Journal of Applied Economics in Developing Countries
P-ISSN 2354 – 6417 | E-ISSN 2685 – 7448
Vol. 8 No. 2, September 2023, Page 55-61

THE INFLUENCE OF CAR, ROA, FDR ON MURABAHAH FINANCING WITH NPF AS MODERATING VARIABLE

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ARTICLE INFO

Article history
Received :16 July 2023
Revised : 27 July 2023
Accepted : 31 July 2023

Keywords
Capital Adequacy Ratio;
Third Party Funding;
Return on Assets;
Financing Deposit Ratio;
Non Performing Financing

JEL classification
G21; G32

ABSTRACT

This study aims to determine the effect of Capital Adequacy Ratio (CAR), Third Party Funding (TPF), Return on Assets (ROA), and Financing Deposit Ratio (FDR) on murabahah financing with Non Performing Financing (NPF) as a moderating variable. This study uses quantitative types using purposive sampling techniques by setting several criteria so that 50 observations and 10 Full-Fledged Islamic Banks are the research sample. This research uses secondary data from panel data at Full-Fledged Islamic Banks for 2018-2022. The results of this study show that: 1) The Capital Adequacy Ratio (CAR) has no effect and negatively impacts murabahah financing; 2) Third Party Funding (TPF) has a positive and significant effect on murabahah financing; 3) Return On Assets (ROA) has a positive and significant effect on murabahah financing; 4) Financing To Deposit Ratio (FDR) has no effect and negatively impacts murabahah financing; 5) Non-performing financing (NPF) cannot moderate the influence of the Capital Adequacy Ratio on murabahah financing; 6) Non-performing financing (NPF) can moderate the influence of Third party funding on murabahah financing; 7) Non-performing financing (NPF) can moderate the influence of Return On Assets on murabahah financing; and 8) Non-performing financing cannot moderate the influence of the Financing To Deposit Ratio on murabahah financing.

1. INTRODUCTION

Banking is one of the development agents in the state's life because the primary function of banking is as a financial intermediation institution, namely a financial institution whose function is to collect funds from the public and channel them back in the form of financing. The function of banking as a financial intermediation institution is also part of Sharia banking, in addition to being an institution that manages zakat, infaq, and alms (Miqdad, 2017).Sharia banking in Indonesia has experienced significant development since the enactment of Law No. 10 of 1998 and amended Banking Law No. 7 of 1992, which is more flexible and provides opportunities for developing Sharia banking. The existence of this law is strengthened by the Sharia Banking Law No. 21 of 2008, which explicitly recognizes the existence of Sharia banking and differentiates it from the banking system (Musjtari et al., 2017).

The development of sharia banking in Indonesia is a manifestation of public demand for a banking system that, apart from providing sound banking or financial services, also complies with sharia principles. The development of the Sharia financial system began before the government formally laid down the legal foundations for its operations. Thus, the legal regulations for Sharia banking activities through Law No. 7 of 1992 concerning Banking as amended in Law No. 10 of 1998 and Law No. 23 of 1999 concerning Bank Indonesia is a response to actual requests from the public as well as Article 19 of Law no. 21 of 2008 concerning Independent Sharia Banking Operations (OJK, 2008). Murabahah financing is funding provided by a company to parties who need funds to support investment (Nurmalasari, 2021). The regulation that the seller is obliged to disclose to the buyer the cost price of the goods and the profit margin included in the selling price. In this case, the Islamic bank is the seller, and the customer is the buyer. This will make it easier for Islamic banks to predict how much profit they will get (Sari, 2018).

Capital Adequacy Ratio indicates the bank's ability to cover the decline in its assets due to bank losses caused by risky assets (Sekarwati, 2018). Signal theory is the basis for capital adequacy information provided to outside parties regarding the condition of a bank's capital. An increase in the capital adequacy ratio will also increase murabahah financing at Sharia banks because outside parties or investors receive a positive signal of an increase in murabahah financing at Sharia banks. The research results from Nahrawi (2017) and Aprilia et al. (2019) stated that the Capital Adequacy Ratio had a significant positive effect on Murabahah financing, in contrast to research by Hesty & Yulistiana (2018) which stated that the Capital Adequacy Ratio in this research did not affect Murabahah Financing.

Third party funding are funded by the public, both business entities and individuals, and are obtained by banks using various deposit product instrume nts owned by the bank (Miqdad, 2017). Based on signal theory, an increase in Third party funding will also influence murabahah financing at Sharia banks because outside parties or investors receive a positive signal of an increase in murabahah financing at Sharia banks. Research results from Riyadi & Rafii (2018) and Widiwati & Rusli (2020) (Widiwati & Rusli, 2020)state that Third Party Funding (TPF) have a significant and positive effect on Murabahah Financing, in contrast to research by Anisa & Tripuspitorini (2019) which states that Third Party Funding have a significant adverse effect on Murabahah Financing.

Return on Assets (ROA) measures bank management's ability to obtain overall profits. It indicates banking's ability to obtain profits on some assets a bank owns (Nurmalasari, 2021). Based on the signal theory, a high return on assets can also increase investor confidence and increase murabahah financing, which is used to regulate the effectiveness of the company's overall operations. The lower the ratio, the worse it is, and vice versa; if the ratio is higher, the better it is. Nahrawi (2017) and Putri & Wirman (2021) states that Return On Assets has a positive and significant effect on Murabahah financing.

Financing To Deposit Ratio, often called liquidity, measures a bank's ability to meet its short-term obligations or obligations that are due (Asriyati, 2017). Signal theory discusses the relationship between the financing-to-deposit ratio and murabahah financing. This theory states that the higher the financing-to-deposit ratio, the greater the murabahah financing distributed. Moreover, Nafiah et al. (2020) stated that the Financing To Deposit Ratio had a positive and significant effect on murabahah financing, in contrast to research, which states that the Financing To Deposit Ratio has no significant effect on murabahah financing.

Based on the description above, there is uncertainty in the results of previous research, so it is necessary to carry out further research on financial ratios for Murabahah Financing. This research needs to be carried out again by adding Non-Performing Financing (NPF) as a moderating variable so that the research results will confirm and strengthen the existing theory. As a moderating variable, NPF influences CAR, TPF, ROA, and FDR. The existence of NPF as a moderating variable is because NPF can influence the bank's decision to determine the buying and selling financing that will be disbursed to minimize financing risks that may occur. A high NPF will reduce capital and bank efficiency, affecting the financing available for buying and selling. Will be distributed (Adzimah, 2017).

2. RESEARCH METHODS

The population determined by researchers in this research is the annual financial reports of all Full-Fledged Islamic Banks operating in Indonesia and registered with the OJK from 2018 to 2022. In this research, researchers can use purposive sampling to determine samples based on specific considerations or criteria. The data samples used are CAR, TPF, ROA, FDR, and NPF in Full-Fledged Islamic Banks financial reports taken from OJK data. From the entire population taken in this study, the sample criteria were as follows: 1) Full-Fledged Islamic Banks is registered in Indonesia, and banks publish financial reports for five years, namely 2018 – 2022; 2) Full-Fledged Islamic Banks that include complete financial ratio information in reports published during the 2018-2022 period; and 3) Full-Fledged Islamic Banks that have financial ratio data are needed for research activities.

This research was conducted using cross-section and time series data. According to Sugiyono (2017), data is collected over time. This data is usually used to see developments from one day to the next. Then, the data analysis technique in this research uses multiple linear regression analysis, which is carried out with the help of the Eviews10 application. The following is the operational definition in this research.

CAR (X1): Ratio that measures the adequacy of capital owned by the bank to support assets containing risk (Fiscal & Lusiana, 2014).

$$\text{CAR} = \frac{\text{Bank Capital}}{\text{ATMR}} \times 100\%$$

TPF (X2): the bank's leading source of funds obtained from savings from the public (Prastiwi, 2021).

$$\text{TPF} = \text{Giro} + \text{Saving} + \text{Deposit}$$

ROA (X3): The ratio used to measure the ability of bank management to obtain profits (Nurmalasari, 2021).

$$ROA = \frac{\text{Provit Before Tax}}{\text{Total Assets}} \times 100\%$$

FDR (X4): Ratio between total financing provided and total Third party funding (Aninda & Diansyah, 2020).

$$\text{FDR} \frac{\text{Total Financing}}{\text{Third Party Funding}} \times 100\%$$

Murabahah Financing (Y): An agreement to buy and sell goods at a selling price amounting to the acquisition cost plus the profit agreed upon by the seller and buyer (Fitriyani et al., 2019).

$$\frac{\Sigma \text{ Funding Murabahah Distributed}}{\Sigma \text{ Funding Provided}} \times 100\%$$

NPF (Z): The ratio between the amount of problematic financing and the total financing provided by the bank (Marlina JN & Setiawan, 2019).

$$\text{NPF} = \frac{\text{Financing Problems}}{\text{Total Financing}} \times 100\%$$

3. RESULTS AND DISCUSSION

This study's independent variables are CAR, TPF, ROA, and FDR, whose average ratios are 29.40%, 80.55%, 2.2%, and 85%. The dependent variable is murabahah financing whose average volume is IDR 4036 16,- billion. NPF is a moderating variable with average ratio is 1.48%. The financial reports that will be tested in this research are annual financial reports from 2018 to 2022. Each Full-Fledged Islamic Banks has five annual financial report periods. So if there are 10 Full-Fledged Islamic Banks used in this research, then the number of financial reporting periods used will be 50 periods.

The Chow test is used to differentiate between common and fixed effects. The Cross Section Chi-square results for the Chow Test are 0.0000 < 0.05, which indicates that the Fixed Effect Model was chosen. Next, a Hausman test was carried out to determine whether the fixed effect or random effect method was more appropriate. The Hausman test is used to differentiate between fixed and random effects. The Cross Section Chi-square results for the Hausman Test are 0.0387 < 0.05, which indicates that the Fixed Effect Model was chosen and more suitable for this research.

Table 1. Coefficient of Determination Results

Variables	Coefficient
R-squared	0.592693
Adjusted R-squared	0.546408

Source: Processed data, 2023

The adjusted R-squared value is 0.546408 or 54.6408 %. The coefficient of determination value shows that the independent variables of CAR, TPF, ROA, and FDR can explain the murabahah financing variable of Full-Fledged Islamic Banks in Indonesia by 54.6408%. In comparison, the remaining 45.3592% is explained by other variables not included in the research model.

Table 2. F Test Results

Variables	Coefficient
F-statistic	12.80531
Prob(F-statistic)	0.000000

Source: Processed data, 2023

From the data above, it can be explained that the influence between variables CAR, TPF, ROA, FDR, and NPF on murabahah financing is positive and significant. It can be seen from the F test based on a significant value with a number less than 0.005, namely 0.000, and the F test based on the F table is greater than the F table with an F table value of 2.42704 while the F value is 12.80531.

Table 3. T-Test Results

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	3044.839	2093,853	1.454180	0.1530
CAR	-30.59419	20.92983	-1.461751	0.1509
TPF	0.166648	0.033854	4.922471	0.0000
ROA	535.5622	131.2518	4.080419	0.0002
FDR	9.060166	21.80545	0.415500	0.6798
NPF	-969.9106	301.0488	-3.221772	0.0024

Source: Processed data, 2023

From the table above, it can be explained that the t-test is as follows:

The t-test results on the CAR variable (X1) showed that the calculated t value was 1.261751, smaller than the t table value, 2.011, and the sig value of 0.1509 was more significant than 0.05, so H1 was rejected. H0 was accepted, meaning that the CAR variable did not affect Murabahah Financing on Full-Fledged Islamic Banks in Indonesia.

The t-test results on the TPF variable (X2) showed that the calculated t value was 4.922471, which was greater than the t table value, namely 2.011, and the sig value of 0.0000 was smaller than 0.05, so H2 was accepted. H0 was rejected, meaning that the TPF variable affects Murabahah Financing on Full-Fledged Islamic Banks in Indonesia.

The t-test results on the ROA variable (X3) show that the calculated t value is 4.080419, more significant than the t table value, 2.011, and the sig value of 0.0002 is smaller than 0.05, so H3 is accepted. H0 is rejected, meaning that the ROA variable affects Murabahah Financing on Full-Fledged Islamic Banks in Indonesia.

The t-test results on the FDR variable (X4) showed that the calculated t value was 0.415500, which was smaller than the t table value, namely 2.011, and the sig value of 0.6798 was more significant than 0.05, so H4 was rejected. H0 was accepted, meaning the FDR variable did not affect Murabahah Financing on Full-Fledged Islamic Banks in Indonesia.

The t-test results on the NPF (Z) variable showed that the calculated t value was 3.221772, more significant than the t table value, which is 2.011, and the sig value of 0.0024 was smaller than 0.05, so H5 was accepted. H0 was rejected, meaning that the NPF variable affects Murabahah Financing on Full-Fledged Islamic Banks in Indonesia.

Table 4. Model Regression Analysis (MRA)

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	1748.858	2804.436	0.623604	0.5363
CAR	-29.97381	38.83751	-0.771775	0.4447
TPF	0.268644	0.048608	5.526731	0.0000
ROA	725.3891	151.9141	4.774994	0.0000
FDR	6.570054	38.55030	0.170428	0.8655
X1Z	1.853251	32.94796	0.056248	0.9554
X2Z	-0.056011	0.015648	-3.579444	0.0009
X3Z	-241.0210	115.0625	-2.094697	0.0424
X4Z	-1.145925	8.060792	-0.142160	0.8876

Source: Processed data, 2023

Based on the moderation test above, the test results with the code X1Z have a value of 0.9554, more significant than 0.05. This shows that NPF does not moderate the CAR and Murabahah variables. The test with the X2Z code has a value of 0.0.0009, which is smaller than 0.05. This shows that NPF moderates the TPF and Murabahah variables. The test with the X3Z code has a value of 0.0424, which is smaller than 0.05. This shows that NPF moderates the ROA and Murabahah variables. The last test is a moderation test with the X4Z code having a value of 0.8876, more significant than 0.05. This shows that NPF does not moderate the FDR and Murabahah variables.

4. CONCLUSION

This study aims to determine the effect of Capital Adequacy Ratio (CAR), Third Party Funding (TPF), Return on Assets (ROA), and Financing to Deposit Ratio (FDR) on murabahah financing with Non-Performing Financing (NPF) as a moderating variable. The results of this study show that: 1) The Capital Adequacy Ratio (CAR) has no effect and negatively impacts murabahah financing; 2) Third Party Funding (TPF) has a positive and significant effect on murabahah financing; 3) Return On Assets (ROA) has a positive and significant effect on murabahah financing; 4) Financing To Deposit Ratio (FDR) has no effect and negatively impacts murabahah financing; 5) Non-performing financing (NPF) cannot moderate the influence of the Capital Adequacy Ratio on murabahah financing; 6) Non-performing financing (NPF) can moderate the influence of Third party funding on murabahah financing; 7) Non-performing financing (NPF) can moderate the influence of Return On Assets on murabahah financing; and 8) Non-performing financing cannot moderate the influence of the Financing To Deposit Ratio on murabahah financing.

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