data from sharia private banking companies during the research period, it can be seen that the ROA variable obtained a minimum value of 0.02, then a maximum value of 2.08, the result of the value The average is 0.7890, and the result of the standard dividend is 0.64316.

2. Murabaha Financing

   Meanwhile, the murabahah financing variable using 60 quarterly financial report data from sharia private banking companies obtained results from a minimum value of 78614.00, a maximum value of 21128213.8500, an average value of 21128213.8500, and the standard dividend value of 36278533.96000. .

Data analysis

1. Simple regression analysis

   The results of the simple regression analysis test can be seen in the table below:

### Coefficients[a]

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Say. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | ,528 | ,067 | | 7,838 | ,000 |
| | murabahah financing | 1,276E-8 | ,000 | ,720 | 7,898 | ,000 |

a. Dependent Variable: ROA

Table 4. table *output* from *regression analysis* simple

   From the table above, it can be seen that the constant value of 0.528 means that the consistent value of the participation variable is 0.528. The regression coefficient The regression coefficient is positive, so it can be interpreted that the direction of influence of variable X on Y is positive. The significance value is 0.000, which is smaller than the value 0.05.

2. Correlation analysis

This analysis is used to determine the magnitude of the relationship (correlation coefficient) between Murabaha financing and profitability (ROA). The results of correlation analysis using SPSS are as follows

Correlations

|  |  | LONG | murabahah financing |
|---|---|---|---|
| LONG | Pearson Correlation | 1 | ,720** |
|  | Sig. (2-tailed) |  | ,000 |
|  | N | 60 | 60 |
| murabahah financing | Pearson Correlation | ,720** | 1 |
|  | Sig. (2-tailed) | ,000 |  |
|  | N | 60 | 60 |

**. Correlation is significant at the 0.01 level (2-tailed).

Table 5.table *output* from correlation analysis

Based on the table above, it can be seen that the correlation between Murabaha financing and Return on Assets produces a figure of 0.720 and a significance value of 0.000. The significance figure shows a number that is smaller than 0.05, so the correlation value has a positive and significant effect. This shows that the relationship is unidirectional, meaning that if murabahah financing increases, Return on Assets will increase, and vice versa.

3. Hypothesis testing

Model feasibility test (f test)

This f test is used to determine the suitability of the model used to analyze research data. The results of the regression model feasibility test are shown using the following table.

ANOVAᵃ

| Model |  | Sum of Squares | df | Mean Square | F | Say. |
|---|---|---|---|---|---|---|
| 1 | Regression | 12,646 | 1 | 12,646 | 62,376 | ,000ᵇ |
|  | Residual | 11,759 | 58 | ,203 |  |  |
|  | Total | 24,405 | 59 |  |  |  |

a. Dependent Variable: ROA
b. Predictors: (Constant), murabahah financing

Table 6. table *output* from the f test

The table above shows the results of the F test research, you can see the sig value is 0.000 < 0.05 and the F value is 62.376 > the f table value is 4.01. It

can be said that the regression model can be applied or is worthy of further research.

T test (partial)

The t test is used to determine whether the independent variables partially have a real effect on the dependent variable or not. The results of the t test can be seen in the table below.

Coefficients<sup>a</sup> → Coefficients<sup>a</sup>

| Model | | Unstandardized Coefficients B | Std. Error | Standardized Coefficients Beta | t | Say. |
|---|---|---|---|---|---|---|
| 1 | (Constant) | ,528 | ,067 | | 7,838 | ,000 |
| | murabahah financing | 1,276E-8 | ,000 | ,720 | 7,898 | ,000 |

a. Dependent Variable: ROA

Table 7. table *output* from the t test

Based on the table above, the results show that the significance value of the t test is 0.000 <0.05 and the calculated t value is 7.898 > t table value which is 2.001, meaning that murabahah financing has an effect on the ROA variable.

4. Test the coefficient of determination

This test is carried out to measure how far the model's ability to explain variations in the dependent variable. With the following analysis results:

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | ,720<sup>a</sup> | ,518 | ,510 | ,45027 |

a. Predictors: (Constant), murabahah financing

Table 8, table *output* from the test *coefficient of determination*

The results of the table above show an analysis of the coefficient of determination (R2) of 0.518, which means that the influence of Murabahah financing on Return on Assets (ROA) is 51.8%, while the remaining 48.2% is influenced by other variables not examined.

## E. CONCLUSION

Based on the results of the analysis, it can be concluded that there is a positive influence between murabahah financing on profitability using the ROA ratio. This is

proven by the positive regression coefficient value. Correlation analysis also shows that the relationship is unidirectional, which means that if murabahah financing increases, Return on Assets will increase, and vice versa. For every 1% increase in the value of murabahah financing, the participation value increases by 1.276E-8. And in the coefficient of determination test, it was found that the influence of murabahah financing on the profitability (ROA) of Islamic private banks during the research period was 51.8%, and the remaining profitability was influenced by other variables that were not examined.

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