

Analysis of Variables That Influence Financing at Sharia Banks

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Abstract

Financing plays an important role in improving Islamic banks' performance. Financing indicators are commonly used to measure performance of banks. Financing, as the main source of bank profitability, is conducted using the principle of prudence. In future, continuous efforts are needed to increase financing by increasing the allocation of larger financing. Several variables play an important role in improving financing performance, including savings, inflation, and profit sharing. This research aims to analyze the influence of savings variables, inflation, and profit sharing on financing at Sharia Banks. Quantitative descriptive analysis was used in this study. The results show that savings and inflation simultaneously have a significant effect on financing at Sharia Banks. Meanwhile, the profit sharing variable had no effect on Sharia bank financing. Partially, savings, inflation, and profit sharing do not have a significant effect on financing in Sharia Banks. However, efforts are needed to maximize financing, especially to increase competitiveness and improve bank performance.

Keywords: Financing, Inflation, Profit Sharing, Savings

Introduction

One of the most important factors in assessing a bank's health level is conducting an analysis of the productivity of productive activities owned, next to the amount of unproductive assets. In terms of increasing bank productivity, the main driving factor is the amount of bank financing allocated to sectors intended for the productive sector, which can increase income. Financing is an important component of activity productivity, which is the main driver of increasing income. Quantitative banks strive to increase their financing and reduce problematic financing. A number of previous studies have stated that external variables, such as inflation, contribute to financing. Apart from internal factors, such as public savings, the results also have a strong contribution to bank financing.

In efforts to increase financing, the principle of prudence is needed, so that the risk of financing problems is smaller, which is usually measured in ratio units. The measure used to calculate problem financing is the problem financing ratio. This ratio has become an assessment indicator for Islamic banking in managing the distribution of financing. Banks can measure bank health from the ratio level, and the problem lies below 5 percent. Cumulatively, financing ratio problems with Sharia Banks are still relatively small compared to those with commercial banks.

Literature Review

Banking activities include a series of activities to provide funds, the implementation of which is based on the principle of agreement between the parties. The borrower returns the funds along with a return in the form of profit. Islamic banks are free from usury when carrying out their activities. The bank receives a certain amount of funds, which, in this case, is called profit sharing. Profit sharing is a form of agreement between partners who work together. According to the National Sharia Council's fatwa regarding the principle of profit sharing in Sharia banking, the principle must be prioritized, and the results are divided based on results calculated from income after deducting fund management costs. The share is calculated from total fund management income. According to Apriani (2024), one of the characteristics of banking is the existence of a Sharia profit sharing system, whose margin is determined at the beginning of the agreement. This differentiates it from the interest systems of commercial banks.

The principle of profit sharing characterizes Sharia banking operations as a whole. However, Islamic banks still prioritize the principle of prudence, which is an effort to reduce the risk of problematic financing. Financing, also called non-performance financing, is financing when the recipient of the financing experiences difficulties in making returns or repayments, whether caused by intentional factors or outside their control (Putri, et al, 2023). Financing activities in banking show quite an interesting phenomenon to study, especially after Covid 19. In Sharia Bank financing activities, the level of public interest is relatively high. This is reflected in the number of customers who apply for financing.

Prioritizing the principle of profit sharing, has opened up space for customers to be creative and innovative in using financing. In this case, financing risk is a joint responsibility between the customer and the bank. Using the profit sharing principle is considered to provide a relatively small level of risk compared to credit for commercial banks (Akbar, et al. 2024). One type of financing in great demand is mudharabah financing with a cooperation agreement (Jazilah and Budianto, 2024). In this contract, the recipient of the capital can process the funds as best as possible, according to his/her wishes. Financing is a form of fund distribution carried out by banks, and is the main function of Sharia banking. Banks, as financial institutions, need to pay attention to various factors before financing.

Financing is a bank activity that originates from the available funds and is then distributed. One of the factors considered when financing is savings. Third party funds are obtained from the public. Communities own savings. Public funds originate from the community, both individuals and business entities, which are obtained by banks using various savings product instruments owned by the bank (Hasanah, and Lutfi, 2024). In addition to savings, inflation plays an important role in financing Islamic banks. When inflation is high, it causes people's purchasing power to fall, thus having a widespread impact on economic activity. Inflation is a continuous increase in prices, and price increases that occur in all groups of goods or services can encourage purchasing power and economic activity (Budiman, 2024).

A higher exchange rate against foreign currency has an impact on significantly increasing financing (Fitria, et al. 2024). Financing is also influenced by the inflation rate. If inflation occurs, real currency assets will decrease, which will have an impact on people who will tend to choose the money they have to exchange for assets such as land, houses, or buildings, which will cause a reduction in bank liquidity and will experience a decrease in the amount of funding provided.

Increasing inflation can affect bank businesses, especially funding and refunds from financing customers. This affects the amount of banking funds and customer's ability to return. Another impact inflation is the high risk of default. The risk of default increases Islamic banking problems to increase (Muthmainnah, et al. 2022). When financing is based on a profit-sharing system, and a deficit occurs, the deficit will be shared between creditors and debtors (risk sharing). If a murabahah (sale and purchase) contract is used, high inflation can affect the financing of products that are generally relatively more expensive.

Mudharabah or profit sharing is a characteristic of Sharia bank operations, both in raising and distributing funds. One of the types of funds that can encourage community activities is mudharabah financing. The low amount of mudharabah financing compared to other financing is still a problem today (Ardini, 2024). Financing carried out by Sharia banks must consider the current economic conditions. This is because banks must anticipate losses that will be borne by the bank. The economic conditions of a country can be seen from its economic growth (Setiawan, 2022). Economic growth is a change in the quality of the economy that occurs annually.

METHOD

Data Source

In this study, a quantitative descriptive analysis was used to provide an explanation regarding the research results. Quantitative descriptive analysis will provide a more comprehensive explanation so that the research results can be presented clearly and completely. In addition, this approach is intended to place more emphasis on the objective measurement of social phenomena. Research data were obtained from Islamic Bank financial reports published on official websites.

Data Analysis Methods

This study uses quantitative data analysis, namely, the data used in the research, in the form of numbers. Based on its structure, data are divided into two types: cross-sectional data and time series data. Cross sectional data

consist of several or many objects (e.g., companies) with several types of data. Time series data includes one object but covers several periods. The combination of cross-sectional and time series data is called panel data. In other words, panel data are cross-sectional and consist of several periods at the same time.

Simultaneous Test (F test)

The Ftest was used to prove whether the independent variables in the model had a joint or simultaneous influence on the dependent variable. In this study, an F-test was carried out to test the variables of savings, inflation and profit sharing on financing at Sharia Banks. The F-test was performed by examining the probability of the F-statistic on the regression results. If the probability value of the F-statistic is smaller than the α value of 5 percent, the independent variable simultaneously has a significant effect on the dependent variable.

Research Results And Discussion

Descriptive Statistics

The research results include descriptive statistical analysis, classical assumption test results, and hypothesis test results. The descriptive analysis in this research aims to provide descriptions related to the data. The next stage is data collection in the research. The results of the descriptive statistical analysis are presented in table 1.

Table 1 Descriptive Statistical Analysis Test

	Financing	Savings	Inflation	Profit Sharing
Mean	1761506.	20655694	0.961000	12271.40
Median	1520048.	20659070	0.895000	11770.50
Maximum	4456687.	25254313	2.010000	32190.00
Minimum	863795.0	17248188	-0.600000	2325.000
Std. Dev.	840454.9	2124638.	0.568977	4800.556
Observations	60	60	60	60

Source: Data processed 2024.

The number of observations in this study was 60. Based on these data, the financing variable has a minimum value of 863,795, which occurred in January 2019. The maximum value was 4,456,687. This occurred in December 2023. Financing had an average value of 1,761,506, and a deviation value of 840,454.9. For savings variable, the minimum value is 17,248,188, which occurs in the May 2022 period. Meanwhile, the maximum value in the data obtained occurred in October 2023, that 25,254,313. The Savings variable has an average value of 20,655,694.

The inflation variable had a minimum value of -0.60, which occurred in August 2020. The maximum value in the 2019 to 2023 period occurred in September 2023, namely 2.01. Meanwhile, the profit-sharing variable obtained by Bank Sharia for the period January 2019 to 2023 has a minimum value of 2,235, occurred in the September 2020 period, while the maximum value occurred in the December 2023 period, namely 32,190.

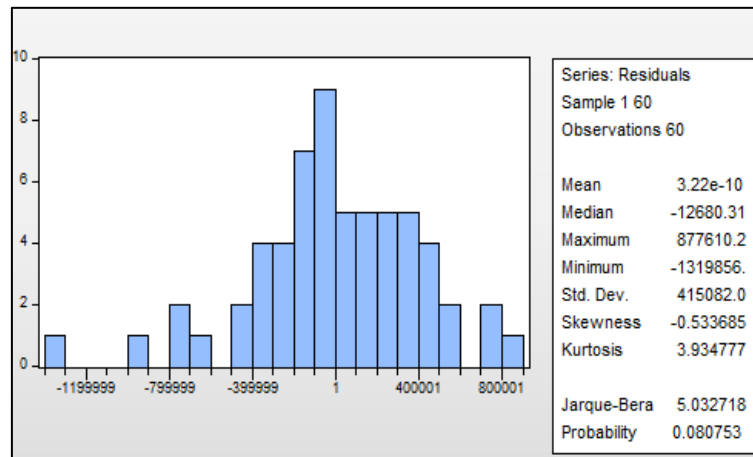
Classical Assumption Test

The classic assumption test requirements are a multiple linear regression analysis based on ordinary least squares (OLS). The classical assumption test aims to determine whether the regression model used in this research has a significant and representative relationship. The number of tests performed in the classical assumption test is as follows:

Normality Test

The Normality Test is used to see a regression model on the independent and dependent variables, whether the variables have a normal distribution. A good regression model is one which the independent and dependent variables are normally distributed or close to normal. The Normality Test used in this research uses the histogram normality test analysis method. The following are the results of the normality test:

Based on Figure 1, it is known that the test results in this study are normally distributed, as evidenced by the Jarque-Bera value of 5.032718 and probability value of 0.080753.



Source: Data processed , 2024.

Figure 1 Normality Test Results

Multicollinearity Test

This multicollinearity test was used to test the regression model to determine, whether there was a high or perfect correlation between independent variables. We see whether multicollinearity exists in the regression model, namely, from the Variance Inflation Factors.

Table 2 Multicollinearity Test

Variabel	Coefficient Variable	Uncentered VIF	Centered VIF
C	324.536	1.071.253	NA
Savings	0.000924	1.316.792	1.355.856
Inflation	952.346	3.908.847	1.001.996
Profit-sharing	1.810.643	1.036.864	1.356.239

Source: Data processed, 2024.

The following are the results of the multicollinearity test. Based on tabel 2, it can be seen that the results of the multicollinearity test via the Variance Inflation Factor (VIF) show a Centered VIF value for the third party funds variable with a value of 1.355856. Inflation variable with a value of 1.001996. The profit-sharing variable has a value of 1.356239. Thus, it can be concluded that there was no multicollinearity problem. This can be seen from the entered VIF value between the independent variables which is less than 10.

Heteroscedasticity Test

According to research conducted by Andriani (2017), heteroscedasticity testing is carried out with the aim of obtaining information related to the regression model used which will have unequal variance between one residual observation and another residual observation. If the variance from the remainder of one observation to another is constant, then it can be said that the homoscedasticity test is free. The results of the heteroscedasticity tests are presented in Table 3.

Table 3 Heteroscedasticity Test

Heteroskedasticity Test Glejser			
T-statistic	1.302.104	Prob. F(3,55)	02830
Obs*R-squared	3.912.526	Prop. Chi-Square (3)	0.2711
Scaled explained SS	4.640.820	Prop. Chi-Square (3)	0.2002

Source: Data processed, 2024.

Based on the results of the heteroscedasticity test, the Obs*R-Square (3) value was 0.2771 or greater than 0.05. Thus, it can be concluded that in this regression model, there were no symptoms of heteroscedasticity.

Autocorrelation Test

The Autocorrelation Test was used to test the linear regression model. Autocorrelation is often found in timeseries data, because constraints on one unit affect constraints on the same unit in the next time period. Regression can be considered good if it is free of autocorrelation. An autocorrelation analysis was performed using serial correlation tests. If, the value of the problem is. Chi-Square (2) is greater than the significance value (0.05), therefore, autocorrelation does not occur in the regression. The following are the results of the autocorrelation test: Table 4 presents the autocorrelation test results.

Table 4 Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test			
F-statistic	0.560293	Prob. F(2,53)	0.5744
Obs*R-squared	1.221.615	Prob. Chi- Squared(2)	0.5429

Source: Data processed, 2024.

Based on the autocorrelation test in table 4, the probability value of the prob. The Chi-Square (2) is 0.5429, is greater than 0.05. Therefore, there was no autocorrelation. So for the next stage, hypothesis testing and multiple linear regression analysis were carried out.

Multiple Linear Regression Analysis

The multiple linear regression test measured the influence of the dependent variable on the independent variable. The results of the multiple linear regression tests are as follows:

Table 5 Multiple Linear Regression Analysis

Variable	Coefficient
C	56745.12
D(savings)	0.005316
D(inflation)	25130.33
D(profit sharing)	1.012.645

Source: Data processed, 2024..

Based on table 5, it can be seen that the panel data similarities presented in this research are as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

$$\text{Financing} = 56.745,12 + 0,005316 + 25.130,33 + 10,12645$$

Based on the test results, it can be seen that the constant value (C) is 56745.12. The coefficient value of the savings variable was 0.005316. These results can be interpreted as an increase in savings, which will increase financing. The inflation variable coefficient value was 25130.33. This value has a positive direction, which means that when inflation rises, it affects the decline in the value of financing. The coefficient value of the profit sharing variable is 10.12645. This means that an increase in profit sharing will have an influence on increasing the amount of Sharia bank financing.

Partial Test (t-test)

The partial test is used to partially determine the influence of the independent variable on the dependent variable (each). Table 6 presents the t test results for the study variables.

Table 6 Partial Test

Variable	Coefficient	Std.Error	t-Statistic	Prob.
C	57645.12	18266.32	3.106544	0.0030
D(Savings)	0.005316	0.011702	0.454280	0.6514
D(Inflation)	25130.33	22214.71	1.131247	0.2629
D(Profit Sharing)	10.12645	4.182325	2.421248	0.0188

Source: Data processed, 2024.

Based on table 6, it can be seen that the partial test shows that the probability value for the savings variable is 0.6514, which means it is greater than the significance value of 0.05. This indicates that savings influence financing at banks in Sharia. In this case, H_1 is accepted if the probability value is greater than the significant value of 0.05, then H_1 is accepted.

The test results show that the probability value of the inflation variable was 0.2629. This value was also greater than the significance value of 0.05. Thus, H_1 is accepted. Meanwhile, the profit sharing variable has a probability value of 0.0188, which is smaller than the significance value of 0.05, and H_0 is accepted. This means that profit sharing has no effect on financing.

Simultaneous Test (F-Test)

Simultaneous tests were performed to determine whether the independent variables simultaneously affected the dependent variable. The following are the results of the F-test:

Table 7 Simultaneous Test

R-squared	0.109439	Mean dependent var	60896.47
Adjusted R-squared	0.060863	S.D. dependent var	144133.8
S.E. of regression	139678.8	Akaike info criterion	26.59747
Sum squared resid	1.0772.195	Schwarz criterion	26.73832
Log likelihood	-780.6253	Hannan-Quinn criter.	26.65245
F-statistic	2.252939	Durbin-Watson stat	2.194754
Prob(F-statistic)	0.092397		

Source: Data processed, 2024.

Based on Table 7, it can be seen that the F-statistic value is 2.252939. In addition, the value of Prob. (F-statistic) shows a value of 0.092397, which is greater than the significance value of 0.05. This indicates that the three simultaneously do not have a significant effect on financing in Sharia Banks.

The Effect of Savings on Financing

Savings partially influence financing. This is proven by the test results, which show that the probability value of the savings variable is 0.6514, which is greater than the significance level of 0.05. The research results are in line with Sopingi (2024), who states that savings have a significant positive influence on financing. The higher the deposits, the higher is the level of public trust in Sharia Banks. Thus, the higher the bank's ability to allocate funds for financing activities, the higher the measure of bank performance. Savings are the main source of funds, which can then be used to finance various activities. Banks tend to take the initiative to increase their financing distribution to avoid idle funds.

The results of this research explain that every increase/decrease in savings is followed by a change in the amount of financing. In carrying out its function as a financial institution, banks are of course maximally able to increase the amount of funds sourced from third parties.

The Effect of Inflation on Financing

There is an increase in the price of goods in the economy, which results in a decrease in purchasing power. Under these conditions, it certainly exers strong pressure on bank financing activities. Demand for financing will decrease and the potential for financing problems will increase. Under conditions of high inflation, it puts strong pressure on Islamic bank financing.

The results of the research conducted by the author show that inflation influences the value of financing at Sharia Banks. This is proven by the test results, which show that the probability value of the inflation variable is 0.2629, which means that it is greater than the significance value of 0.05. The results of this research are inversely proportional to research conducted by (Afrida, (2016). which indicates that inflation has no effect on financing.

Under conditions of high inflation, it will cause the price of goods to become relatively more expensive so that people's purchasing power decreases or people's ability to buy goods in cash has decreased. Thus, people buy goods in installments, one of which is by using financing, which causes demand for financing to increase along with high inflation. Inflation is a situation in which prices increase continuously and occurs in all groups of goods and services. Inflation is a macroeconomic variable which can be said to have an influence on financing distributed by Sharia Banks.

Effect of Profit Sharing on Financing

The results of this research show that profit-sharing has no influence on financing. This is proven by the test results, which show that the probability value of the profit-sharing variable is 0.0188, which means that it is smaller than the significance value of 0.05. The results of this research are different from Mufarida and Aftian (2022) who state that profit sharing influences the amount of financing distributed by banks. Profit-sharing in the Islamic banking system is a special feature offered to the public. The term profit-sharing is more widely used in financial institutions (banking), namely, calculating the distribution of income obtained based on the ratio (ratio) agreed at the beginning.

A profit sharing system is a system in which business activities are carried out. This business, is agreed to share the results or profits obtained between two or more parties. The business must be determined in advance at the beginning of the ownership contract (contract). When profit sharing income increases, nominal financing also increases. Based on the test results, the profit sharing variable does not have a significant influence on financing. The test results, show that the level of profit sharing does not have a significant influence on financing. This could happen if the level of profit sharing is not the main factor for people who receive financing from banks. When the yield level is high, financing decreases. There is reluctance among the public to accept bank financing when activities do not provide clear benefits.

The t test results show that, savings and inflation have a significant influence on financing. Meanwhile, the profit-sharing variable has no significant effect on financing. From the results of the F test, the F-statistic value is 2.252939, with a value of Prob. (F-statistic) and 0.092397. This value was greater than the significance value of 0.05. This shows that all the independent variables have no significant effect on financing. inflation is the dominant variable with the largest coefficient value among the savings and profit sharing variables. The coefficient value of the inflation variable is 25130.33, while the coefficient values of the savings and profit sharing variables are 0.006986 and 9.219425, respectively.

Thus, efforts are needed to increase financing, which is the bank's main source of income, in the future. Under conditions of relatively low inflation, it shows the economic conditions of society that have not yet been published. This was illustrated by the low purchasing power of each community. Increasing financing must continue to prioritize the principle of prudence in an effort to minimize financing problems. Even though financing is carried out by prioritizing the principle of prudence, potential problems in financing still involve high risk. The risk of non-collection of financing on time increases financing problems. In activities operations, banking financial institutions such as Sharia banks still face a serious problem. Relating to financing For example, the amount of financing is problematic. Problematic financing has an impact on Islamic banks' ability to carry out future financing. However, strategic steps are required to minimize financing problems.

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