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FINANCING LEVEL, MARGIN INCOME, AND PROFIT SHARING RATE WITH THIRD-PARTY FUNDS AS MODERATORING

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Abstract: *Financing services are not limited to conventional financing, but also the concept of sharia which is currently developing very rapidly. Sharia-based financing is applied to Baitul-Mal wa at-Tanwil (BMT) which is growing in the community. The object of this study is BMT in Tegal City, with a purposive sampling method to determine the sample. The sample of this study was five BMT in Tegal city, with an observation period of five years (2016 to 2020). The data is used panel data, with a linear regression analysis method using the Eviews 10. This study aims to determine the level of financing affecting the level of profit sharing it receives, as well as to determine the margin income of murabahah affects the level of sharing results. As a result, the level of financing does not have a significant effect on the profit-sharing rate, but after including the moderation variable of third-party funds, the level of financing significant affects the profit-sharing rate. While murabahah margin income has a significant effect on profit-sharing rates, so do third-party funds added as a moderation variable murabahah margin income remains a significant effect on the profit-sharing rate.*

Keywords: *financing level, margin income, profit sharing, third-party funds, BMT*

1. Introduction

The concept of shari'ah is growing very rapidly in Indonesia, not only in banks, financing institutions, and non-bank financial institutions, such as BMT (*Baitul-Mal was at-Tanwil),* until now it has developed sharia-based financial technology. The existence of BMT in Indonesian society is very much needed because it improves the quality of economic business, especially for the welfare of members and generally for the community. BMT is an alternative to the implementation of avoiding usury in conventional interest so that financial transactions are in accordance with Islamic law. Riba means *ziyadah* (additional), that is, the taking or collection of additional assets or capital in vanity or incorrect and unkindly manner. This is not in accordance with Islamic law. BMT avoids usury that exists in conventional interest and replaces it with a profit-sharing system (Al-Deehani et al., 1999) .

The profit sharing from BMT is also related to *fundraising* and *financing* related to participation products or business cooperation. There are so-called *shahibul maal* and *mudharib* in BMT product development and BMT can play a role as *shahibul mail*, also as *mudharib*. *Shahibul maal* is the owner of the fund that deposits its funds to BMT which will be managed in accordance with the agreement. *Mudharib* is a group of people or institutions that will acquire funds for investment. The relationship between *shahibul maal* and *mudharib* is very close because the mechanism of the profit-sharing system is more competitive and consumers get the selling price of the product at a reasonable price despite the crisis situation. The selling price of the product is not affected by the profit-sharing rate (Mujahidin, 2019).

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BMT is expected to not only carry out financial institution activities with sharia principles but also other benefits such as social and economic benefits. BMT is business-oriented to be run professionally so that it is efficient and is key in developing BMT because it can provide competitive profit sharing to customers. It can also improve the welfare of managers who are on an equal footing with other institutions (Dewi, 2017).

In addition to raising funds, BMT also held *murabahah* financing*. Murabahah* is Islamic bank financing with the principle of buying and selling with a profit agreement within a certain period of time. (Afrida, 2016) *this murabahah* is considered to be less risky than profit sharing (Amira et al., 2014). The profit is determined at the beginning so that the profit obtained can be predicted. This advantage is influenced by two factors, namely external factors such as changes in service delivery technology, laws, government regulations, and policies, and competition and factors internal such as the efficiency of use of cost control resources, tax management policy, liquidity position, and risk position. However, there are also specific factors that affect the bank's performance such as operating costs, money markets, and risks related to the bank's operations. The margin level of murabahah financing affects the shareholder profit-sharing rate given to members of the fund depository because *murabahah* is the largest financing product in Islamic financial institutions (Istikoma, 2014).

A card with the principle of buying and selling such as *murabahah* dominates financing in Islamic banks. Profit-sharing financing is difficult to do because of risks and uncertainties, and losses when the profit-sharing ratio is shared. This *Murabaha* contract is also a differentiator from conventional banks. The demand for *murabahah* financing is influenced by the interest rate on conventional bank loans. If lending rates rise, then people's ability will fall and if the demand for conventional bank loans falls, people will turn to *murabahah* financing*.* (Damayanti, 2017)

Research conducted by, (Zulpahmi & Rizqiana, 2018) states that operational costs, Third Party Funds (TPF), and NPF (*Non-Performing Financing*) have an influence on the *Murabaha* margin level. Operating costs affect as a deduction from revenue, TPF is an indicator in determining the *Murabahah* margin, and NPF has no effect on the *Murabaha* margin because of the BPF level.

(Arumdhani & Septiani, 2012), conducting research by mentioning that the increase in *murabahah* financing is because customers apply for *murabahah* financing every month so banks allocate more of their funds for *murabahah* financing than to others. The increase in murabahah financing also increases *murabahah* margins.

Research conducted by (Mauluddi, 2020), says that BOPO (Operating Costs and Operating Income), TPF, and NPF have a significant influence on the margin level of *murabahah* financing. But only the TPF variable has a partial influence. This study was conducted to test and analyze financing rates, *Murabaha* margin income, and profit-sharing rates with third-party funds as a denominator.

2. Hypothesis Development

2.1. Effect of financing rate on profit sharing rate

BMT carries out its function as a business entity that collects funds in the form of money from the community (in the form of deposits/savings) and distributes them to the community (in the form of financing). The effectiveness of BMT is assessed based on the level of financing obtained compared to third-party funds. The greater the level of financing, the greater the profit-sharing rate. This is because the profit-sharing rate is a return from the level of financing managed by BMT. This means that the higher the volume of financing disbursed by BMT, the higher the income earned by BMT. Research (Arumdhani & Septiani, 2012) has shown that the

level of financing has a significant effect on *Murabaha* financing. On the other hand, research(Pratin & Adnan, 2005) proves that financing does not have a significant effect on the percentage of profit sharing.
H_1: The level of financing has a significant effect on the profit sharing rate

2.2. Effect of *murabahah* margin income on profit sharing rate

Murabahah means to grow and develop. The financing of the *Murabaha* contract is the same as buying and selling as seen from BMT profit-taking. This profit is obtained from the margin between the purchase price of BMT and the selling price for customers. The margin obtained by BMT is a return from the agreement between BMT and customers related to the sale and purchase of an item. The higher the *Murabaha* margin income, the higher the profit-sharing rate obtained by BMT. The research conducted by (Mauluddi, 2020) proved that the margin on the *Murabaha* contract has a positive effect on profit sharing significantly. Similarly, research (Zaenudin, 2014) has shown that *murabahah* margin income has a significant effect on *mudharabah* profit share. This is not in line with research (Sari, 2021) that *murabahah* margin income does not have a significant effect on profit sharing.
H_2: *Murabahah* margin income has a significant effect on profit sharing rate

2.3. Third Party Funds moderate financing rates effect on profit sharing rates

Third-party funds raised by BMT are the largest between 80%-90% of all funds managed by BMT. The larger the third-party funds raised by BMT, the greater the financing disbursed by the bank. Research conducted by (Destina, 2016), third-party funds have a positive effect on profit-sharing financing. The greater the third-party funds raised by BMT, the greater the financing carried out. This is because the higher the level of financing compared to third-party funds, the higher the level of comparison between the level of financing and the profit-sharing rate. Research (Farianti et al., 2019) included third-party funds as a moderation variable, resulting in that third-party funds moderating financing having a significant effect on net operating margin.
H_3: Third Party Funds moderate significant effect of financing rates on profit sharing rates

2.4. Third Party Funds moderate *murabahah* margin income effect on profit sharing rate

Third-party funds are community funds owned by BMT as a fundraiser from the advantages that exist in the community. In research conducted by (Zulpahmi & Rizqiana, 2018) Third Party Funds, it affects the margin of *murabahah* because third-party funds are management indicators. On the other hand, research (Pratin & Adnan, 2005) proves that *murabahah* margins have a significant effect if moderated by own capital. Research(Vien et al., 2017) has also shown that third-party funds have no significant effect on Murabaha margins.
H_4: Third Party Funds moderately influence *murabahah* margin income on profit sharing rate

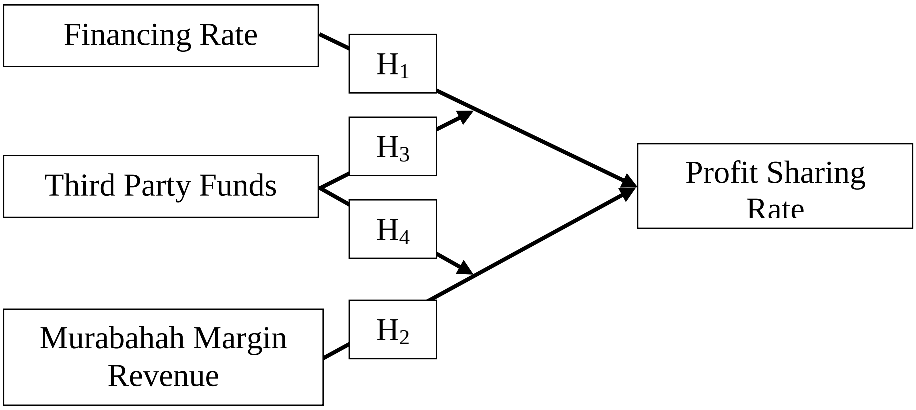

Figure 1. Thinking Framework

Figure 1 explains that this study has a thinking framework like the one in the flow above. Financing rate is affect to profit share rate, as first hypothesis. Then, *murabahah* margin revenue is affect to profit share rate, as second hypothesis. This research have the third-party funds as a moderating variable. third party funds are expected to be able to strengthen or weaken the relationship between the financing level and margin income to the level of profit sharing. third party funds are added as the third and fourth hypothesis.

3. Research Methods

This study used secondary data documented from monthly financial statement information. The type of data used is quantitative data which is panel data. The data obtained are profit sharing data, financing data, *Murabaha* margin data, and third-party funds from five BMT in Tegal City over a five-year period with a monthly time sequence (2016 to 2020), so the data obtained amounted to 300 observations (five BMT x 12 months x 5 years). The analysis in this study used the assist of the Eviews 10 application, with an estimation method using *Ordinary Least Square* (OLS). This study does not test the classical assumptions, because the data used are monthly financial statements, which are historical data and have already occurred, which means real data, So there is no need for a test of classical assumptions.
The operational definition of the variable is described in the table below:

Table 1 Operational Definitions of Variables

Variable	Proxy	Acronym	Estimation
Depend on	Profit Share Rate	PSR	Return or incentive in the form of a bonus
Independent	Financing Rate	FR	Total financing activity
	Margin Revenue	MR	The total profit rate of buying and selling murabahah contracts
Moderation	Third-Party Funds	TPF	Total funds obtained from third parties

Source: processed data, 2022.
The model in this study is described in the following equation.

$$PSR_{i,t} = \alpha_0 + \beta_{FR}FR_{i,t} + \beta_{MR}MR_{i,t} + \beta_{FRTPF}FR_{i,t}xTPF_{i,t} + \beta_{MRTPF}MR_{i,t}xTPF_{i,t} + \varepsilon_{i,t}$$

4. Results and Discussion

4.1. Results

This study first looked at the descriptive value of statistics to determine the minimum value, maximum value, standard deviation, average value, and median value of each data.

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Table 2 Descriptive Statistics

	FR	MR	FR*TPF	MR*TPF
Mean	23278908	58808132	57867518	14062517
Median	20006709	53056650	22267818	54176516
Maximum	42876109	116725608	258876119	66875917
Minimum	5368708	21746813	29771517	10557416
Std. Dev.	1818712	23064584	78038618	18927617
Observations	300	300	300	300

Source: data processed, 2022.

Table 2 shows statistical descriptive results relating to data for calculating minimum values, maximum values, standard deviations, average values, and median values. The results of these data each calculated data on Financing Rate (FR), *Murbahah* Margin Revenue (MR), and Third Party Funds (TPF) as moderation in this study.

Table 3 Regression Test Results

Dependent Variable: PSR
Method: Least Squares
Sample: 2016M01 2020M01
Included observations: 300

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.579065	0.464633	-1,246284	0.0006
FR	-0,000385	0,000665	-0,578763	0.5632
MR	0.290559	0.031351	9.268066	0.0000
FR*TPF	6.545614	3.209713	3.285175	0.0001
MR*TPF	-2.689186	1.324611	2.986361	0.0050

R-squared	0.781011	Mean dependent var	7.121731
Adjusted R-squared	0.778041	S.D. dependent var	4.449173
S.E. of regression	2.096116	Akaike info criterion	3.196560
Sum squared resid	1.308715	Schwarz criterion	3.202733
Log-likelihood	-4.789839	Hannan-Quinn criteria.	3.199030
F-statistic	2.630245	Durbin-Watson stat	0.486976
Prob(F-statistic)	0.000000		

Source: data processed, 2022.

Table 3 indicates the regression results of the research model shown in the following equation.

$$PSR_{i,t} = -5.5790 + (-0.0003)FR_{i,t} + 0.2905MR_{i,t} + 6.5456FR_{i,t}xTPF_{i,t} + (-2.6891)MR_{i,t}xTPF_{i,t} + \varepsilon_{i,t}$$

4.2. Discussion

Table 3 shows that the financing rate variable has no significant effect on the profit-sharing rate. If the profit-sharing rate is high, then the financing rate has no effect on the increase in the profit-sharing rate. This is evidenced by the regression analysis which shows a statistical t value of -0.5785 smaller than the table t value of 1.6499. And the significance value of 0.5632 is greater than the alpha significance level of 0.0500. A high level of financing does not mean that the sharing income is also high. This means that there is another factor, which considers its effect on the profit-sharing rate. The results of this study are in line with the research carried out by (Pratin & Adnan, 2005), but not in line with the research (Arumdhani & Septiani, 2012). Thus, the first hypothesis (H_1) is rejected.

The *Murabaha* margin income variable shows a positive and significant direction, which means that *murabahah* margin income has a positive effect on the profit-sharing rate. If the profit-sharing rate is high, then the *Murabaha* margin income is also high. This is evidenced by the results of regression analysis seen from a positive statistical t value of 9.2680 greater than the table t value of 1.6499. And the significance value of 0.0000 is smaller than the alpha significance level of 0.0500. The results of this study are in line with the research (Mauluddi, 2020) and (Zaenudin, 2014), but not in line with the research (Sari, 2021). Thus, the second hypothesis (H_2) is accepted.

If the first hypothesis (H_1) is rejected, then this study adds a moderation variable of third-party funds to strengthen or weaken the relationship between the level of financing and the rate for results. The assumption is that the presence of third-party funds helps variable financing levels affect the profit-sharing rate. Table 3 shows that third-party funds reinforce the effect of financing rates on profit sharing rates. This is evidenced by the results of the regression analysis of the statistical t value of 3.2851 greater than the table t value of 1.6499. And the significance value of 0.0001 is smaller than the alpha significance rate of 0.0500. The results of this study are in line with the research of (Destiana, 2016) and (Farianti et al., 2019). Thus, the third hypothesis (H_3) is accepted.

The study also tried to add a moderation variable of third-party funds to reinforce the effect of *murabahah* margin income on profit-sharing rates. Table 3 shows that third-party funds reinforce the effect of *murabahah* margin income on profit sharing rates. This is evidenced by the results of the regression analysis of the statistical t value of 2.9863 greater than the table t value of 1.6499. And a significance value of 0.0500 is equal to an alpha significance value of 0.0500. The results of this study are in line with (Zulpahmi & Rizqiana, 2018), but not in line with the research. (Pratin & Adnan, 2005) and (Vien et al., 2017). Thus, the fourth hypothesis (H_4) is accepted.

Table 3 also shows the influence of free variables together on their bound variables. The statistical F value of 2.6302 is greater than the table F value of 2.4200. And the significance value of 0.000 is less than the alpha significance value of 0.0500. Thus, it was concluded that there was a significant influence between financing levels, *Murabaha* margin income, third-party funds moderated financing rates, and revenues *murabahah* margins moderated by third-party funds together against the profit-sharing rate.

The analysis of the coefficient of determination can be seen in table 3 by being indicated by the value of the R-square. The R-square value indicating a value of 0.7810 means that in this study the free variable explaining the bound variable is 78.10%, while the rest, or 21.90% is explained by the other variables not studied in this study.

5. Conclusion

The results of this study proved that the level of financing did not have a significant effect on the profit-sharing rate. This is evidenced by partial testing obtained significance values of 0.5632 > 0.0500. The contribution of the research is that when BMT has a high level of financing, it does not mean that the BMT has a high profit-sharing rate anyway, because it does not significant effect. A high level of financing could mean that BMT has bad debts as an obstacle to obtaining a high profit-sharing rate.

On the other hand, when BMT has additional capital from third-party funds, the insignificant influence of the financing rate on the profit-sharing rate becomes significant. This is evidenced by partial testing obtained significance values of 0.0001 < 0.0500. The assumption is that third-party funds can act as facilitators and mediators between customers and BMT so that third-party funds act as supervisors.

This research also proves that *murabahah* margin income has a significant effect on profit-sharing rates. This is evidenced by the partial examination obtained significance values of 0.0000 < 0.0500. The contribution of the research is that when BMT has a high *murabahah* buying and selling agreement, the profit-sharing rate obtained by BMT is also high. *Murabahah* margin income is assumed to be the return of BMT in operating its buying and selling activities, as well as the profit sharing rate which is the return from BMT operational activities.

Third-party funds have been shown to moderate the significant effect of *murabahah* margin income on profit sharing rates. This is evidenced by partial testing obtained significance levels of 0.0001 < 0.0500. The problem is that the presence of third-party funds strengthens the *Murabaha* margin income affected the profit-sharing rate. This means that the more capital from third-party funds, the more BMT obtains *murabahah* buying and selling contracts, and the higher the profit-sharing rate received by BMT.

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