

Does Istishna and Qardh Financing Affect Profitability?

Ingrid Larasati Agustina¹, Rina Hilmania²

¹Accounting Departement, Faculty of Economic and Business, Widyatama University, Indonesia

²Accounting Departement, Faculty of Economic and Business, Widyatama University, Indonesia

¹ingrid.larasati@widyatama.ac.id,² rina.hilmania@widyatama.ac.id

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Abstract : This study examines the effect of Istishna and Qardh financing on the Profitability of Islamic Commercial Banks for the 2015-2019 period. The data needed to support this research is secondary data, namely data obtained indirectly from the main source which is used as the object of research. The data is in the form of Islamic banking financial reports that are registered with the Financial Services Authority during the observation period from 2015 to 2019. The sampling method used in this study is to use non-probability sampling probability techniques, while the data processing method used by researchers is multiple regression analysis. The results of this study indicate that Istishna and Qardh financing does not simultaneously affect the profitability of Islamic Commercial Banks with a significance level of 0.074, greater than 0.05. Partially, Istishna Financing has no effect on profitability. This is explained from the results of the tcount of the Istishna financing variable of 0.045. Because tcount (0.045) is smaller than ttable (2.016) and the Sig value is 0.964 > 0.05 and Qardh financing has an effect on profitability. This is explained from the results of the tcount (2.357) > t table (2.016), and the Sig value 0.023 < 0.05.

Keywords: Istishna, Qardh, Financing, Profitability

1. Introduction

The kinds of contracts in fiqh are very diverse, depending on which aspect you look at. As in the book of the Hanafi Mazhab, a number of agreements are stated in the following order: *al-Ijarah*, *al-Istishna*, *al-Ba'i*, *al-Kafalah*, *al-Hiwalah*, *al-Wakalah*, *al-Sulh*, *al-Syarikah*, *al-Mudharabah*, *al-Hibah*, *al-Rahn*, *al-Muzara'ah*, *al-Mu'amalah (al-Musaqat)*, *al-Wadi'ah*, *al-'Ariyah*, *al-Qismah*, *al-Wasoya*, and *al-Qardh*.

In Indonesia, Islamic commercial bank products, such as financing products were based on Regulation of Bank Indonesia number: 9/19/PBI/2007, the types of financing products include *Mudharabah*, *Musyarakah*, *Murabahah*, *Salam*, *Istishna'*, *Ijarah*, *Ijarah Muntahiya Bittamlik* and *Qardh* (www.bi.go.id).

The following is financial performance data in terms of istishna and qardh financing as well as Return On Assets (ROA) at Islamic Commercial Banks.

Table 1 Development of Financial Performance in Sharia Commercial Banks for the Period of 2015-2019

Year	Financing Products		ROA
	Istishna	Qardh	
2015	770	3,951	0.49
2016	878	4,731	0.63
2017	1,189	6,349	0.63
2018	1,609	7,674	1.28
2019	2,097	10,572	1.73

Source: Statistik Perbankan Syariah 2019

Based on table 1, it can be seen that istishna and qardh financing has increased from 2015 to 2019. Meanwhile, the profitability (ROA) of Islamic banking in 2016-2017 has not changed.

This is not following the concept of financing and profitability that should be, where in addition to being aimed at increasing profits, financing also functions to reduce risks to the business being carried out, and Islamic Commercial Banks can immediately know or determine the number of profit margins they will get in financing. The increase in financing will affect increasing the total revenue of Islamic Commercial Banks so that the profitability (ROA) of the bank will also increase.

For example, as happened in 2018. The ability of Islamic commercial banks (BUS) to generate profits is still minimal. Financial Services Authority (OJK) data as of June 2018 shows that the ratio of net income obtained from total assets is still low.

The ratio of income to assets of commercial bank business group (BUKU) 1 BUS is at 0.35%, while BUKU 2 BUS is in the 1.7% position. Meanwhile, BUKU 3 BUS was at the 0.89% level. This figure is below the ROA of conventional banks at the level of 2.43%. PT Bank BRI Syariah Tbk, for example, has a ROA of 0.92%. BRI Syariah Corporate Secretary Indri Tri Handayani stated until 2018 BRI Syariah seeks to increase ROA by 0.97%.

BRI Syariah's strategy, among others, seeks to increase financing growth in the consumer segment. This is through several financing schemes such as Home Ownership Credit (KPR) and multipurpose financing. BRI Syariah will also make efforts to increase commercial financing through synergy with the parent company, namely PT Bank Rakyat Indonesia. Therefore, by the end of 2018, BRI Syariah is targeting a profit of IDR 225 billion with an asset target of IDR 36.98 trillion. Meanwhile, the distribution of financing is targeted at IDR 22.68 trillion and the collection of third-party funds, aka DPK, of IDR 28.28 trillion (<https://keuangan.kontan.co.id>). This phenomenon has shown the inconsistency of the relationship between financing and ROA.

2. Literature review

Istishna Financing

Istishna transaction is a sales contract between a buyer and a manufacturer of goods. In this contract, the manufacturer of the goods receives orders from the buyer. The manufacturer of the goods then tries to go through another person to make or buy the goods according to the agreed specifications and sell them to the final buyer. Both parties agree on the price and payment system, whether the payment is made in advance, through installments or it is deferred until sometime in the future (Waluyo, 2014; Akkaya, 2019).

H1: Istishna financing affects profitability in Islamic Commercial Banks for the 2015-2019 period

Qardh Financing

According to the Sharia Economic Law Compilation, Qardh is the provision of funds or claims between Islamic financial institutions and the borrower which requires the borrower to make payments in cash or installments within a certain period (Mardani, 2012: 332).

H2: Qardh financing affects profitability in Islamic Commercial Banks for the 2015-2019 period

Profitability

A profitability ratio is a ratio of profit (after tax) to capital (core capital) or profit (before tax) with the total assets owned by the bank for a certain period. For the ratio calculation results to be closer to the actual conditions (real), the capital or assets position is calculated on average over a certain period (Slamet, 2006).

H3: Simultaneous Istishna and Qardh Financing affects the Profitability of Islamic Commercial Banks for the 2015-2019 Period

3. Method

This research uses quantitative research methods. The quantitative research method used by the author in this study is to use a descriptive and associative method approach with the form of a causal relationship. The data and information of this research are sourced from the financial reports of Indonesian Sharia Commercial Banks for the 2015-2019 period which was obtained from the website www.ojk.go.id. The research was carried out in June 2020

4. Results

In this study, researchers presented Istishna and Qardh financing from financial reports taken from the OJK (Financial Services Authority) website during the 2015-2019 period. Research Objects: Regional Development Bank of West Java and Banten Syariah, Bank Syariah Mandiri, Bank Syariah Bukopin, Bank BRI Syariah, Bank Muamalat Indonesia.

From the Kolmogorov Smirnov test results above, the calculated Kolmogorov value is 0.110 with p-value (asymptotic) 0.200. The test will reject H0 if the p-value $< \alpha$ (5%). The test results show that the p-value is more than α (5%), then the residuals are normally distributed.

Table 2 Multicollinearity Assumption Test Results

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Istishna	1.000	1.000
	Qardh	1.000	1.000

a. Dependent Variable: Profitability

Table 2 above shows that the correlation between the independent variables is not strong enough because the VIF value of the two independent variables is still less than 10 with the tolerance value is above 0.1, so it signifies that there is no multicollinearity between the two independent variables (Gujarati, 2003).

Table 3 Durbin-Watson Value For Autocorrelation Test
Model Summary

Model	Durbin-Watson
1	2.039

a. Dependent Variable: Profitability

b. Predictors: (Constant), Qardh, Istishna

Table 3 above shows that the Durbin Watson value is 2,039. based on Durbin Watson's guidelines where the value is $1.65 < DW < 2.35$, then in conclusion there is no autocorrelation in the regression model.

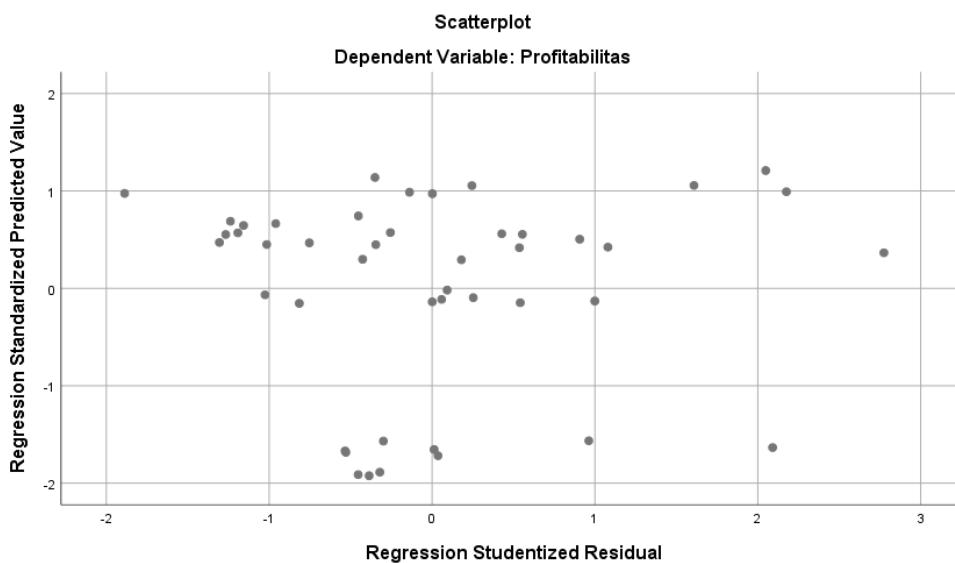


Figure 1 Heteroscedasticity Assumption Test Results

Based on the output from the scatterplot, it is known that the data does not form a certain pattern. As the points spread above and below the 0 on the Y axis, it can be concluded that there is no heteroscedasticity in the regression model.

Table 4 Multiple Regression Coefficient
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.070	31.070		-131	.896
	Istishna	.004	.078	.007	.045	.964
	Qardh	.041	.017	.342	2.357	.023

a. Dependent Variable: Profitability

The multiple regression equation based on the coefficients in table 2 is obtained between two variable (independent variable and dependent variable), as follows:

$$Y = -4.070 + 0,004 X_1 + 0,041 X_2$$

Tabel 5 Multiple Coefficient of Determination
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.342 ^a	.117	.075	15.16100

a. Predictors: (Constant), Qardh, Istishna
b. Dependent Variable: Profitability

From the results of table 5 above, it is known that the value of r^2 is 0.117, then the coefficient of determination simultaneously Istishna financing and qardh financing has a low affect on the profitability of Islamic Commercial Banks for the 2015-2019 period is 11.7%. This means that Istishna financing and qardh financing affect the profitability of Islamic Commercial Banks for the 2015-2019 period by 11.7%, while the rest is influenced by other factors such as *murabahah*, *musyarakah*, etc.

5. Conclusion

Istishna Financing has no effect on Profitability (ROA) at Islamic Commercial Banks in Indonesia in 2015-2019. These results support Faradilla's (2017) research that Istishna financing does not affect the Profitability of Islamic Commercial Banks.

Qardh financing has an effect on ROA Profitability in Islamic Commercial Banks in Indonesia in 2015-2019. These results support Taudhlikur Afkar's (2017) research that Qardh financing affects the profitability of Islamic Commercial Banks.

Based on the simultaneous test results, it shows that Istishna and Qardh financing does not affect simultaneously the Profitability of Islamic Commercial Banks in Indonesia in 2015-2019.

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