

The Internal Factors Determining Rate of Return on Mudharaba Deposits in Sharia Commercial Banks in Indonesia

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Abstract—This study aims to determine and analyze the internal factors that affect the rate of return on *mudharaba* deposits at Sharia Commercial Banks in Indonesia. The populations in this study are 13 Sharia Commercial Banks. The sample used amounted to eight Commercial Banks in the first quarter of 2014- fourth quarter of 2016 by using purposive sampling. The method used in this research is a descriptive and verification method. The data collection technique is done through library research and internet research. The collected data is then analyzed by using regression pooling analysis using Fixed Effect Model (FEM). During a year 2014-2016 the rate of return on *mudharaba* deposits always decline, even lower than conventional bank interest rate. Furthermore, ROA tends to decline, NPF is at a high level and BOPO is high but it tends to show downward trend. The result showed that ROA, NPF and BOPO together significantly influence the rate of return on *mudharaba* deposits. Partially, show the result that ROA have positive and significant influence to the rate of return on *mudharaba* deposits, NPF has negative and significant effect to the rate of return on *mudharaba* deposits, and BOPO have positive and significant effect to the rate of return on *mudharaba* deposits.

Keywords—ROA; NPF; BOPO; rate of return on *mudharaba* deposits

I. INTRODUCTION

The level of profit sharing distributed by Islamic banks to current fund owners is indicated to still refer to conventional bank interest rates. Therefore, many people still doubt this level of profit sharing, the public suspects that there is no difference between the rates of conventional bank deposits and the rate of profit sharing of Islamic banks [1].

Mudharabah deposits are the mainstay product of Islamic banks in raising funds and being the biggest contributor to the products of Third Party Funds (TPF). In 2016, mudharabah accounted for 59% of the total DPK collected by Islamic banks [2]. The following is presented the growth of mudharaba deposits 2012-2016.

This data can be seen in Figure 1 below:

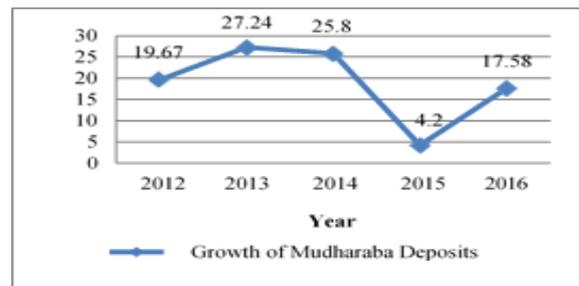


Fig. 1. Institution growth of mudharaba deposits year 2012-2016.

Based on Figure 1 above the growth of mudharaba deposits has fluctuated over the past five years. The highest growth of mudharabah deposits occurred in 2013 grow amounting to 27.24% of IDR 84,732 billion to IDR 107,812 billion or grow amounting to IDR 23.080 billion compared to 2012. While in 2015, Islamic banks experienced the lowest deposit growth, where deposits only grew by IDR 5,701 billion, from IDR 135,628 billion to IDR 141,329 billion or only grew by 4.2%. This indicates the existence of problems faced by Islamic banks so that the collection of funds from deposits is not optimal [2].

The ups and downs of the growth of mudharaba deposits are allegedly influenced by profit factors or the level of profit sharing shared by Islamic banks to investors. This is because people in investing their funds, especially in deposit products, will take into account and compare the profits received from the interest rates on commercial bank deposits and the profits received from sharia bank deposits [3]. Thus, it becomes very important for Islamic banks to maintain the quality of the level of profit sharing distributed to investors so that the collection of funds from the public is well maintained. The following is data on the profit sharing rate of Islamic banks with interest rates for commercial banks in 2012-2016.

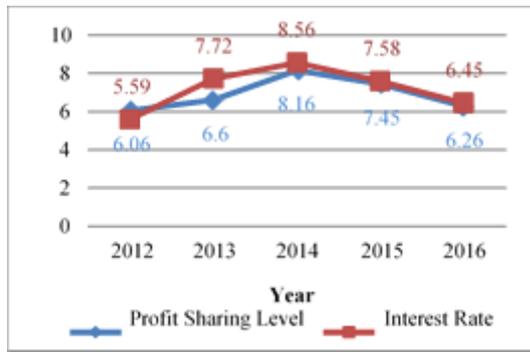


Fig. 2. Growth of profit sharing level and interest rate year 2012-2016.

Based on Figure 2 in the rate of profit sharing and interest rates fluctuated over the past eight years. The profit sharing rate of mudharabah deposits distributed by Islamic banks to investors in the last two years tends to decrease and its value is always lower compared to conventional bank interest rates. In 2015, the rate of profit sharing decreased by 0.71% followed by the growth of mudaraba deposits which were low or only grew 4.2%. Furthermore, in 2013 the profit sharing rate increased by 0.54% followed by the high growth of mudaraba deposits by 27.24%. Thus, the high rate of return will attract public interest in investing funds in Islamic banks, especially in the form of deposits [2].

The lower the level of profit sharing provided by Islamic banks, in addition will cause the level of customer satisfaction to decline and most likely customers will move their funds to other banks, will also affect the amount of funds collected by Islamic banks from Third Party Funds (TPF). Thus, it becomes very important for Islamic banks to maintain the quality of the level of profit sharing given to their customers so that the collection of funds from the public is well maintained [4].

II. METHODOLOGY

The method used in this research is descriptive and verification method. The object in this study consisted of independent variables (independent variables) namely ROA, NPF, BOPO and dependent variable, namely the profit sharing rate of mudharabah deposits, while the subject was BUS in Indonesia with a population of 13 BUS units. The sampling technique uses purposive sampling, with criteria that are BUS that publishes quarterly financial statements in full in 2014-2016. Based on these criteria, a sample of eight BUS units were obtained which met the predetermined criteria.

Data collection techniques in this study were carried out through library research and internet research. Data analysis techniques used the influence test analysis through panel data regression test (regression pooling) using the Eviews version 9 analysis tool.

III. RESULTS

The rate of profit sharing of BRIS deposits distributed to depositors is the largest compared to the others with an average share rate of 7.92%. This is presumably because BRIS is a large bank that has an extensive branch network, so that the

financing channeled is also high. In the fourth quarter of 2015 the amount of return reached 7.61% and then decreased to 6.56% in the fourth quarter of 2016 or experienced a slowdown of 13.79% compared to the previous year [5].

Eight Islamic commercial banks recorded fluctuating ROA developments and tended to decline during the first quarter of 2014 to the fourth quarter of 2016. As for the banks that had the lowest ROA value were Maybank Syariah Indonesia, where during first quarter of 2015 quarter IV 2016 the value is always negative. The lowest ROA figure occurred in the fourth quarter of 2015 where the numbers were -20,13%. This is because in 2015, Maybank Syariah Indonesia recorded a loss in the current year (before tax) of Rp 391.35 billion. With this performance, the fourth quarter 2015 Maybank Syariah ROA experienced a very significant correction compared to the previous year [6].

NPF eight Sharia commercial banks show fluctuating conditions but tend to be in high numbers. Highest NPF Maybank Syariah Indonesia registered in the fourth quarter of 2015 was 4.93% but the figure decreased in the same period in 2016 to 4.6% or decreased by 0.33%. This decline was caused by improvements made by Islamic banks, such as internal banking consolidation and financing restructuring.

Sharia bank BOPO values are very high but tend to show a downward trend. The highest BOPO value owned by Maybank Syariah Indonesia is 212.62% which was recorded in the second quarter of 2015. This is because, Maybank Syariah posted other operating income of Rp 3.81 billion down 34.5% compared to 2014 which reached Rp. 5.82 billion. Other operating expenses increased by 4.78% from Rp. 58.18 billion in 2014 to Rp. 60.96 billion in 2015 [6].

A. The Influence of NPF on The Profit Sharing Rate of Mudharabah Deposits

Significant effect on the profit sharing rate of mudharabah deposits, then the coefficient value amounting to -0,331094 explains that the effect of NPF on the profit sharing rate of mudharabah deposits has a relationship or direction the negative. This shows that any increase in NPF of 1% will decrease the profit sharing rate of mudharabah deposits by 0.33% explained that the NPF had a significant effect on the profit sharing rate of mudharabah deposits, then the coefficient value amounting to -0,331094 explains that the effect of NPF on the profit sharing rate of mudharabah deposits has a relationship or direction the negative. This shows that any increase in NPF of 1% will decrease the profit sharing rate of mudharabah deposits by 0.33%.

The results of this study are in accordance with the theory put forward by Wiroso which argues that Non Performing Financing (NPF) will have an impact on decreasing the level of profit sharing shared [7]. The high NPF will increase the costs incurred and the potential for banks to experience greater losses [8]. The higher this ratio will cause the worse quality of bank credit given to customers and have an impact on the higher number of non-performing loans. Therefore, the bank must bear the loss in its operational activities so that it affects the decline in profit, when profit decreases, the level of profit sharing distributed to investors will decrease.

The results of this study are consistent with some of the results of previous research conducted by Huruniang [9] and also research conducted by Prakoso [10] which suggests that NPF has a significant negative effect on the level of profit sharing of mudharabah savings. Meanwhile, the results of this study are different from the findings made by Nofianti which reveal the findings that the NPF has no significant effect on the profit sharing rate of mudharabah deposits [8].

Thus, based on the findings of this study which are associated with theoretical concepts and supported by empirical facts from previous studies that NPF has a negative effect on the profit sharing rate of mudharabah deposits, this result is appropriate and supports the theory and some results of previous research.

B. The Influence of BOPO (Operational Costs and Operating Income) on the Profit Sharing Rate of Mudharabah Deposits

The result shows that the t count or t-statistic value is 3.679835, then t count is greater than t table (3.679 & gt; 2.068), which means rejecting H₀ and accepting the BOPO meaningful effect on the level of profit sharing of mudaraba deposits. Next, the probability value is 0.0004 smaller than α ; $\alpha = 0.05$ (0.0004 < 0.05) explains that BOPO has a significant effect on the profit sharing rate of mudharabah deposits, then the coefficient value of 0.047444 explains that the influence of BOPO on the profit sharing rate of mudharabah deposits has a positive relationship or direction. These results are not in accordance with the hypothesis proposed in the study, where the hypothesis in this study is when BOPO has decreased, it will increase the profit sharing rate of mudarabah deposits will or have a negative relationship.

The results of this study are also not in accordance with the theory proposed by Farianto which states that the increasing value of BOPO shows the more inefficient bank operations, this reflects the lack of the bank's ability to reduce operating costs and increase operating income which results in a decrease in profit generated by the bank [11].

At present, the growth of the sharia industry has not been too large, while the operating costs are already high, which results in the inefficiency of Islamic banks in managing their financial management. During the period of 2014 to 2016 it was noted that the BOPO value of Islamic banking was still high, as seen from the figure of more than 90%. So that conclusions can be drawn, even though the BOPO value tends to decrease, but the numbers are still high in the range of more than 90% indicating that the Shariah bank is less efficient in managing its finances which results in less optimal income and the maximum profit is the results distributed to fund depositors have decreased.

The findings in this study are not consistent with the results of research conducted by Nur and Nasir who stated that BOPO has a negative effect on the rate of profit sharing [4]. Prakoso found that BOPO has a significant effect on the level of profit sharing of mudharabah savings [10]. Farianto [11], Isna and Sunaryo [12] Nofianti [8] and Umiyati [13] which revealed no effect on the level of profit sharing.

Thus, the findings of this study are that BOPO has a significant positive effect on the profit sharing rate of mudharabah deposits. When BOPO has decreased but the figure is still relatively high, the profit sharing rate of mudharabah deposits distributed to investors will not increase and on the contrary the level of profit sharing distributed decreases because Islamic banks are still less efficient in generating profits.

IV. CONCLUSION

The development of the profit sharing rate of mudharabah deposits for the quarterly period of 2014-2016 fluctuated but tended to decline and the value was smaller compared to conventional bank interest rates. Furthermore, ROA tends to record a decline. While the NPF shows fluctuating conditions and is at a high rate. Then, BOPO Islamic banks are classified as very high and tend to show a downward trend.

Mudharabah, Partially Return on Assets (ROA) has a significant effect on the profit sharing rate of mudaraba deposits with a positive relationship. Non-Performing Financing (NPF) has a significant effect on the profit sharing rate of mudharabah deposits with a negative relationship. Operating Income Operating Costs (BOPO) have a significant effect on the profit sharing rate of mudharabah deposits with a positive relationship. Together ROA, NPF, BOPO have a significant effect on the profit sharing rate of mudaraba deposits.

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