



Non-performing Financing and Rate of Return on Mudharaba and Musharaka Contracts of Islamic Banks Before and During the COVID-19 Period

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Abstract

The purpose of this study is to evaluate whether there are differences in non-performing financing and yield rates on mudharaba and musharaka financing of Islamic commercial banks in Indonesia, both before and during the COVID-19 pandemic. This study uses a quantitative method using a sample of 14 Islamic commercial banks in Indonesia. The data used is monthly secondary data obtained from Islamic banking statistics for 2017-2022. Data analysis was carried out using the Kolmogorov-Smirnov Test normality test and the Wilcoxon Signed Rank Test non-parametric difference test using IBM SPSS 26 software. The results showed differences in non-performing financing and the rate of return on mudharaba and musharaka financing in the period before and during the COVID-19 pandemic.

Kata Kunci:

*Bank Syariah;
Mudharaba;
Musharaka;
COVID-19*

Abstrak

Tujuan dari penelitian ini adalah untuk mengevaluasi apakah terdapat perbedaan pembiayaan bermasalah dan tingkat imbal hasil pada pembiayaan mudharabah dan musyarakah bank umum syariah di Indonesia, baik sebelum maupun selama masa pandemi Covid-19. Penelitian ini menggunakan metode kuantitatif dengan menggunakan sampel 14 bank umum syariah di Indonesia. Data yang digunakan merupakan data sekunder bulanan yang diperoleh dari statistik perbankan syariah periode 2017-2022. Analisis data dilakukan dengan menggunakan uji normalitas Kolmogorov-Smirnov Test dan uji perbedaan non-parametrik Wilcoxon Signed Rank Test menggunakan perangkat lunak IBM SPSS 26. Hasil penelitian menunjukkan adanya perbedaan pembiayaan bermasalah dan tingkat imbal hasil pembiayaan mudharabah dan musyarakah pada periode sebelum dan selama pandemi Covid-19.

INTRODUCTION

The World Health Organisation's (WHO) announcement of the emergence of a global pandemic coronavirus disease 2019, has caused concern among the public. COVID-19 first appeared at the end of 2019 precisely in Wuhan, China. Its rapid transmission caused this virus to spread to almost all countries quickly. This condition causes various countries, even developed countries, to be overwhelmed in providing health services. This has put pressure on the global health system and economy.¹

Quoted to the official website of the Ministry of Finance of the Republic of Indonesia, during the 2020 period only a few countries were able to achieve positive economic growth. Indonesia is among the countries experiencing economic contraction due to the COVID-19 pandemic. Based on a report from the Central Statistics Agency (BPS), Indonesia's economic growth in 2020 was at minus 2.07%. This economic setback is also due to the implementation of government policies regarding restrictions on movement and interaction such as lockdowns, physical distancing, travel bans/restrictions, and others to minimize the severity of the spread of this virus.²

During the economic downturn and capital problems in various business sectors, Islamic banks are present with several financing products. One of the superior financings in Islamic banking is profit-sharing financing, namely financing with mudharaba contracts and musharaka contracts. Mudharaba and musharaka financing are closely related to the economic sector, especially the micro, medium, and small business sectors because this type of financing uses a profit-sharing system in sharing profits from the results of its business with Islamic banks.³

When the fund manager (*mudharib*) involved in the mudharaba or musharaka contract is unable to repay the loan, what happens is problematic financing for the Islamic bank as the owner of the funds (*shahibul maal*). In general, non-performing financing can affect the profit of Islamic banks which causes the ability to earn profits to decline⁴. NPF with banking profit income has a negative relationship where when NPF is low, the profit earned by banks will increase, and vice versa when NPF is high, the profit earned by banks will decrease.⁵ This theory follows research conducted by Lidyah⁶. Meanwhile, the results of research Rabiati El Adawiya show that NPF does not affect profit⁷. This result is due to the value in the calculation of NPF not only based on non-performing financing but also compared to total

¹ M R Marcu, "The Impact of the COVID-19 Pandemic on the Banking Sector," *Management Dynamics in the Knowledge Economy* (sciendo.com, 2021), <https://doi.org/10.2478/mdke-2021-0015>.

² Wibowo Hadiwardoyo, "Kerugian Ekonomi Nasional Akibat Pandemi Covid-19," *Baskara: Journal of Business and Entrepreneurship* 2, no. 2 (2020): 83–92, <https://doi.org/10.24853/baskara.2.2.83-92>.

³ Taudlikhul Afkar et al., "Uji Beda Pembiayaan Bermasalah Pada Pembiayaan Mudharabah Dan Musyarakah Bank Umum Syariah Di Indonesia Selama Pandemi Covid 19," *Jurnal Ilmiah Ekonomi Islam* 7, no. 03 (2021): 1357–65.

⁴ Yani Suryani and Desi Ika, "Faktor-Faktor Yang Mempengaruhi Pertumbuhan Laba Bank Umum Syariah Di Indonesia," *JURNAL AKUNTANSI DAN BISNIS: Jurnal Program Studi Akuntansi* 5, no. 2 (2019): 115, <https://doi.org/10.31289/jab.v5i2.2642>.

⁵ Misbahul Munir, "Analisis Pengaruh CAR, NPF, FDR Dan Inflasi Terhadap Profitabilitas Perbankan Syariah Di Indonesia," *Journal of Islamic Economics, Finance, and Banking* 1 (2018): 89, <https://doi.org/10.12928/ijiefb.v1i1.285>.

⁶ Rika Lidyah, Oki Sania Riski, and Dkk, "Pengujian Financing To Deposit Ratio Sebagai Mediasi Antara Pembiayaan, Non Performing Financing Dan Biaya Operasional Pendapatan Pada Bank Umum Syariah Di Indonesia," *I-Finance* 5, no. 2 (2019): 181–200.

⁷ Rabiati El Adawiya, "Analisis Faktor-Faktor Yang Mempengaruhi Laba Bersih Bank Umum Syariah Di Indonesia," *Journal of Enterprise and Development* 2, no. 1 (2020): 35–50, <https://doi.org/10.20414/jed.v2i01.1646>.

financing.

On the other hand, in carrying out financing distribution activities, banks as profit-oriented business entities certainly expect profits, including financing distribution activities with mudharaba and musharaka contracts. In obtaining profits following the theory of uncertainty regarding uncertainty in business and investment the actors will certainly face one of the three possibilities that exist, namely profit, loss, or no profit and no loss. In this case, mudharaba and musharaka financing are included in Natural Uncertainly Contracts (NUC) where in the contract there is no certainty of return both in terms of amount and time because it is highly dependent on investment results.⁸

Many previous studies have compared the financial performance of Islamic banks before and during the COVID-19 pandemic such as Sari and Canggih's research⁹ which examined the comparison of the health of Islamic Rural Banks on the island of Java before and during the COVID-19 pandemic, Syah and Andrianto examined the performance of Indonesian Muamalat banks before and during the COVID-19 pandemic¹⁰, while Afkar and Purwanto's research only compared non-performing financing in musharaka and mudharaba financing before and during the COVID-19 pandemic¹¹. Different from previous studies, this study not only analyses problem financing in mudharaba and musharaka financing but also analyses the return on financing before and during the COVID-19 pandemic.

RESEARCH METHODS

This study uses a type of quantitative research that aims to show whether there are differences between non-performing financing and yield rates on mudharaba and musharaka financing before and during the COVID-19 Islamic Commercial Banks in Indonesia. The population in this study is 14 Islamic Commercial Banks in Indonesia, namely Bank Aceh Syariah, BPD NTB Syariah, Bank Muamalat Indonesia, Bank Victoria Syariah, Bank BRI Syariah, Bank BJB Syariah, Bank BNI Syariah, Bank Syariah Mandiri, Bank Mega Syariah, Bank Panin Dubai Syariah, Bank Syariah Bukopin, Bank BCA Syariah, Bank BTPN Syariah, dan Maybank Syariah Indonesia. Meanwhile, the research sample was obtained through the saturated sampling technique by making all members of the population as research samples.

The data collected in this study used secondary data sources through data collection techniques in the form of library research derived from Islamic banking statistical reports, journals, articles, and news related to the research topic. In this study, data on non-performing financing and returns on musharaka and mudharaba financing were taken from the Financial Services Authority's Sharia Banking Statistics report through the website

⁸ Gitrays Ratu Mashita Gumilarty and Astiwi Indriani, "Analisis Pengaruh DPK, NPF, ROA, Penempatan Dana Pada SBIS, Dan Tingkat Bagi Hasil Terhadap Pembiayaan Bagi Hasil," *Diponegoro Journal of Management* 5, no. 4 (2016): 1–14.

⁹ Henny Rahma Sari and Clarashinta Canggih, "Perbandingan Tingkat Kesehatan Bank Pembiayaan Rakyat Syariah Di Pulau Jawa Pada Sebelum Dan Saat Masa Pandemi," *MALLA: Journal of Islamic Banking and Finance* 5, no. 2 (2021): 133, <https://doi.org/10.21043/malia.v5i2.12351>.

¹⁰ Arzal Syah and Andrianto Andrianto, "Analisis Komparatif Kinerja Keuangan Bank Muamalat Indonesia Sebelum Dan Selama Pandemi Covid-19," *Jurnal Manajemen Perbankan Keuangan Nitro* 5, no. 2 (2022): 105–18, <https://doi.org/10.56858/jmpkn.v5i2.73>.

¹¹ Afkar et al., "Uji Beda Pembiayaan Bermasalah Pada Pembiayaan Mudharabah Dan Musyarakah Bank Umum Syariah Di Indonesia Selama Pandemi Covid 19."

www.ojk.go.id. Secondary data is data that is not directly provided to data collectors.¹²

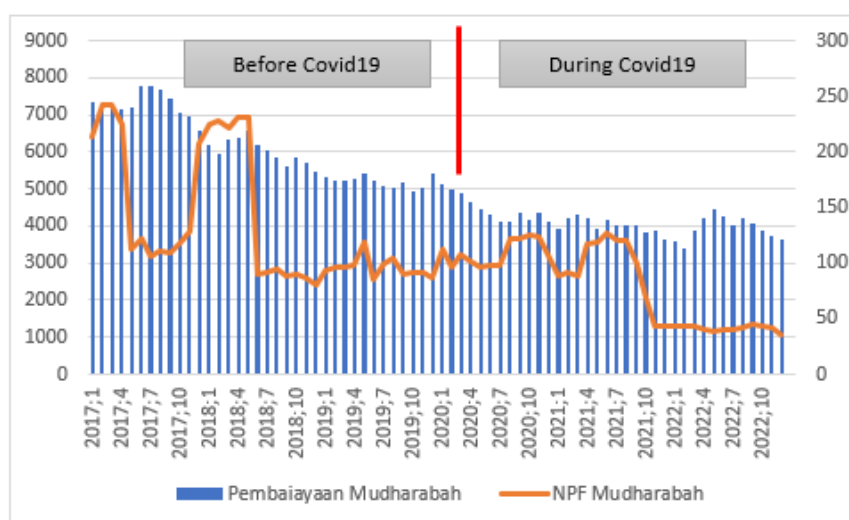
Library research is defined as a series of activities related to library data collection methods by reading, recording, and processing research materials. The data analysis technique in the study was carried out with the help of SPSS 26 software. Data analysis begins with the Kolmogorov-Smirnov Test normality test to determine whether the data is normally distributed. Followed by a different test using the Wilcoxon Signed Rank Test to determine whether there was a difference in profit-sharing financing and the level of return on mudharaba and musharaka financing before and during the COVID-19 pandemic. In the t-test, paired data is needed to test the same sample in two different observation periods. Researchers use time series data with a sequence of every month in the 2017-2019 period for data before the pandemic and the 2020-2022 period for data during the pandemic.

The Kolmogorof-Smirnov test or K-S test is included in the non-parametric group because researchers do not know whether the data used is parametric data or not. In the K-S test, data is said to be normal if the Sign value > 0.05 . The normality test with Kolmogorov-Smirnov can be seen in the Asymp.Sig (2-tailed) number > 0.05 including normally distributed data. Conversely, if Asymp.Sig (2-tailed) < 0.05 , it is not normal. Wilcoxon signed-rank test is a non-parametric test used to analyze paired data due to two different treatments. Wilcoxon signed-rank test is used if the data is not normally distributed.¹³

RESULTS AND DISCUSSION

The first part will discuss the development of financing, Non-Performing Financing (NPF), and returns on mudharaba and musharaka financing of Islamic Commercial Banks in the period before the pandemic, namely in 2017-2019 and the period during the Covid-19 pandemic, namely in 2020-2022.

Figure 1 Mudharaba Financing and NPF Before and During the COVID-19 Pandemic



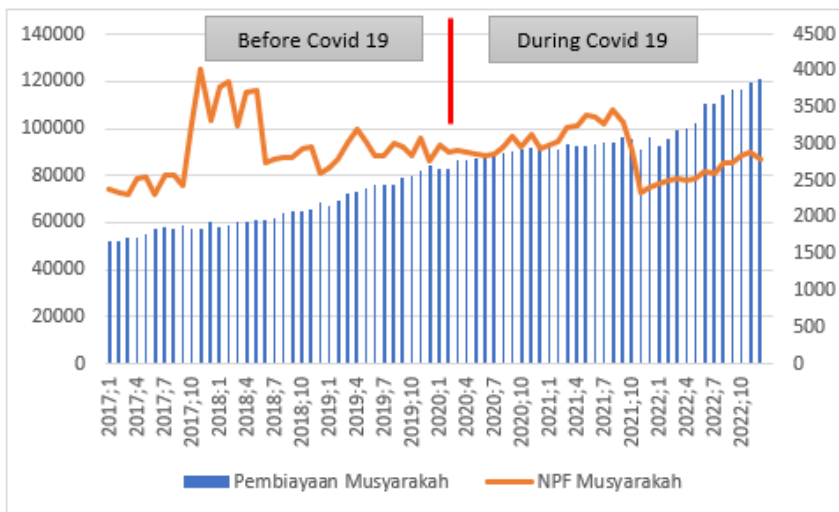
Source: Data processed by the author, (2024)

¹² Sugiyono, *Metode Penelitian Kuantitatif, Kualitatif Dan R&D* (Bandung: Alfabeta, 2017).

¹³ R Lupiyoadi and R. B. Ikhsan, *Praktikum Metode Riset Bisnis, Salemba Empat* (Jakarta, 2015).

Figure 1 shows the development of mudharaba financing from 2017-2022 which tends to decline. The highest mudharaba financing in June 2017 reached 7 trillion Rupiah, while the lowest was 3.4 trillion Rupiah. The decline also occurred in the Non-Performing Financing ratio, the highest in February 2017 reached 242 billion Rupiah while in December 2022 it became 36 billion Rupiah.

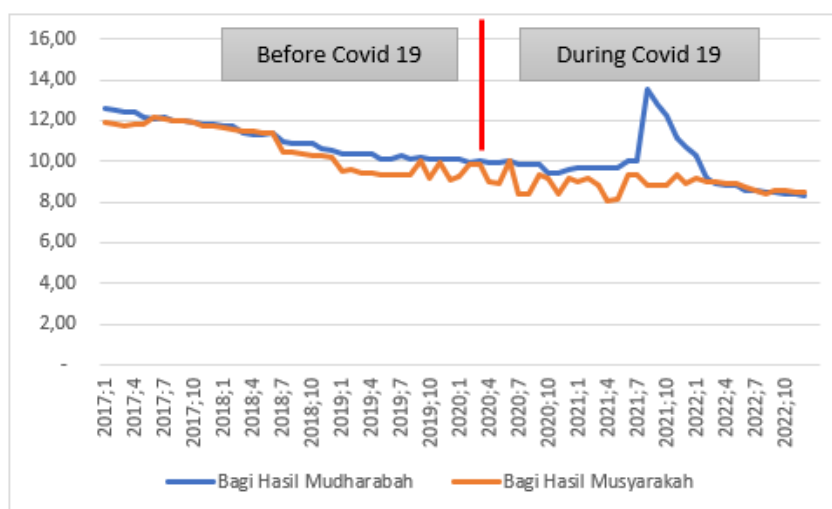
Figure 2 Financing and NPF of Musharaka before and during the COVID-19 pandemic



Source: Data processed by the author, (2024)

Figure 2 shows the development of musharaka financing which tends to increase both before and during the COVID-19 pandemic. The lowest financing was in February 2017 amounting to IDR 51 trillion, while the highest financing was in December 2022 amounting to 121 trillion. Although musharaka financing has increased, non-performing financing is in a stable condition.

Figure 3 Profit Sharing Rate of Mudharaba and Musharaka Financing Before and During the COVID-19 Pandemic



Source: Data processed by the author, (2024)

Figure 3 shows that the profit-sharing rate of mudharaba and musharaka financing tends to decrease. When compared, the profit-sharing rate of mudharaba financing is higher than that of musharaka. The highest mudharaba financing profit-sharing rate was in August 2021, which was 13.51%.

Table 1 Data Normality Test Results

		NPF_MUD	NPF_MUD	NPF_MUS	NPF_MUS	BAGIHASIL	BAGIHASIL	BAGIHASIL	BAGIHASIL
		_POST	_PRE	_POST	_PRE	_MUD_POST	_MUD_PRE	_MUS_POST	_MUS_PRE
N		36	36	36	36	36	36	36	36
Normal	Mean	134,56	81,56	2797,08	2452,08	11,1681	9,7753	10,7522	8,9117
Parameters ^{a,b}	Std. Deviation	59,180	34,408	471,394	287,613	,85181	1,17290	1,08301	,45722
Most Extreme	Absolute	,278	,245	,119	,106	,150	,228	,210	,099
Differences	Positive	,278	,245	,119	,090	,150	,228	,134	,099
	Negative	-,183	-,173	-,076	-,106	-,119	-,111	-,210	-,079
Test Statistic		,278	,245	,119	,106	,150	,228	,210	,099
Asymp. Sig. (2-tailed)		,000 ^c	,000 ^c	,200 ^{c,d}	,200 ^{c,d}	,040 ^c	,000 ^c	,000 ^c	,200 ^{c,d}

Source: Data processed by the author, (2024)

Table 1 shows the results of the data normality test using the Kolmogorov-Smirnov Test. The test results show that non-performing financing (Non-Performing Financing) in mudharaba financing before and during the pandemic has the same value of $0.000 < 0.05$.

Likewise, non-performing financing in musharaka financing before and during the pandemic both show a value of $0.200 > 0.05$. On the other hand, the mudharaba return rate before the pandemic showed a value of $0.040 < 0.05$ while the return rate during the pandemic showed a value of $0.000 < 0.05$.

Furthermore, the level of musharaka returns before the pandemic showed a value of $0.000 < 0.05$ while during the pandemic showed a value of $0.200 > 0.05$. Based on these results, it can be seen that the overall data is not normally distributed or it can be said that it does not pass the normality test. This is determined by the significant Kolmogorov-Smirnov value. If the significant Kolmogorov-Smirnov value is greater than 0.05, the research data is normally distributed, which means it passes the normality test.

Conversely, if the significant Kolmogorov-Smirnov value is less than 0.05, the research data is not normally distributed, which means it does not pass the normality test.¹⁴ In this case, if the data is not normally distributed, the non-parametric Wilcoxon Signed Rank Test will be used as a data analysis technique for the difference test.

Table 2 Wilcoxon Signed Rank Test

		N	Mean Rank	Sum of Ranks
NPF_MUD_PRE -	Negative Ranks	29 ^a	21,19	614,50
NPF_MUD_POST	Positive Ranks	7 ^b	7,36	51,50
	Ties	0 ^c		
	Total	36		

¹⁴ Ghozali, *Ghozali, Aplikasi Analisis Multivariate Dengan Program IBM SPSS 25*, Badan Penerbit Universitas Diponegoro (Semarang, 2018).

NPF_MUS_PRE -	Negative Ranks	24 ^d	23,33	560,00
NPF_MUS_POST	Positive Ranks	12 ^e	8,83	106,00
	Ties	0 ^f		
	Total	36		
BAGIHASIL_MUD_PRE -	Negative Ranks	31 ^g	19,26	597,00
BAGIHASIL_MUD_POST	Positive Ranks	5 ^h	13,80	69,00
	Ties	0 ⁱ		
	Total	36		
BAGIHASIL_MUS_PRE -	Negative Ranks	36 ^j	18,50	666,00
BAGIHASIL_MUS_POST	Positive Ranks	0 ^k	,00	,00
	Ties	0 ^l		
	Total	36		

Source: Data processed by the author, (2024)

Based on the results of the Wilcoxon Signed Rank Test in Table 2, it can be seen that the N negative rank is 29 > N positive rank is 7. These results indicate a decrease in non-performing financing in mudharaba financing from before the pandemic to during the pandemic with an average decrease of 21.19.

Likewise, non-performing financing musharaka financing shows N negative rank of 24 > N positive rank of 12. So, it can be seen that there is a decrease in non-performing financing (Non-Performing Financing) in musharaka financing from before the pandemic to during the pandemic with an average decrease of 23.33.

The decrease in non-performing financing in mudharaba and musharaka financing indicates that the level of loan repayment on mudharaba financing and musharaka financing has increased so that the possibility of getting profit on this profit-sharing financing activity has increased. The decrease in non-performing financing is also due to the relaxation of the OJK and the exposure of Islamic banking to the industrial sector. Thus, it can be said that financing with mudharaba and musharaka contracts is still feasible considering that there are still business opportunities during the COVID-19 pandemic.

Furthermore, at the rate of return on mudharaba financing, it is known that the N negative rank is 31 > N positive rank is 5. These results indicate a decrease in the rate of return on mudharaba financing from before the pandemic to during the pandemic with an average decrease of 19.26. Likewise, the rate of return on musharaka financing shows an N negative rank of 36 > N positive rank of 0. So, it can be seen that there is a decrease in the rate of return on musharaka financing from before the pandemic to during the pandemic with an average decrease of 18.50.

The decline in the rate of return is the result of changes in the rate of return received by banks in the form of channeling funds to debtors. Changes in the level of returns during the COVID-19 pandemic are caused by several factors, including a decrease in the value of bank assets or a decrease in the bank's profit-sharing income from debtors. The decrease in the level of yield will increase the risk of yield in banking.

Table 3 Results of Differential Test Non-Performing Financing and Rate of Return
Test Statistics

	NPF_MUD_PRE - NPF_MUD_POST	NPF_MUS_PRE - NPF_MUS_POST	BAGIHASIL_MUD_PRE - BAGIHASIL_MUD_POST	BAGIHASIL_MUS_PRE - BAGIHASIL_MUS_POST
Z	-4,423 ^b	-3,566 ^b	-4,148 ^b	-5,232 ^b
Asymp. Sig. (2-tailed)	,000	,000	,000	,000

a. Wilcoxon Signed Ranks Test

b. Based on positive ranks.

Source: Data processed by the author, (2024)

Based on the results of the differential test of non-performing financing and the level of returns on mudharaba and musharaka financing shown in Table 3, it can be seen that the significance value of non-performing financing and the level of returns on mudharaba and musharaka financing both have a value of 0.000 < 0.05, which means that there is a difference between non-performing financing and the level of returns on mudharaba and musharaka financing in the period before and during the COVID-19 pandemic.

In response to the problems regarding non-performing financing and the level of returns during the COVID-19 pandemic, strategies are needed to prevent the emergence of various adverse impacts that will come as a result of an economic recession such as when the COVID-19 pandemic hit. The results of this study are in line with Afkar and Purwanto's research (2021) which found differences in NPF of mudharaba and musharaka financing before and during the COVID-19 pandemic.

One strategy to mitigate problems regarding financing is to carry out banking risk management. This is because financing distribution activities in Islamic banking cannot be separated from the problems regarding the risks arising from all business activities. Some of the risks that often arise due to financing activities include credit risk, liquidity risk, investment risk, and yield risk. Therefore, banks must implement risk management through identification, measurement, and monitoring activities as a form of mitigation and handling of all risks in their operational activities.

CONCLUSION

The emergence of the COVID-19 pandemic in almost all countries has caused many important sectors in the country to change, including the banking sector. Based on the results of the difference test on non-performing financing and the rate of return on mudharaba and musharaka financing of Islamic commercial banks before and during the COVID-19 pandemic, the results jointly show that there is a decrease and difference between non-performing financing and the rate of return on mudharaba and musharaka financing of Islamic commercial banks from before the pandemic to during the pandemic. This result illustrates that the loan repayment rate on mudharaba and musharaka financing increased during the COVID-19 pandemic. Meanwhile, the rate of return on mudharaba and musharaka financing shows a decrease, which means that there is a change in the level of profit sharing received by banks in the form of channeling funds to debtors due to a decrease in the value

of bank assets or a decrease in bank profit sharing income from debtors which can then have an impact on the increase in the risk of Islamic banking returns.

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