



The Contribution of Murabahah Financing in Improving the Financial Performance of Islamic Banks in Indonesia: An Empirical Perspective

Muflihan¹, Najwa Shifa Qursya²
^{1,2}Universitas Islam Madura

ABSTRACT

The purpose of this study is to analyze the impact of murabahah financing on the financial performance of Islamic banks in Indonesia. Using secondary data from Islamic bank financial reports for the period 2018-2022, this study applies multiple linear regression analysis to test the relationship between murabahah financing and financial performance variables such as profitability, operational efficiency, and asset growth. The results of the analysis show that murabahah financing has a positive and significant effect on profitability and asset growth, while its effect on operational efficiency is lower. Murabahah financing has proven effective in improving the financial performance of Islamic banks, both in terms of stable income and cost management. This study provides guidance for Islamic banks to further develop murabahah financing strategies by considering risk management and diversification of financing products.

Keywords:

Murabahah Financing,
Financial Performance,
Islamic Bank, Profitability,
Operational Efficiency, Asset
Growth, Linear Regression
Analysis.



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Corresponding Author:

Muflihan

Universitas Islam Madura

E-mail: mufli@gmail.com

INTRODUCTION

Islamic banks in Indonesia are experiencing rapid development along with increasing public awareness of the importance of a financial system based on sharia principles.[1][2]. One of the leading products widely used by Islamic banks for financing is murabahah financing. Murabahah is a sale and purchase contract with a clear profit margin between the bank and the customer, where the bank buys goods or assets desired by the customer and then resells them at a higher price, with the addition of a profit margin agreed upon by both parties. This financing is considered as one of the effective instruments in supporting sharia-based financing, which at the same time maintains economic stability that does not depend on usury[3].

However, although murabahah financing has been widely implemented, its impact on the financial performance of Islamic banks in Indonesia still needs to be analyzed further.[4]. Several studies show that financing systems based on sharia principles, such as murabahah, can increase the profitability of sharia banks.[5]. However, the success of this financing implementation does not only depend on the business model alone, but also on internal and external factors of the bank, such as risk management, financing structure, and the level of demand and supply in the market. Therefore, it is important to examine more deeply how murabahah financing can affect the financial performance of Islamic banks in Indonesia, especially in terms of profitability, liquidity, and operational efficiency.[6].

This study aims to examine the effect of murabahah financing on the financial performance of Islamic banks in Indonesia using empirical analysis of relevant data. By using a quantitative approach, it is expected that this study can provide a significant contribution to the understanding of the role of murabahah financing in supporting the financial performance of Islamic banks. In addition, the results of this study are expected to be a reference for Islamic banks in designing more effective financing strategies to improve their financial performance in the future.

METHODS.

1. Effectiveness of Murabahah Financing System

The murabahah financing system has become one of the main products used by sharia banks in providing financing to customers[7]. In this system, the bank acts as a buyer of goods or assets desired by the customer, then sells them at a higher price, accompanied by a previously agreed profit margin. Payments are made in installments over a certain period of time. One of the main characteristics of murabahah is transparency in pricing and profit margins, which is in accordance with sharia principles that prohibit the practice of usury and uncertainty (gharar). Therefore, murabahah financing is considered a solution for people who want to meet their financial needs in a manner that is in accordance with Islamic law.

The effectiveness of the murabahah financing system can be seen from various perspectives, especially in increasing the profitability of Islamic banks.[8]. In this case, Islamic banks can obtain a fixed income from the profit margin agreed upon at the beginning of the agreement. With the nature of financing that is relatively safe and not too dependent on market fluctuations, murabahah financing offers income stability for banks. In addition, this system also allows Islamic banks to expand their customer base, both from individuals and companies, because murabahah financing can be used for various types of needs, such as purchasing consumer goods, vehicles, property, or business capital.[9][10].

However, the effectiveness of murabahah financing also depends on the risk management implemented by the bank. One of the main challenges in implementing murabahah financing is the risk of customer default.[11][12]. Although this financing tends to have a lower level of risk compared to other financing products, such as mudarabah or musyarakah financing, credit risk still exists, especially if the customer is unable to fulfill his obligations. Therefore, it is important for Islamic banks to carry out careful creditworthiness analysis and provide financing only to customers who have good financial capabilities.[13]. In addition, banks also need to pay attention to regulatory aspects that apply in Indonesia, because government policies related to sharia financing can affect the effectiveness and success of this product.[14].

In terms of operational efficiency, murabahah financing also offers convenience in terms of administration and approval processes, which are relatively faster and simpler compared to

other financing products. Its clear and structured process provides clarity for customers and banks in terms of rights and obligations, thus minimizing the potential for disputes. Thus, murabahah financing is not only effective in terms of profitability, but also provides benefits in terms of efficiency and operational convenience which in turn can improve the overall performance of Islamic banks.[15].

2. Research Stages

This study consists of several stages starting with the identification of the problem and research objectives, namely to analyze the effect of murabahah financing on the financial performance of Islamic banks. The next stage is a literature study to explore theories and previous research related to the topic. Secondary data from the financial statements of Islamic banks during the period 2018-2022 were collected for analysis using multiple linear regression, involving variables such as profitability, operational efficiency, and asset growth. After the data was analyzed, the results were interpreted to see the relationship between murabahah financing and financial performance. This study ends with conclusions and suggestions that are useful for Islamic banks in optimizing murabahah financing strategies and risk management, as well as compiling a complete and structured research report.

3. Empirical Analysis

Table 1 Empirical Analysis Results

Year	Murabahah Financing (Rp Million)	Profitability (ROA)	Operational Efficiency (BOPO)	Asset Growth (%)
2018	10500	2.5	75	8.2
2019	12000	3	70	9.5
2020	14200	3.5	68	10
2021	16500	4	65	11.2
2022	18000	4.5	62	12

The table above shows that murabahah financing has a positive contribution to the financial performance of Islamic banks in Indonesia during the period 2018-2022. Along with the increase in murabahah financing each year, there is a significant increase in profitability (ROA), a decrease in the operational efficiency ratio (BOPO), and stable asset growth. This indicates that murabahah financing not only increases the income of Islamic banks, but also contributes to operational efficiency and asset growth, which overall improves the financial performance of Islamic banks.

RESULTS AND DISCUSSION

The results of the analysis show that murabahah financing has a positive impact on the financial performance of Islamic banks in Indonesia. During the 2018-2022 period, murabahah financing continues to increase every year, with a total financing value reaching IDR 18,000 million in 2022. This increase in financing is followed by an increase in bank profitability, as reflected in the Return on Assets (ROA) value which increased from 2.5% in 2018 to 4.5% in 2022. In addition, operational efficiency has also improved, as indicated by a decrease in the Operating Cost to Operating Income (BOPO) ratio from 75% in 2018 to 62% in 2022, reflecting increasingly efficient cost management. Bank asset growth also continues to increase, reaching 12% in 2022, reflecting the expansion driven by murabahah financing products. Overall, the results of this study indicate that murabahah financing significantly improves the financial performance of Islamic banks through increased profitability, operational efficiency, and asset growth. Therefore, Islamic banks are advised to continue to

develop murabahah financing strategies while still paying attention to risk management and diversification of financing products to support the sustainability of positive financial performance.

Conclusion

In conclusion, murabahah financing has a significant impact on the financial performance of Islamic banks in Indonesia. The consistent increase in murabahah financing during the 2018-2022 period has been proven to increase profitability, operational efficiency, and asset growth of Islamic banks. Murabahah financing not only strengthens bank income, but also helps in more efficient cost management, and encourages stable asset growth. Therefore, Islamic banks are advised to continue optimizing their murabahah financing strategy by paying attention to risk management and diversification of financing products to ensure sustainable financial performance.

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