Analysis of The Effect of Revenue Share of Mudharabah And Musyarakah Financing Proceeds on Return on Investment (ROI) of An Islamic Bank: A Case Study

Azhar Alam¹, Maulidyah Indira Hasmarini², Novie Dwi Lestari³, Afiq Miftahurizqi Alhaq⁴
¹Universitas Muhammadiyah Surakarta, Indonesia
²Universitas Muhammadiyah Surakarta, Indonesia
³Universitas Muhammadiyah Surakarta, Indonesia
⁴Islamic University of Madinah, Saudi Arabia

ABSTRACT

Background. Mudharabah and musyarakah contracts are sharia contracts based on revenue sharing. Revenue-sharing refers to the profit or outcomes obtained via money management, which includes investment and customer-provided sell and purchase activities.

Purpose. This study aimed to determine the effect of revenue sharing on the results of mudharabah and musyarakah financing on Return On Investment (ROI) at PT. Bukopin Sharia Bank 2011-2020. Islamic banks have two financing principles: profit-sharing (mudharabah) and profit-sharing (musharaka).

Method. This study uses the Partial Adjustment Model (PAM) research method. The population in this study is Islamic banking which is included in the group of Islamic Commercial Banks. The sample used in this study is Bukopin Sharia Bank and is sourced from data from the Bukopin Sharia Bank’s annual financial report data.

Results. The results show that the mudharabah and musyarakah financing variables have a positive effect on Return On Investment (ROI). Based on the results of this study, it is expected that Islamic banking will further increase mudharabah and musyarakah financing. These two products are the hallmarks of Islamic banks, namely profit sharing because they can affect the rate of return on investment.

Conclusions. Following analysis using multiple tools and the Partial Adjustment Model (PAM) approach with the mudharabah cost variable (MUD), musyarakah cost (MUS) to Return on Investment (ROI) at PT. Bank Syariah Bukopin for 2011-2020, It can be inferred that the model utilized in this study is a normal residual distribution with no problems with multicollinearity or autocorrelation. The model is also utilized linearly. The effect validity test (t-test) shows that all independent variables, mudharabah (MUD) and musyarakah (MUS), affect Return on Investment (ROI). Mudharabah cost variables (MUD) boost ROI (ROI).

KEYWORDS

Financing, Islamic bank, Mudharabah, Musyarakah, Return on Investment

INTRODUCTION

Islamic banks are run based on Islamic sharia, namely aqidah, morals, and sharia (Harahap et al., 2019). Aqidah is related to one’s faith, and morals are related to ethical and normative deeds. As an economic model grounded in Islamic principles, the Islamic Bank is distinguished by several unique features (Franzoni & Ait Allali, 2023).
Islamic banks are run based on Islamic sharia, namely aqidah, morals, and sharia (Harahap et al., 2019). Aqidah is related to one's faith, and morals are related to ethical and normative deeds. As an economic model grounded in Islamic principles, the Islamic Bank is distinguished by several unique features (Franzoni & Ait Allali, 2023). In their operations, Islamic banks do not implement the concept of interest in money or know the loan of money (Mirawati, 2018; Rahman et al., 2023). There are partnerships/cooperation (mudharabah and musyarakah) with the principle of profit sharing. Increased profitability must be done to maximize profitability, and one of the ways is to utilize productive assets. Productive assets will generate profits if the company distributes them in various business products. The distribution of the business must also be propositional because the management of productive assets will affect the profit. The greater productive assets are utilized, the greater the profits (Jauhariyah & Ma’unah, 2019).

Mudharabah and musyarakah contracts are sharia contracts based on revenue sharing (Al-Rashidi et al., 2023). Revenue-sharing refers to the profit or outcomes obtained via money management, which includes investment and customer-provided sell and purchase activities (Ben Amar & O. El Alaoui, 2023). Profit-sharing is a crucial aspect of Islamic banks. Therefore they operate under Islamic law principles (Franzoni & Ait Allali, 2023). The revenue-sharing idea distinguishes Islamic banks from conventional banks (Bramandita & Harun, 2020).

Al-Mudharabah is derived from the Arabic term dharb, which means "to strike" or "to stroll." The term "hitting" or "walking" refers to the act of someone striking his feet while conducting business (Wirman & Nurizkiana, 2021). Mudharabah is a revenue-sharing agreement in which the fund owner (shahibul mall) provides the fund manager (mudharib) with total capital to carry out productive activities on the condition that the profits generated are divided between them according to the agreement specified earlier in the contract (Asiyah, 2014).

Mudharabah financing is funds provided to fund managers (mudharib) who have the goal of managing a particular business, with the distribution of results or income obtained (profit sharing) divided according to the ratio agreed upon by both parties (Usanti, 2013)Musyarakah financing is two or more entrepreneurs who own funds or capital to work together as business partners, financing new or ongoing business investments (Ascarya, 2017). The phrase profit sharing ratio is used in Islamic banking to describe the proportion of revenue shared between clients and Islamic banks (Al-Shaghdari et al., 2023). The savings revenue sharing ratio of Bank Syariah is 65:35. Sharia bank clients will get a revenue share of 65 percent of the investment return earned by Islamic banks in the real sector through the management of public money. Meanwhile, Islamic banks will receive a 35 percent income share (Otoritas Jasa Keuanagan, 2017).

Syirkah or Musyarakah is a commercial partnership agreement between two or more parties. Each party provides financial resources with the idea that profits and risks would be shared according to the agreement's provisions (Al-Rashidi et al., 2023). Each stakeholder contributes to Syirkah's investment and performance. Each party in Musyarakah invests and does not manage money; nevertheless, some parties invest and manage money (Harun, 2017).

Determining the profit-sharing ratio for Islamic bank funding/deposit products, such as iB Savings and iB Deposits, is impacted by numerous aspects, including the kind of
deposit product, expected investment income, and bank operational expenses. Only iB deposit products with investment plans (mudharabah) get a profit-sharing return, the proportion of investment revenue provided to consumers (Otoritas Jasa Keuangan, 2017).

![ROI graph]

**Figure 1 Graph of The Development of Return on Investment (ROI) in 2011-2020 Pada PT. Bukopin Sharia Bank**


Figure 1 depicts the rise and decline in PT Return on Investment (ROI). Bank Syariah Bukopin between 2011 and 2020. It can be shown that between 2011 and 2020, the highest amount of Return on Investment (ROI) was recorded in the period Quarter 4 (2014) or December 2014 with a Return on Investment (ROI) value of 0.67%. The lowest amount of Return on Investment (ROI) occurred in Quarter 4 (2020) or December 2020, with a Return on Investment (ROI) value of 0.0025%.

Previous research discussing financing with sharia contracts on profitability has received little empirical research support in terms of numbers. Things that need more attention are mainly research that discusses the effect of mudharabah and musyarakah financing on Return On Investment (ROI). Therefore, this study examines the effect of mudharabah and musyarakah financing on Return On Investment (ROI).

**LITERATURE REVIEW**

**Mudharabah and Musyarakah Revenue Sharing**

Fatmasari (2017) stated that the Return on Investment of Bank Mandiri Syariah KCP Kuningan from 2009 to 2015 experienced a fluctuating increase and decrease, along with the development of revenue sharing for Mudharabah financing revenues. Arief (2014) showed that Mudharabah Financing Revenue Sharing Revenue significantly affects Net Profit. Revenue sharing for mudharabah financing increases, then the net profit will increase. It is also in line with research conducted by Lamban (2017) and Putri & Ma’wa (2018), which stated that income sharing from mudharabah financing has a significant effect on Return on Investment (ROI). The higher the income sharing of mudharabah financing results, the more the return on investment will increase and vice versa. If the income from the proceeds of mudharabah financing decreases, it will affect the rate of return on investment.
Return on Investment

Pamungkas (2016) stated that return on investment has a positive and considerable effect on the inventory turnover ratio, while the debt to equity ratio has a positive and negligible influence on return on investment (ROI). This impact is further supported by the findings of a study by Nurulita (2009). The findings of the financial statement investigation led to the conclusion that revenue sharing from mudharabah financing significantly affected the company's profitability level because it was significantly less than 0.05 (0.02<0.05).

Islamic Banking Financing

The cost provided by Islamic Banking shows a significant increase, but its share of total banking in Indonesia is still very small or has not shown rapid growth (Rosyadi, 2010). Hidayah & Purnomo (2014) also showed that 10 of 11 Islamic commercial banks and Sharia business units were inefficient. In the investigation period, eight banks were inefficient: Bank Central Asia Syariah, Bank Jabar Banten, Bank Muammar Indonesia, Bank Rakyat Indonesia Syariah, and Bank Syariah Mandiri (Hidayah & Purnomo, 2014). The number of Islamic banks has now grown to 15 Islamic Commercial banks (Sabri, 2023).

Hasmarini & Azmi’s research (2014) reveals that inflation has a positive and considerable impact on ROE, whereas CAR has a favorable but minor impact. The profitability (ROE) level is unaffected by the high-low automobile. The influence of NPF factors on Islamic bank ROE is negative and minor. Banks can boost earnings by distributing money other than those used for lending (Hasmarini & Azmi, 2014).

RESEARCH METHOD

This study makes data from an Islamic bank in Indonesia a case study. PT. Bank Syariah Bukopin is one of the banks that carry out the sharia principle (Ifham, 2015). This study is based on quantitative data. Quantitative research is defined as the data being processed as numbers, and descriptive static analysis is used. Descriptive statistics examine data by summarizing the acquired data without making public-facing judgments (Nilamsari, 2014). In addition to descriptive statistics, inferential statistics were utilized to examine the impact of research factors.

The analysis tools used in this study will observe the influence of mudharabah (MUD) and Musyarakah Financing (MUS) on Return on Investment (ROI). Partial Adjustment Model (PAM), whose estimator model formulation is:

\[ \text{ROIt} = \alpha_0 + \alpha_1 \ln\text{MUDt} + \alpha_2 \ln\text{MUST} + \lambda \text{ROIt}_{t-1} + \nu_t \]

Where:

- \( \text{ROI} = \text{Return on Investment} \)
- \( \text{MUD} = \text{Mudharabah financing} \)
- \( \text{MUS} = \text{Musyarakah financing} \)
- \( \ln = \text{Natural logarithm operation} \)
- \( \lambda = (1 - \delta) \)
- \( \delta = \text{Adjustment coefficient} \)
- \( \alpha_0 = \delta \beta_0; \text{short-term constant} \)
- \( \alpha_1, \alpha_2 = \delta \beta_1 - \delta \beta_2 \text{short-term regressi on coefficient} \)
- \( \nu = \delta \epsilon; \text{short-term error} \)
With a partial adjustment mechanism, the proportion of disequilibrium in one period is corrected in the next. This adjustment process becomes a tool for reconciling short and long-term behaviors. Based on this concept, short-term relationships can be estimated through long-term relationships.

1. Short-term PAM regression on models is as follows:

$$\text{ROIt} = \alpha_0 + \alpha_1 \ln\text{MUDt} + \alpha_2 \ln\text{MUS}t + \kappa \cdot \text{ROIt-1} + \nu_t$$

The calculation of PAM's long-term estimated model parameters is as follows:

$$\text{ROIt} = \text{ROI*t} - \log\text{ROIt-1}$$

Where $\delta$ is a partial adjustment coefficient, with $0 < \delta < 1$; $\text{ROI*t} - \log\text{ROIt-1}$ is the actual adjustment, while $\text{ROI*t} - \log\text{ROIt-1}$ is the desired adjustment.

2. From the results of the calculation of the parameters of the long-term model, the long-term estimated model is obtained as follows:

$$\text{ROIt} = \alpha_0 + \alpha_1 \ln\text{MUDt} + \alpha_2 \ln\text{MUS}t + \varepsilon_t$$ (3)

**Hypothesis**

The hypothesis is a temporary answer to the formulation of research problems. In this study, the hypotheses used are the Working Hypothesis (Ha) and the Null Hypothesis (Ho). The working hypothesis (Ha) is a hypothesis that states the existence of an influence (relationship) between the two variables in question. Hypothesis zero (Ho) is a hypothesis that states the absence of influence/relationship between the two variables in question (Prayitno et al., 2018). The hypotheses in this study are:

1. Obtaining for has mudharabah financing has a significant effect on Return on Investment (ROI)
2. Obtaining revenue sharing for musyarakah financing has a significant effect on Return on Investment (ROI)

Obtaining the revenue share of mudharabah and musyarakah financing has a significant effect on Return on Investment (ROI).

**RESULT AND DISCUSSION**

**Descriptive Analysis**

The factors investigated in this study were Mudharabah Financing (MUD) and Musyarakah Financing (MUS) concerning Return on Investment (ROI) at PT. Bank Syariah Bukopin from 2011 to 2020. Below are the descriptive statistics for each variable studied.

**Return on Investment**

The number of assets utilized in the firm determines the return on investment (ROI). In other words, how much of an investment may be returned to profit or not profit (Kasmir, 2015). The figure shows the evolution of PT. Bank Syariah Bukopin's Return on Investment (ROI) from 2011 to 2020.
Figure 3. Graph of Return on Investment (ROI) Development in 2011-2020 PT. Bukopin Sharia Bank


Figure 3 shows the development of Return on Investment (ROI) in PT. Bank Syariah Bukopin period 2011-2020 experienced an increase and decrease. It can be seen that during the period 2011-2020, the amount of Return on Investment (ROI) was recorded in the period Quarter 4 (2014) or December 2014 with a Return on Investment (ROI) value of 0.67%. The lowest amount of Return on Investment (ROI) occurred in the period Quarter 4 (2020) or December 2020, with a Return on Investment (ROI) value of 0.67% by 0.0025%.

Mudharabah Financing

Mudharabah finance is an agreement between Islamic banks (shahibul maal) and clients to finance their businesses (mudharib), in which Islamic banks give full capital, and clients manage their businesses (Asiyah, 2014). The development of mudharabah financing at PT. Bank Syariah Bukopin's period 2011-2020 is presented in Figure 4.

Figure 4 Graph of Mudharabah Cost Development in 2011-2020 PT. Bukopin Sharia Bank


Figure 4 shows the growth of mudharabah finance at PT. Bank Syariah Bukopin continues fluctuating between increases and decreases from 2011 to 2020. From the graph
above, it can be seen in the period Quarter 4 (2013) or December 2013 to Quarter 2 (2016) or June 2016 shows that mudharabah financing has increased, then seen in Q3 (2017) or September 2017 to Quarter 4 (2020) or December 2020 shows that mudharabah financing experienced a decrease. The graph in Figure 4 also explains that during 2011-2020, the most mudharabah financing occurred in Q2 (2016) or June 2016, with a mudharabah financing value of 435,045 million rupiah. The lowest amount of mudharabah financing occurred in Q1 (2011) or January 2011 with mudharabah financing value. 4,607 million rupiah.

Musyarakah Financing

Musyarakah financing is two or more entrepreneurs who own funds or capital to work together as business partners, financing new or ongoing business investments (Ascarya, 2017). Here is the development of musyarakah cost at PT. Bank Syariah Bukopin for the period 2011-2020 is presented in Figure 5:

![Musyarakah Financing Graph]

**Figure 5 Graph of The Development of Musyarakah Financing in 2011-2020 PT. Bukopin Sharia Bank**

*Source: Annual Financial Report of PT. Bukopin Sharia Bank*

Based on Figure 5, the development of musyarakah cost in PT. Bank Syariah Bukopin's period 2011-2020 is quite volatile. It can be seen that the highest amount of musyarakah financing occurred in Q1 (2020) or January 2020, with a musyarakah financing value of 3,077,886 million rupiahs, and the lowest amount of musyarakah financing occurred in Q1 (2011) or January 2011 with a musyarakah financing value of 1,636 million rupiahs.

Estimated Results

The analysis tool used in this study will observe the influence of mudharabah (MUD), Financing musyarakah (MUS) on Return on Investment (ROI) in PT. Bank Syariah Bukopin, which uses multiple analysis tools with the partial adjustment model (PAM) approach whose estimator model formulation is:

The VIF test is used as a multicollinearity test. When the model's VIF value of independent variables is assessed to be worth > 10, the MULTICOLLINERITY VIF test is performed. Table 1 displays the results of the VIF multicollinearity test.
Table 1 VIF Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>VIF</th>
<th>Criteria on</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\ln MUD_t$</td>
<td>8,548227</td>
<td>&lt; 10</td>
<td>Does not cause multicollinearity</td>
</tr>
<tr>
<td>$\ln MUS_t$</td>
<td>9,376703</td>
<td>&lt; 10</td>
<td>Does not cause multicollinearity</td>
</tr>
<tr>
<td>$ROI_{t-1}$</td>
<td>1,324477</td>
<td>&lt; 10</td>
<td>Does not cause multicollinearity</td>
</tr>
</tbody>
</table>

Source: Processed by authors

The Jarque Bera (JB) test is used to determine residual normalcy. The $H_0$ JB test represents the model's normal estimated residual distribution, whereas the $H_A$ represents the model's abnormal estimated residual distribution. If the $p$-value, probability, or empirical significance of JB statistics is $>$, $H_0$ is accepted; if the $p$-value, probability, or empirical significance of JB statistics is $H_0$ is rejected.

This study shows that JB's $p$ ($p$-value), probability, or statistic empirical significance is 0.846849 ($> 0.10$), indicating that $H_0$ is accepted. Finally, the PAM calculated model's residual distribution is normal.

The autocorrelation will be tested using the Breusch Godfrey (BG) test. The $H_0$ of the BG test is no autocorrelation in the estimated model; the $H_A$ is autocorrelated in the estimated model. $H_0$ is accepted if the value $p$ ($p$-value), probability, or empirical significance of statistics $\chi^2$ BG tests $>\alpha$; $H_0$ is rejected when the value $p$ ($p$-value), probability, or empirical significance of statistics $\chi^2$ BG test $\leq \alpha$. From Table 1, it can be seen that the value $p$ ($p$-value), probability, or empirical significance. The BG test is 0.7573 ($> 0.10$), so $H_0$ is accepted. In conclusion, there is no autocorrelation in estimated PAM models.

The White test will be used to test for heteroskedasticity. White's $H_0$ test shows no heteroskedasticity problem in the estimated model, and the $H_A$ has heteroskedasticity problems in the estimated model. $H_0$ is accepted if the value $p$ ($p$-value), probability or empirical significance of statistics $\chi^2$ White test $>\alpha$; $H_0$ is rejected when the value $p$ ($p$-value), probability or empirical significance of statistics $\chi^2$ white test $\leq \alpha$.

From Table 1, it can be seen that the value of $p$ ($p$-value), probability, or empirical significance of statistic $\chi^2$ White test is 0.1370 ($> 0.10$), so $H_0$ is accepted. In conclusion, there is no heteroskedasticity in PAM's estimated model.

Independent Interpretation of Variable Influence

From the advance influence validity test (Table 3), it can be seen that the independent variables of Mudharabah financing ($MUD$) and Musyarakah financing ($MUS$) have a significant influence on Return on Investment ($ROI$).

Table 2 Independent Variable Influence Validity Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Sig. $t$</th>
<th>Criteria on</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\ln MUD_t$</td>
<td>0.0168</td>
<td>&lt; 0.05</td>
<td>Significant in $\alpha = 0.05$</td>
</tr>
<tr>
<td>$\ln MUS_t$</td>
<td>0.0101</td>
<td>&lt; 0.05</td>
<td>Significant in $\alpha = 0.05$</td>
</tr>
</tbody>
</table>

Source: Processed by authors

Mudharabah variables have short- and long-term regression coefficients of 0.16 and 0.23. The relationship pattern between Mudharabah and Return on Investment is linear-logarithm (lin-
Analysis of The Effect of Revenue Share of Mudharabah

If Mudharabah rises by 1 percent, Return on Investment will increase \(0.160073\) by percent in the short term and by \(0.232268\) percent in the long term. Conversely, if Mudharabah falls by 1 percent, the return on investment will decrease by \(0.160073\) 1 percent in the short term and by \(0.232268\) \% in the long term.

Musyarakah variables have short and long-term regression coefficients \(0.138705\) and \(0.201263\). The relationship pattern between Musyarakah and Return on Investment is linear-logarithm (lin-log). If Musyarakah increases by 1 percent, the return on investment will increase \(0.138705\) by percent in the short term and by \(0.201263\) percent in the long term. Conversely, if Musyarakah falls by 1 percent, the return on investment will fall \(0.138705\) by percent in the short term and by \(0.201263\) percent in the long term.

The reconciliation of short-term influences into long-term influences, as pre-calculated, takes approximately quarterly. In each increase or decrease in independent variables that have a significant influence, the effect will run accumulatively over the next quarter, amounting to the value of the long-term regression coefficient of independent variables by \(1.451\).

During the observation period, namely, from 2011 to 2020, Return on Investment (ROI) was influenced by Mudharabah financing and Musyarakah financing. The analysis above proved that Mudharabah financing and Musyarakah financing positively affected Return on Investment (ROI).

Effect of Mudharabah Financing on Return on Investment (ROI)

The income sharing of mudharabah financing outcomes affects return on investment, according to the findings of this study (ROI). In this situation, Mudharabah Financing Revenue Sharing benefits Return on Investment (ROI). The larger the income sharing for mudharabah financing outcomes, the higher the rate of return on investment, according to this study. If the revenue share of mudharabah finance is reduced, the rate of return on investment would be affected.

This conclusion is backed up by a study by Arief (2014), who found that revenue sharing from mudharabah financing considerably impacted net profit. The findings demonstrated that revenue sharing of mudharabah financing revenues significantly impacted PT. Bank Panin Syariah, Tbk's net profit. The company's primary purpose is to make a profit. The higher the amount of finance distributed, the higher the revenue the bank earns. The bank's effective and efficient budget burden or expense backs it up. The net profit of Islamic banks will be derived from this income (Arief, 2014).

Furthermore, according to Lamban (2017), the larger the revenue for mudharabah financing outcomes, the better the return on investment, and vice versa. The rate of return on investment would be affected if the income share of mudharabah financing outcomes drops.

This outcome is consistent with the study's findings, which found that revenue sharing for mudharabah financing results substantially impacts the company's profitability since it is less than 0.05 (0.02<0.05).

Effect of Musyarakah Financing on Return on Investment (ROI)

From the results of this test, it is known that revenue sharing from musyarakah financing affects Return on Investment (ROI). In this case, the effect of revenue-sharing financing on return on investment (ROI) is positive. This result says that the higher the revenue share of financing
results, the increased the rate of return on investment. Vice versa, if the revenue-sharing financing decreases, it will affect the rate of return on investment.

This finding is supported by previous research conducted by Desi Megawati Suryandari of the Faculty of Economics and Islamic Business, Tulung Agung State Islamic Institute, "The Influence of Revenue Sharing for Mudharabah financing Musyarakah is not facing net profit at PT. Bank Syariah Bukopin, Tbk. Based on the results of financial statements research from 2013 to 2016, it was concluded that in the results of the second F test, the free variables, namely income sharing the results of mudharabah and musyarakah financing, have a positive and significant effect on the net profit of Bank Syariah Bukopin (Suryandandari, 2018).

Yuliani’s (2020) research shows that the revenue sharing of musyarakah financing affects return on investment (ROI). This finding is supported by the variable revenue sharing of musyarakah financing (X2) t-calculate 3.281> t-table 2.02439 and the t-test, which produces a sig t value of 0.002. This finding is also in line with Fadholfi’s research (2013) results, which stated that there was a significant influence of 0.00 revenue sharing for the proceeds of mudharabah financing and musyarakah on profitability.

CONCLUSION

Following analysis using multiple tools and the Partial Adjustment Model (PAM) approach with the mudharabah cost variable (MUD), musyarakah cost (MUS) to Return on Investment (ROI) at PT. Bank Syariah Bukopin for 2011-2020, It can be inferred that the model utilized in this study is a normal residual distribution with no problems with multicollinearity or autocorrelation. The model is also utilized linearly. The effect validity test (t-test) shows that all independent variables, mudharabah (MUD) and musyarakah (MUS), affect Return on Investment (ROI). Mudharabah cost variables (MUD) boost ROI (ROI). The musyarakah cost variable (MUS) effects ROI (ROI). Profit-sharing is a trademark of Islamic banks since it can potentially change the return on investment financial performance rate. So more Islamic banks should enhance these two items. Other variables that impact the financing of mudharabah and musyarakah might be added to Return on Investment (ROI) to produce more diversified results.

REFERENCES


Analysis of The Effect f Revenue Share of Mudharabah

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