01

The Effect of Third Party Fund and Financing to Deposit Ratio on Murabahah Margin in Islamic Banks Period 2014–2018

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Abstract

Islamic banks Financing the most popular is a *murabahah* financing. Becaused *murabahah* financing is a financing with the small risk (classified natural certainly contract) where is cash flow and financing time has been set and determined from start contract that doesn't pose a greater risk to sharia bank and the customer as long as the financing runs. *Murabahah* margin is an amount of profit obtained from activities operational sharia bank which are related with *murabahah* financing. *Murabahah* margin is one of benchmark ability sharia bank in distribute financing *murabahah*. the measuring ability there are several factors that need to be considered that is third party fund and financing to deposit ratio.

This research aim to examine the effect of third party fund and financing to deposit ratio on *murabahah* margin the Islamic banks in Indonesia period 2014-2018. This type of this research was an assosiative research. This research is aimed at finding out the significant influence of third party fund and financing to deposit ratio toward *murabahah* margin the Islamic banks in Indonesia. There are two independent variabels of this research, namely : third party fund, and financing to deposit ratio. The sample in this research used a purposive sampling. The sample were taken from Islamic banks of 12 sharia banks. The data sources were secondary data, while data were taken from Islamic banks and Islamic bank statistic issued by OJK. This research was a quantitative analysis. This research use multiple liniear regression. The result show that third party fund has positive and significant effect on the *murabahah* margin. While financing to deposit ratio has no effect on the *murabahah* margin.

Keywords: *third party fund*, *financing to deposit ratio*, margin *murabahah*

Introduction

In the financing scheme by sharia bank there is three main products that is *mudharabah, musyarakah, dan murabahah financing. Mudharabah financing is a* contract of corporation between the two parties, where the first party provides all capital and other parties become a manager with profits according to the agreement set forth at the time of the contract. *Musyarakah* financing is a contract of corporation between the two parties or more to do certain business with the agreement that the profits or risk will be shared. *Murabahah* financing is a Islamic bank financing with the principle of buying and selling with the agreement that the profits (margin) and certain period of time (Kasmir, 2014 : 169-171).

The biggest income of Islamic banks comes from *murabahah* income. Based on data taken from sharia banking statistics period 2014-2018. The following is the income of islamic banks based on the *scheme mudharabah, musyarakah,* and *murabahah.*

Table 1
The income of Islamic banks in Indonesia

Tahun	Mudharabah (milliar rupiah)	Musyarakah (milliar rupiah)	Murabahah (milliar rupiah)
2014	1.158	4.046	11.552
2015	1.120	4.641	12.620
2016	1.008	4.649	13.403
2017	893	5.213	15.577
2018	717	5.421	16.289

In the table shows that financing with *murabahah* contract held by all Islamic banks in Indonesia to date. This is caused by because *murabahah* financing is the financing with the least risk (classified natural certainly contract) where is cash flow and financing time has been and the customer as long as the financing runs (Karim, 2013:51).

Murabahah financing is the largest portion of funding in channeling funds. This is caused *murabahah* contract is a investation financing short-term and quite easy when compared to the system frofit and loss sharing. Then mark up that is inside *murabahah* financing can be determined in such a way as to be sure that sharia bank get the profit which is comparable to interest based banks which is a competitor of the sharia bank.

Profit margin is the amount of profits derived from operations of islamic banks related with *murabahah* financing. Profit margin is the rate of profit an islamic banks from selling objects *murabahah* offered by sharia bank to customer. The higher of profit margin obtained by an islamic bank then the greater the ability of islamic banks to destribute financing (Hosen, 2009:104).

The practice of determining the amount of profit *murabahah* financing to date based on recommendations and suggestions from Asset and Liability Committee (ALCO) sharia bank, among others *Direct Competitor's Market Rate (DCMR), Inderect Competitor's Market Rate (ICMR), Expected Competitive Return for Investors (ECRI), Acquiring Cost, dan Overhead Cost* (Karim, 2014:279-280).

In determining the *murabahah* margin of sharia bank can do calculations through two approaches, namely : vegetable approaches and lending rate approaches conventional banking the vegetable approaches, selling cost and profits is the agreement between sharia bank with customer. While lending rate conventional sharia bank using the same method with conventional bank in doing lending rate.

Murabahah margin channeled by sharia bank is infuenced by two factors, namely : internal factor and external. Internal factor related to policy making and strategy operational bank as third party fund (DPK) and financing to deposit ratio (FDR). While external factor (factor originating from outside the company),comprehend the monetary policy, exchange value fluctuations, inflation rate, interest rate volatility, and finance instrument innovation.

Third party fund (DPK) ia a funds raised by banks from customer in the form of deposits consisting of *mudharabah* saving and *wadi'ah* saving, *wadi'ah* giro, and *mudharabah* deposit. In raising public funs, sharia bank pay a profit sharing fee or bonus on deposits from public. While when channeling public funds, sharia bank will be get service fee in the form of profit margin or profit sharing (Ismail, 2011:43). The greater the amount of third party fund, the greater the ability of sharia bank for to do *murabahah* financing.

In channeling sharia bank financing will be pay attention to financing limits, important thing to note is provisions financing to deposit ratio (FDR). FDR is a comparison between financing provided by sharia banks in Indonesia with third party fund which was successfully depoyed by sharia bank (Muhammad, 2005:45).

The greater of Financing to deposit ratio, the greater the ability of sharia bank for to do *murabahah* financing.

Based on the description, the researcher is interested in researching the topic ”The Effect of Third Party fund and Financing to Deposit Ratio on *Murabahah* Margin in Islamic Banks Period 2014-2018”.

Methodology

This research is associative research, namely research with the caracteristics of problems in the form of correlational relationship between which aims to determine is there an association between two variable or more (Kuncoro, 2013:12). In this research, researcher test the effect third party fund and financing to depsosit ratio on *murabahah* margin period 2014-2018.

The sampling technic used this study is purposive sampling, that is determination of the sample based on the criteria-criteria set with the purpose and objectives research. Number of samples used in this research is a twelve Islamic banks.0

The criteria used to select sample in this study as follows :

1. Registered islamic banks in the financial fervices authority.
2. The bank is al ready registered as a sharia commercial bank in Indonesia until period 2014-2018.
3. Publish a full annual report until period 2014-2018.

The analysis technic in this research used multiple linear regression analysis technic. As for some steps that must be done in multiple linear regression analysis technic before the same regression model is formed is to test the classical assumptions include :

1. Test Normality

   Test normality aims to test whether in the regression model, confounding variable or residual have a normal distribution. How to detect whether in the residual are normally distributed or not that is with Jarque-Bera (JB) test. If the probability value is greater 0,05 then the residual are normally distributed. While if the probability value is smaller 0,05 then the residual are not normally distributed (Ghozali, 2013:160).

2. Test Multicollinearity

   Test multicollinearity aims to test whether in the regression model found a correlation between independent variables. Multicollinearity can be seen from the value tolerance and variance inflation factor (VIF). Measure the variability of selected independent variables that are not explained by other independent variables. Cut off values commonly used to indicate the presence of multicolinearity is tolerance value < 0,10 or same with VIF value > 10 (Ghozali, 2013:80).

3. Test Heteroscedasticity

   Test heteroscedasticity aims to test whether in the regression model inquality occurs variance from residual from one observation to another. How to detect the presence or absence in this research is to use the glacier test. If the probability value the greater 0,05 then heteroscedasticity does not occur. But if the probability value the smaller 0,05 the heteroscedasticity occur (Ghozali, 2013:139).

4. Test Autocorrelation

   Test autocorrelation aims to test whether in a linear regression model there is a correlation between the disturbance error (residual) in the t period with the disturbance error in the t-1 period (previos). To detect the autoccorrelation can use Durbin-Watson test (DW Test). If the probability value equal to 0 there is no autocorrelation. While if the probability value not equal to 0 then autocorrelation occurs(Ghozali, 2013:110).

The data used in this research were prossed using by software EVIEWS version 9. As for the formula in multiple linear linear regression is as follows :

$Y = a + b_1X_1 + b_2X_2 + e$

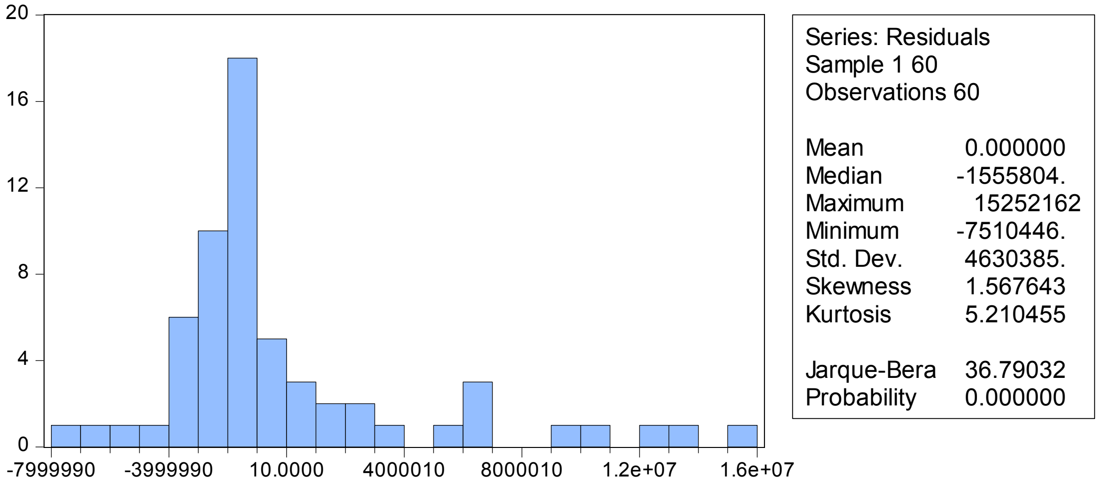
Information :

Y	= *murabahah* margin
a	= constant
$b_{1,} b_{2,} b_3$	= regression coefficient
X_1	= third party fund
X_2	= financing to deposit ratio
e	= Error

Results and Discussion

1. Classic Assumption Test

a. Normality Test



Source: output eviews 9, 2020

Picture 1
Normality Graphic

Based on picture 1, shows that the value Jarque-Bera is equal 36,7 to probability 0,00. The probability is smaller 0,05, then the data is not normally distributed.

b. Multicollinearity Test

Table 2
Multicollinearity Test Result

Variable	VIF	Information
Third party fund (X_1)	1.009352	Multicollinearity does not occur
Financing to deposit ratio *(X_2)*	1.009352	Multicollinearity does not occur

Source : Output Eviews 9, 2020

Based on Table 2, shows that there is no autocorrelation between independent variables because two variable have VIF 1.009352 values the smaller than 10 so it can be concluded that there is no multicollinearity in the two independent variables.

c. Heteroscedasticity Test

Tabel 3

Heteroscedasticity Test Result

Variable	*Probability*	Conclusion
Third party fund (DPK) (X_1)	0.0000	There is a Heteroscedasticity problem
Financing to Deposit Ratio (FDR)(X_2)	0.4685	There is no Heteroscedasticity problem

Source : output Eviews 9, 2020

Based on Table 5 heteroscedasticity test result with glacier test shows that DPK variable have a probability < 0,05, so it can be concluded that there was heteroscedasticity in the research data, while FDR variable have a probability > 0,05, so it can be concluded that there was no heteroscedasticity in the research data.

d. Autocorrelation Test

Tabel 4

Autocorrelation Test Result

Adjust R-Squared	Std. Error of regression	Durbin Watson	Conclusion
0.165369	4710919.	0.225720	Tidak terjadi Autokorelasi

Source : output Eviews 9,2020

The value Durbin Watson is equal 0.225720 then compared to the Durbin Watson table using significant 5%, number of samples (N) is 60, and number of independent variable (k) is 2, then it produces value dL = 1,5144 and dU = 1,6518. Means that Durbin Watson value is greater than zero and smaller than 1,5144 (dL), so that it can be concluded that the regression equation model does not contain a positive autocorrelation problem.

Hypothesis Testing

1. Multiple Regressin Analysis

Correlation coefficient test result third party fund variable and financing to deposit ratio on *murabahah* margin is as follows :

Table 5

Multiple Regression Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FDR	-457.0029	1179.767	-0.387367	0.6999
DPK	0.346151	0.095482	3.625286	0.0006
C	1949545.	764355.3	2.550574	0.0135

Source : output Eviews 9, 2020

Based on Table 5 obtained the multiple linear regression equation as follows :

***Murabahah* Margin = 1949545.+ 0.346151 X_1+ -457.0029 X_2+ e**

The following explanation of equation of the regression test result :

a. Constant value (a) indicates a number as 1949545. The magnitude of the constants shows that if the variable-variable independent (third party fund and *financing to deposit ratio*) constant, then the dependent variable (*murabahah* margin) is 1949545.

b. DPK variable have a regression coefficient value that is positive of equal to (0.346151). Positive coefficient values indicate that DPK positive effect on *murabahah* margin. If an DPK value increases by 1% it will cause an increase in value margin *murabahah* to 0,34 assuming the other independent variables are considered constant.

c. FDR variable have a negative regression coefficient that is equal to (-457.0029). A negative coefficient value indicates that FDR have a negative effect on *murabahah* margin. If there is an increase in the value of by 1% it will cause a decrease in the value of *murabahah* margin by 0,457, assuming the other independent variables are considered constant.

2. Conclusion

The following discussion of the result of testing the hypothesis of the significant test result can be seen in Table 5 :

a. The effect third party fund partially on *murabahah* margin

H1 : third party fund has a positive and significant effect on *murabahah* margin

Third party fund is the most important source of funds for sharia bank operation and is a measure of the success of an sharia bank if it is able to finance its operations from third party fund source. If the growth of a sharia bank shows a decline, it will weaken activities bank operational. Then the more third party fund successfully collected, the more third party fund funding can be canneled for financing (Kasmir, 2012:67).

Third party fund obtained a regression coefficient of 0.346151 with a rate of significance 0.0006 < 0.05. So, it can be concluded that the third party funds significance and a positive effect on *murabahah* margin. This shows that the high and low third party fund will have a positive effect on *murabahah* margin at islamic commercial banks in Indonesia. Higher *murabahah* margin are caused by the increase in profit sharing that must be given to customers who own funds

The results of this research confirm previos research conducted by Faishal (2017), Fara (2018) and, Khairoh (2019) whish states that the third party fund has an effect on *murabahah* margin.

b. The effect Financing to Deposit Ratio partially on m*urabahah* margin

H2 : financing to deposit ratio no effect and significant on *murabahah* margin

Financing to Deposit Ratio (FDR) is a ratio used by sharia bank to measure the rate of ability of sharia bank in carrying out the intermediation function. *Financing to deposit ratio* reflects the comparison between financing provided by sharia bank to customers with funds collected by sharia bank (Antonio, 2009: 55). This ratio is able to show the ability of sharia bank to connect depositors with debtors, that the higher value of the FDR will cause the value of financing to increase, then if the FDR has decreased the financing will be channeled will also decrease.

Hypothesis test results on the effect of FDR on *murabahah* margin obtained regression coeffiecient values -457.0029 with the probability 0.6999 > 0.05. It can be concluded that the financing to deposit ratio significance and a negative effect on *murabahah* margin. This shows that the high and low financing to deposit ratio will have a no effect on *murabahah* margin at islamic commercial banks in Indonesia.

This research is the same as the results of the research Sri (2018) and Fara (2018) whish proves that financing to deposit ratio has no effect on murabahah margin.

Conclusion

Based on the results of research and conclusion by testing the effect third party fund and financing to deposit ratio on *murabahah* margin it can be concluded that :

1. Third party fund has a positive and significant effect on *murabahah* margin
2. Financing to deposit ratio no effect positive and significant on murabahah margin

Implication

1. Practical implications

   Researcher are expected to be able to add knowledge and insight in the field of economics and Islamic financial institutions, especially in Islamic banking.
2. Theoretical implications

   The results of this research can provide empirical evidence on the relationship between third party fund and financing to deposit ratio on *murabahah* margin so that can be used as a basis for efforts to increase effectiveness in channeling funds.

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