ANALYSIS OF DETERMINANT FACTORS TOWARD MARGIN *MURABAHAH* OF INDONESIA ISLAMIC BANKS

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Abstract

This research was conducted to find out the effect of the internal and external factors toward margin murabahah at syariah banks for period 2011-2016. The type of data used in this research is secondary data of Islamic Banks publish in quarterly financial statements by Otoritas Jasa Keuangan (OJK). Through purposive sampling, this research got 54 observations from three Islamic banks in five years which fulfill the criteria. This research used quantative approach, using multiple regression and has passed the classical assumption test. Based on the result, it is concluded that there are 4 independent variables which areThird Party Funds, Operational Efficiency Ratio, Non-Performing Financing, and Inflation which having significant effects toward margin murabahah. Simultaneously, the variation of four independent variables can explain 63.81% effects to dependent variable. The remaining of 36.19% is explained by other factors outside this research.

Keywords: Margin Murabahah, TPF, OER, NPF, and Inflation.

Introduction

Islamic bank is one institution that operates with Islamic principles derived from the Quran and Sunnah. Islamic banks in Indonesia experienced a significant development that is characterized by the increasing number of Islamic banks in Indonesia, there are 12 Islamic banks and 22 Islamic business units. However when it viewed from the market share of Islamic banks, this has not been quite encouraging for the market share of Islamic banks still been below 5% which is 4.86% per july 2016 (Mulya E Siregar, Deputy Superintendent of Banking I OJK). It is tragic considering the majority of Indonesia's population is muslim.*Murabahah* financing is one of the Islamic financing products to the sale and purchase agreement. *Murabahah*is a contract of the most widely used in Islamic banking than in shares of profit and loss sharing. The fact is not only happening in Islamic banking in Indonesia, but also in the Islamic banking other countries around the world. Yaya (2009) defines *Murabahah*as a sale and purchase agreement with the selling price of goods at cost plus an agreed profit and the seller must disclose the acquisition cost to the purchaser.

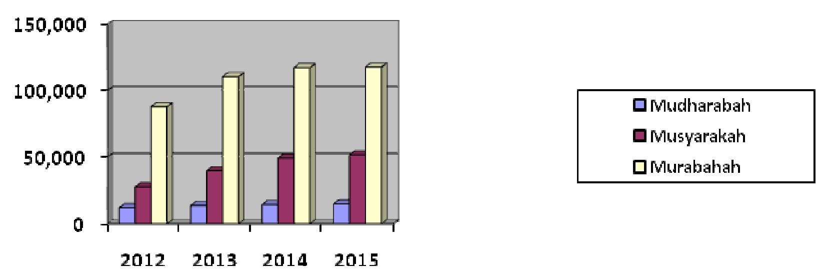

Figure 1.*Murabahah, Musyarakah,* and *Mudharabah* Financing

Source : Islamic Banking Statistic of BI, 2015

The statistical data of the Directorate of Islamic banking above at Bank Syariah Bank Indonesia in June 2015 above shows the composition of the *murabahah* financing reached 117 billion of the total financing of Islamic Bank. While *mudharabah* and *musyarakah* given only about 34 billion of total financing in Islamic banking. From this fact can be seen that average managers are still very concerned about Islamic banking prudential aspects of financing so that the results are not optimal. The phenomenon that occurs in Islamic banks in Indonesia is not in line with the theory put forward by Saeed (2008), that the main principle in Islamic banks is the principle of profit sharing, it indicates that the supposed income earned by Islamic banks to be dominated by revenues from profit sharing principle.

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The dominance of*murabahah* financing is caused by several things. One of them is due to the operational scheme is considered relatively easier compared to other financing schemes such as profit sharing *mudarabah* financing and *Musharaka*h. In addition, operational *murabahah* financing almost the same as the bank credit conventioanal so that it can facilitate the public who are not familiar with Islamic banks.On the banking side, *murabahah* provides the advantages of risk are relatively small compared to other types of financing such as profit-sharing. These small risks encouraging Islamic banks to better use the financing to *murabahah*than others. It has also been mentioned regarding returns and profits derived from the outset so as to facilitate Islamic banks in estimating the profits. So *murabahah* is a major financing products of Islamic banks.

Regarding the profits or margins, it that have been agreed by the beneficiary (Respati, 2014). This means that the margin of the same magnitude from the beginning of the contract until the expiration of the contract. The amount of margin is decided by Islamic banks then offered to customers who apply for financing. After the agreement then continued with the making of the contract by both parties.Almost all theoretical models of Islamic banking are either based on *Mudaraba*or *Musharaka* or both, but to-date actual practice of Islamic banking is far from these models. Whatever is the degree of success of individual Islamic banks, they have so far failed in adopting the Profit Loss Sharing- based modes of financing in their business (Humayon, 2000).

The phenomenon that stated above comply an understanding for the researcher that the products and activities in Islamic banks is have no a big difference compare to conventional banks because after all the mechanism and requirements of each product is still look up to the conventional products. Without the types of management and control, Islamic banks will persist in taking the easy and risk averse route to avoid profit and loss sharing contracts. The incentive to cheat must be eliminated, to desire to withhold information must be negligible and systems must be put in place which allow efficient and open profit and loss share instruments to develop.

Murabahah is a contract that is most widely used in Islamic banking than in the form of investments such as *mudharabah* and *musyarakah*. However, the amount of margin is decided by Islamic banks then offered to customers who apply for financing. After the agreement then continued with the making of the contract by both parties.Judging from the important role of *murabahah* products that dominate the profit of Islamic banks as well as to save the image of the Islamic banks need a transparent manner known and further investigation of the mechanism of *murabahah* financing and how the determination of fair trading margins for banks and customers.

Literature Review

Margin Murabahah

According Perwataatmadja (2004), Rasulullah trade practices could be applied in Islamic banks on the financing *murabahah*with several approaches. Costs already incurred (cost recovery) can be approximated by dividing the projected number of banks operating expenses with a target volume of *murabahah* financing. *Murabahah* margin in the context of cost recovery is coupled with the desired profit bank. So we can conclude that the selling price of skimmed murabaha is the sum of the purchase price plus the cost recovery bank and coupled with desirable benefits. If the margin of Islamic banks selling price is higher than conventional bank loans, it can be done several times a review, namely: first, to benefits, the second of the projected operating costs, and the third to the target volume of financing. In other words, the selling price should always endeavored Islamic banks compete less than conventional bank lending rates.

Third Party Funds

Third party funds (TPF)are funds entrusted by the public (excluding banks) to fund deposit bank under the agreement. (Bastian and Suhardjono, 2006: 29). Meanwhile, according to Rival (2007: 413) in third party funds are theproceeds from the public in the sense of people as individuals, companies, government, households, cooperatives, foundations and others both in rupiah and in foreign currency.Search third party funds is relatively easy when compared with other sources of funding. As for the source of funds from the general public todone in the form (Cashmere: 2011): demand deposits, saving deposits, time deposits, sertificate of deposits and deposit on call.

Operational Efficiency Ratio

Operational Efficiency Ratio (OER) including profitability ratio (earnings). The success of the bank is based on a quantitative assessment of bank profitability can be measured by using the ratio of operating expenses to operating income (Kuncoro and Suhardjono, 2002).According Dendawijaya (2005) the ratio of operating expenses are used to measure the efficiency and ability of banks to carry out operations. The ratio of Operating Expenses to Operating Income (OER) is often called the efficiency ratio is used to measure the ability of bank management in controlling operating expenses to operating income.The lower ratio means more efficient operational costs incurred by the bank concerned (Almilia and Herdiningtyas, 2005). Therefore, bank efficiency would become lower if the bank has high Operational Efficiency Ratio, and the value of ROA ratio will aslo decrease.

Non-Performing Financing

Non-Performing Financing (NPF) is an estimation of the proportion of business risk that the bank demonstrating the greatness of the danger of credit or money related issues that exists in a bank (Sulistianingrum, 2013). Financing problems describe a situation where the approval of the financing repayment is at risk of failure, and even tend to experience a potential loss. The greater the NPF ratio the greater the financial risk borne by the bank. Vice versa, if the NPF is getting smaller, the credit risk of the bank is also smaller. In this case, after the financing is given, then the banks are required to monitor the use of funding and compliance capabilities and customer to meet its obligations (Sari, 2013).

Inflation

Cahyono (2009) in his study mentioned that inflation is a process of rising prices in general and continuously associated with market mechanisms that can be caused by various factors, including increasing public consumption or the lack of launch distribution of goods. In other words, inflation is also a process of continuous decline in the currency. Inflation is the process of an event, not high-low level of prices. Inflation is considered to occur if the price increasetakes place continuously and effect each other.Wibisono (2010) in his research mentioned indicator often used to measure the rate of inflation is the Consumer Price Index (Indeks Harga Konsumen IHK).

Research Methods

Population and Sample

Population is a very large number of individuals or objects which is not feasible to process; thus a part of population is selected for research purpose. Population means the entire group of individuals or objects that the researcher is exctracted to analyze (Sekaran & Bougie, 2011). In this study, research population is focused on Islamic banks listed in Otoritas Jasa Keuangan (OJK). Based on quarter Otoritas Jasa Keuangan report period 2011 to 2016. There are 3 Islamic banks listed in this research.

Sample is a sunset of population which will be used to invetstigate the problems in this research (Sekaran & Bougie, 2011). There are two types of sampling design, which are; probability and nonprobability sampling (Sekaran & Bougie, 2011). Nonprobability sampling will be used in this study since the samples do not have predetermined chamce of being chosen as subjects, with the focus in purposive sampling. Purposive sampling is chosen as only specific types of sample provide the information needed.

The criteria helps researcher to select firms to be used as the sample. Based on those criteria below, there are 3 out of 12 Islamic banks which meet the criteria of the sample. The banks which have been selected as the sample of the research are :

1. PT. Bank Syariah Mandiri
2. PT. Bank Negara Indonesia Syariah
3. PT. Bank Rakyat Indonesia Syariah

This research will collect datas from sources that already exist such as related books, journals, and related websites; therefore this study will only use tools for analysis porpose. The main analysis tool that will be used in this research is statistical tool of Eviews (Econometric Views) version 9.5 student lite. Eviews helps the researcher to make scientific and reliable research (Schwert, 2010). This research uses Eviews to process the raw data statistically in order to get result to be interpreted in this research, such as normality, heteroscedasticity, autocorrelation, and multiple regression. Eviews is a helpful statistical tool which provides advanced data analysis, regression, and forecasting tools (Schwert, 2010).

Multiple Regression Analysis

Multiple regression is one of a widely used statistical method for describing that relation between a continuous outcome variable and one or multiple independent variables in one equation (Salam, 2008). Multiple regression analysis provides a means of objectively assessing the degree and the character of the relationship between variables abd dependent variable (Widarjono, 2009).Simple regression analysis studies the dependence of a variable on only a single independent variable while multiple regression analysis studies the dependence of a single dependence variable more than one independent variable (Gujarati, 2004). Multiple regression analysis is chosen to be used in this research since this research has four independent variables. The dependent variable is Margin murabahah while the independent variables areTPF, OER, NPF and Inflation. The effect of independent to dependent variables can be written in linear regression equation as follows:

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$$

Where:

Y	= *Margin murabahah*
β_0	= intercept/constant (value of Y when X_1-X_4 = 0)
$\beta_1 - \beta_4$	= partial regression coefficients
X_1	= TPF
X_2	= OER
X_3	= NPF
X_4	= Inflation
ε	= random error

Hypothesis

According to the statement of problem and theoretical framework above, the hypothesis tested in this research can be stated as follows:

Hypothesis 1 :	There is a partial significant effect between TPF and Margin *Murabahah*in Islamic Banks partially from 2012-2016
Hypothesis2 :	There is a partial significant effect between OER and Margin *Murabahah* in Islamic Banks partially from 2012-2016
Hypothesis 3 :	There is a partial significant effect between NPF and Margin *Murabahah* in Islamic Banks partially from 2012-2016
Hypothesis 4 :	There is a partial significant effect between Infaltion and Margin *Murabahah* in Islamic Banks partially from 2012-2016
Hypothesis 5 :	There is a significant effect between TPF, OER, NPF, Inflation to Margin of *Murabahah* in Islamic Banks.

Result And Discussion

Multiple Regression Analysis

According to the table 1 describes the results of multiple regression analysis using fixed effect model explain as below:

Table 1. Multiple Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DPK	1.380701	0.319472	4.321827	0.0001
BOPO	0.015595	0.007294	2.138007	0.0377
NPF	-0.102021	0.038060	-2.680495	0.0101
INFLASI	0.195132	0.089357	2.183736	0.0340
C	-7.571587	4.395907	-1.722417	0.0916

Source : Eviews 9

The multiple regression equations will be formulated regarding the coefficient of regression of every independent variable. Based on table 1, the equation of the multiple regression models are as follows:

$$Y = 1.380701\ TPF + 0.015595\ OER - 0.102021\ NPF + 0.195132\ INFLASI - 7.571587$$

Interpretation of Results

1. ***The effect of Third Party Funds towards margin murabahah.***
The first hypothesis states that ‘There is significant effect of TPF towards margin murabahah.” According to the table 4.7 which presents significant value of 0.0001 the hypothesis is accepted. TPF has positive effect towards margin*murabahah*, means that an increase of third party fund leads to the rise of margin murabahah of Islamic banks. These results support of research Zaenuri (2012) with the results of the TPF positive effect on Margin *murabahah*, but the results are different from the results of Febri (2015) research with the result that TPF has a negative effect on the Margin *murabahah*. However, it is quite reasonable because it is very natural that when the cost is charged into one of the elements of sales and purchases in a business transaction because the Islamic bank’s operations in principle is to raise funds and channel financing, all costs incurred to support its operation, either direct or indirect can be classified in murabahah margin. So the higher the third party fund, it means more financing in *murabahah*is done by the banks, and it will increase the margin *murabahah*of Islami banks (Siti, 2010).

2. ***The effect of Operational Efficiency Ratio (OER) towards margin murabahah.***
The second hypotheses states that “There is significant effect of Operational Efficiency Ratio towards margin*murabahah*.” Based on the table 4.7 which shows significant value of 0.0377, this hypothesis is accepted. These results support of research Salman (2007) and Pisol, dkk (2012) that stated margin *murabahah*is determined by operational costs with the results of OER has positive effect in margin *murabahah*.The effect of operational costs toward margin *murabahah* due to an increase in the margin of *murabahah* it will be followed by an increase in operating costs, and operational costs incurred by the bank itself to receive margins. This statement will make the operational costs effectingthe margin *murabahah*(Diana, 2014). However this research is contra from Yusro (2016) and Febri (2015) that stated OER is significant but has a negative effecttowards margin *murabahah.*

3. ***The effect of Non-Performing Financing (NPF) towards margin murabahah.***
The third hypothesis states that “There is significant effect on Non-Performing Financing towards margin *murabahah*.” Based on table 4.7 which shows significant value of 0.0101 but has a negative effect towards margin *murabahah* with coefficient of -0.102021, this hypothesis is accepted. These results support of research by Maula (2009) and Prastanto (2013) that states NPF gives a negative effect but significant towards margin *murabahah*.The greater the level of non-performing financing resulted in a decrease in margin *murabahah* banks.The higher the problem loans consist of loans classified as substandard, doubtful, and bad debt will give negative effect and can decrease margin *murabahah*earned by banks (Wuri, 2011). So, if the banks can maintain their loans properly and the non-performing financing will decrease it will leads to an increase in margin *murabahah*earned by the banks.

4. ***The effect of Inflation towards marginmurabahah.***
The forth hypothesis states that "There is sigmificant effect on Inflation towards margin *murabahah*". Based on table 4.7 which shows significant value of 0.0340, this hypothesis is accepted. These results is supported by Asutay & Izhar (2007) that stated inflation is significant and positively effect the margin *murabahah*. The establishment of Islamic banks margin is recognized or not is still have to follow interest rates and inflation. Interest rates and inflation are the bank's benchmark at this time (Anita Rahmawaty, 2007). Margin of Islamic banks is have to be fixed, but inflation and interest rates are always changing, it will anticipates the act of Islamic banks in setting the margin *murabahah* earned by the banks. Therefore the higher the inflation, it will also increase the margin *murabahah*set by the banks so if there is a high increase in inflation, the margin *murabahah*earned by Islamic banks are still able to cope with the increase (Muhammad Izzudin, 2013). However, this result is in contra with the principles of Syariah that stated the Islamic banks does not follow the fluctuations because they have don't value the interest rate (Fauziah, 2015).

5. ***Simultaneous Effect of Third Party Fund, Operational Efficienct Ratio, Non-Performing Financing, and Inflation towards Margin Murabahah.***
According to the hypotheses states "There is significant simultaneous effect of third part fund, operational efficiency ratio (OER/OER), non-performing financing, and inflation towards margin *murabahah*". The f-statistics shows coefficient determination is 63.81%. Simultaneously, it means all the independent variables effect 63.81% of dependent variable, while the remaining 36.19% is explained by other factors which are excluded in this research.

6. ***The Most Significant Effect Factors towards Margin Murabahah in Islamic Banks.***
The result of t-statistic test will be used to define the most effect until the least effect of independent variables towards dependent variables. The higher t-statistic describes it has more significance to dependent variable. According to the t-test result, simultaneously, the most significant variable that effect margin *murabahah*is TPF. The t-statistics value is the highest among all the independent variables which is 4.321827. Therefore, it concludes when the third party fund is given by bank to the customer it means the higher the margin *murabahah*received by the bank.

Conclusions

1. The effect of Third Party Fund is positive significant effect toward margin *murabahah*. The t-test result explains where the third party fund is growing up, the margin murabahah of Islamic banks will increase as well. When the high TPF is received by banks, it means the higher the margin *murabahah*earned by the bank. The more the volume of TPF, the channeling of financing conduct by the bank is also increasing. Therefore, the greater amount of TPF will effect positively toward margin *murabahah.*

2. Operational Efficiency Ratio (OER) has a significant positive effect towards margin *murabahah*. The t-test result represents OER has significant positive effect on margin *murabahah* of Islamic banks because the effect of operational costs toward margin *murabahah* due to an increase in the margin of *murabahah* it will be followed by an increase in operating costs, and operational costs incurred by the bank itself in financing to receive margins.

3. Non-performing financing has a significant negative effect towards margin *murabahah* with coefficent of -0.102021 with significant level of 0.0101. NPF is the number of toubled loans and the possibility can not be charged by the bank. So the higher NPF, the margin *murabahah* earned by the bank will also decrease, it means it give a significant negatively effect toward margin *murabahah*. It will result in greater the need of provision of financing loss that will effect margin *murabahah.*

4. The effect of Inflation is a significant effect toward margin *murabahah.* The higher the inflation, it will also increase the margin *murabahah* set by the banks so if there is a high increase in inflation, the margin *murabahah* earned by Islamic banks are still able to cope with the increase.

5. The variation of independent variables which are third party funds, operational efficieny ratio, non-performing financing, and inflation are able to effect margin murabahah of Islamic banks by 63.81%. The remaining of 36.19% is explained by other factors that excluded in this research.

6. Based on the test result, simultaneously, the most significant variable that effect margin *murabahah* is TPF. It means, the increase in third party funds will improve the profit sharing that should be given to customers, so the bank is trying to boost revenue from third-party fund management, as well as with income margin *murabahah*which is one of the revenue from the management of third party funds.

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