Al-Uqud: Journal of Islamic Economics Volume 5 Issue 2, July 2021
E-ISSN 2548-3544, P-ISSN 2549-0850 DOI:10.26740/al-uqud.v5n2.p203-217
Accredited No. 28/E/KPT/2019 Page 203-217

A Study of *Mudaraba* Financing in Indonesia: The Effect of Temporary *Shirkah* Fund, Return on Asset (ROA), Financing to Deposit Ratio (FDR)

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Abstract: This article discusses the decline of distribution of mudaraba financing from 2017 to 2019 in a sharia bank in Indonesia, which impacted asset productivity. This study intends to examine the effect of Temporary *Shirkah* Funds, and Financing to Deposit Ratio on *Mudaraba* Financing. This study uses a quantitative approach, especially associative research. The sampling technique is non-probability sampling, and the data analysis is multiple regression. The results of this study indicate that (1) Temporary *Shirkah* Funds have a positive and significant effect on *Mudaraba* Financing; (2) Return on Assets has a positive and significant effect on *Mudaraba* Financing; (3) The Financing to Deposit Ratio has a positive and significant effect on *Mudaraba* Financing; (4) simultaneously Temporary *Shirkah* Funds, Return on Assets, Financing to Deposit Ratio have a positive and significant effect on *Mudaraba* Financing. The practical implication of this research is that Islamic banks prioritize *Mudaraba* Financing to be in line with increasing *Murabaha* Financing.

Keywords: Financing to Deposit Ratio; *Mudaraba* Financing; Return on Assets; Temporary *Shirkah* Funds.

Paper type: Research paper

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Received: March 17, 2021; Accepted: July 21, 2021; Available online: July 24, 2021; Published regularly: July 2021

Cite this document:
Asiyah, B. N., Aidiawati, R., Wahyudi, A., Azis, I., Qurratulaini, I. (2021). A Study of Mudaraba Financing in Indonesia: The Effect of Temporary Shirkah Fund, Return on Asset (ROA), Financing to Deposit Ratio (FDR). *Al-Uqud: Journal of Islamic Economics, 5(2),* 203-217. DOI: http://dx.doi.org/10.26740/al-uqud.v5n2.p203-217

Abstrak: *Artikel ini membahas penyaluran pembiayaan mudharabah yang menurun sejak tahun 2017 hingga 2019 di sebuah bank Syariah di Indoneisa sehingga berdampak pada produktivitas asset. Penelitian ini bermaksud untuk menguji pengaruh Dana Syirkah Temporer, Return On Aset, dan Financing to Deposit Ratio terhadap Pembiayaan Mudharabah. Penelitian ini menggunakan pendekatan kuantitatif dengan jenis penelitian asosiatif, teknik pengambilan sampel yaitu non probability sampling. Analisis data menggunakan uji regresi berganda. Hasil penelitian ini menunjukkan bahwa (1) dana syirkah temporer berpengaruh positif dan signifikan terhadap pembiayaan mudharabah; (2) Return On Aset berpengaruh positif dan signifikan terhadap pembiayaan pembiayaan mudharabah; (3) Financing to Deposit Rasio berpengaruh positif dan signifikan terhadap pembiayaan mudharbah; (4) secara simultan Dana syirkah temporer, Return On Aset, Financing to Deposit Rasio berpengaruh positif dan signifikan terhadap pembiayaan mudharabah. Implikasi praktis penelitian ini agar bank syariah memprioritaskan pembiayaan mudharabah sehingga bisa sejajar dengan peningkatan pembiayaan murabahah.*

Kata kunci: *Dana Syirkah Temporer; Financing to Deposit Rasio; Return On Aset; Pembiayaan Mudharabah.*

INTRODUCTION

The development of banks in Indonesia is increasingly advanced, not only in conventional form but also based on sharia. Conventional banks that apply the interest system do not calculate the risk of loss experienced by the borrower (Hak, 2011). Conventional banks do not pay attention to the economic difficulties faced by customers because the percentage of interest has been determined from the beginning of the amount of credit extended. In contrast to Islamic banks, which have the principle of mudaraba financing, the profit-sharing ratio is proxied from the profits on the funds distributed. Financial performance can be used as a benchmark in implementing the company's financial resources, especially in the current situation where the pandemic has resulted in inadequate financing because many people have lost their jobs and resulted in financing difficulties (Ichsan et al., 2021).

Although Islamic banks continue to improve their financing distribution and raise funds in a pandemic, *mudaraba* financing in 2017-2019 shows a different pattern. Based on 2019 data, Bank Syariah Mandiri can generate third party funds of 99.81 trillion rupiahs. The value of these third-party funds is expected to increase the existing assets of Bank Syariah Mandiri. In addition, Islamic banks also distribute their funds in financing with a total acquisition value in 2019 of 75.54 trillion rupiahs (Bank Syariah Mandiri, 2019). In 2019, mudaraba financing experienced a very rapid decline. The amount of mudaraba financing is only 1.728 trillion rupiahs, whereas, in 2018, it was 3.273 trillion rupiahs (Bank Syariah

Mandiri, 2019a). Previous research in Malaysia has also shown that the lack of mudaraba financing is because this financing is less well known and carries a high risk (Mia et al., 2016). In addition, *Mudaraba* financing often causes asymmetric information that continues to appear in the *mudaraba* (profit sharing) contract. It causes adverse problems and moral hazard (Sapuan, 2016). These phenomena were driven by the fact that there are still people who do not practice and make sharia a business basis so the scope of the existence of mudaraba is very small (Nur et al., 2019). This research will help independent Islamic banks capture mudaraba financing to keep it maximally from various joints.

Mudaraba financing distributed by Mandiri Syariah Bank cannot be separated from the origin of the managed fund deposits. One of the fundraising using the *mudaraba* principle is temporary *shirkah* funds. This source of funds is the most important source to support bank operations and measure the level of success of a bank if it can finance its operations using these funds. If a bank can use significant temporary shirkah funds, the resulting risk will be more negligible with the greater chance of obtaining operating profits (Marheni, 2016).

Bank health can be measured through the analysis of bank profitability in generating operating profits. Return on Assets, better known as ROA, can calculate operating income and total bank assets (Riyadi, 2016) The greater the ROA of a bank, the greater the bank's profit.

The performance of Islamic banks, apart from being measured using the ROA ratio, also uses the calculation of the liquidity ratio measured by the Financing to Deposite Ratio (FDR). The financing to Deposit Ratio is a calculation of the entire volume of credit provided by a bank by receiving funds from various sources (Dendawijaya, 2009). This ratio is also a measure to determine the bank's health or the liquidity side of the bank itself. If the bank is in a healthy position, the level of liquidity will also get better and vice versa. Financing to Deposit Ratio is a ratio of financing to funds received that shows the use of funds received in providing financing. The level of growth in the FDR ratio is influenced by several factors, including financing provided, Return on Assets, Non-Performing Financing (Yusmad, 2018).

The purpose of this study is to analyze the effect of temporary shirkah funds, Return on Assets (ROA), Financing to Deposit Ratio (FDR) on Mudaraba Financing for the period of 2012-2019. This research is expected to be used as an example for other Islamic banks to maintain and increase the distribution of mudaraba financing so that the assets owned by the bank remain balanced so that the bank's health can be maintained.

Mudaraba Financing

Mudaraba is a joint effort between partners who give cash to different accomplices to put resources into business organizations. The bank (*shahibul maal*) is obliged to give 100% of assets to the client (*mudarib*), and the *mudarib* deals with the business that has been dictated by the bank (*shahibul maal*). Profit-sharing depends on the arrangement at the beginning of the agreement. In case of a misfortune, the proprietor of the capital bears it, except if the manager causes the loss, the manager must be responsible (Rivai & Arifin, 2010).

Temporary *Shirkah* Funds

Islamic bank and the conventional bank has are a pretty different funding structure. In a conventional bank, the funding structure (liability component) consist only of liability and equity, while in Islamic bank, there is a new additional source which is a temporary shirkah fund means fund received by the bank as an investment and the bank has the right to its management and investment (Institute of Indonesia Chartered Accountants, 2007).

The fund owner distributes Temporary *Shirkah*. It is acknowledged as mudharaba investment on cash payment or non-cash asset handover to fund manager. *Mudharaba* investment measurement are carried out with mudharaba investment in cash is measured with the amount at the payment. Mudharaba investment in non-cash asset is measured with non-cash asset general value on handover: lower general value than noted value, means loss and higher general value than noted value means deferred profit and amortization at the *Mudharaba* contract period. On other words, Temporary *Shirkah* Funds affect *Mudaraba* Financing (Nidaussalam, 2016). Temporary *Shirkah* Funds will benefit for the benefit, so the high Temporary *Shirkah* Funds must be balanced with high financing (Zulpahmi et al., 2018).

H_1: Temporary *Shirkah* Funds partially affects *Mudaraba* Financing.

Return on Assets (ROA)

Banks ability to get overall profits can be measured using Return on Assets (ROA). The greater the bank ROA, the greater the level of profit achieved by the bank, the better the bank's asset position (Evans, 2002).

Giannini (2013) proved that ROA partially has a positive and significant effect on *Mudaraba* Financing. ROA also will affect the bank's distribution of financing (Hanafi & Halim, 2009). On the contrary, Annisa & Fernanda (2017) was failed to prove that ROA affects Mudaraba Financing.

H_2: Return on assets (ROA) variable partially affects *Mudaraba* Financing.

Financing to Deposit Ratio

FDR shows how far third parties carry out the bank's ability to channel funds by relying on loans provided as a source of liquidity. Loans disbursed do not include loans to other banks, while third party funds are demand deposits, savings deposits, time deposits, and certificates of deposit. The higher the FDR indicates the bank is more aggressive in placing its funds on credit. On the other hand, the smaller the FDR, the lower the bank's profits. If the bank can channel all the funds raised, the bank will benefit, but if the bank does not distribute the funds, the bank will also be exposed to the risk of losing the opportunity to make a profit. A high FDR ratio indicates that banks lend almost all of their funds (Dendawijaya, 2009).

Previous study said that Financing to Deposit Ratio has a positive effect on *Mudaraba* Financing (Ningsih, 2017), but the other study said that Financing to Deposit Ratio negatively affects *Mudaraba* Financing (Giannini, 2013).

H_3: Financing to Deposit Ratio variable partially affects *Mudaraba* Financing.
H_4: Temporary *Shirkah* Funds, Return on Assets (ROA), and Financing to Deposit Ratio variables simultaneously affects *Mudaraba* Financing.

RESEARCH METHODS

This study uses a quantitative research approach, using secondary data obtained from the financial statements of Bank Syariah Mandiri for the period 2012-2019. The type of research used is associative research. The population used in this study is the quarterly financial statements of Bank Syariah Mandiri for the period 2012-2019 where the data used are Temporary *Shirkah* Funds, Return on Assets, Financing To Deposit Ratio and Mudaraba Financing. The sampling technique used saturated sampling with a total sample of 32. Moreover, the data collection technique used documentation techniques that came from secondary data stored in the form of documentation in books, reports, magazines, and websites. Data analysis is multiple regression through IBM SPSS Statistics 21.

RESULTS AND DISCUSSION

Data Normality Test

The data normality test is used to determine whether the data is normally distributed or not—this test using the normality test with One-Sample Kolmogorov-Smirnov with a significant level of 0.05. With the following decision making if the value is sig. <0.05, the data is not normally distributed. However, if the value is sig,> 0.05, the data can be said to be normally distributed.

The value of the Kolmogorov-Smirnov test is 0.104 and the value of Asymp.Sig. (2 tailed) of 0.200, which means that the value is more significant than 0.05. It means that the data of Temporary *Shirkah* Funds, Return on Assets, Financing to Deposit Ratio, and *Mudaraba* Financing at Bank Syariah Mandiri are normally distributed.

Classic assumption test

Multicollinearity Test

The model is free from multicollinearity if the VIF value is <10 and the Tolerance value is> 0.1, on the contrary, multicollinearity occurs if the tolerance value is <0.1 or the VIF value> 10 (Denziana et al., 2014).

Based on the results of the calculation of the multicollinearity test, the VIF value of the Temporary *Shirkah* Funds is 1.177 less than 10 (1.177 <10), the Return on Assets variable is 1.061 less than 10 (1.061 <10), and the Financing to Deposit Ratio variable is 1.493 less than 10 (1.493 <10). All variables show a value below 10. Therefore, they are free from multicollinearity.

Autocorrelation Test

The autocorrelation test is carried out to determine whether the linear regression model had a strong positive or negative correlation. The provisions in making the Durbin-Watson test decision are as follows: 1. If DW is less than dL or more significant than (4-dL), then autocorrelation occurs. 2. If DW is located between

dU and (4-dL), then autocorrelation does not occur. 3. If the DW lies between dL and dU or between (4-dU) and (4-dL), it will not produce a definite conclusion.

Based on the results of the Durbin-Watson test with SPSS 21 software, the value was 1.834. Watson's Durbin test result shows that for n = 32 and k = 3, the value of DL = 1.244 and DU = 1.650 is obtained so that the 4-DU limit = 2.350. The value of Durbin-Watson (1,834)> DU (1,650) means that there is no positive autocorrelation between residuals. Furthermore, the value of 4-DU (2,350)> DU (1,650), then there is no negative autocorrelation between residuals. So, the data is free from positive or negative autocorrelation. It means that the calculation of the classic assumptions autocorrelation is fulfilled.

Heteroscedasticity Test

For checking heteroscedasticity, the test used is the Glejser test. This Glejser test is used to regress the absolute value of the residuals on the independent variables. This test helps know the regression model indicated heteroscedasticity by regressing absolute residuals. If the significant value obtained between the independent variables and the absolute residual is more than 0.05, heteroscedasticity does not occur.

The results of the heteroscedasticity test show that the value of Temporary Shirkah Funds of 0.726 is more significant than 0.05, the value of the ROA variable, which is 0.713, is more significant than 0.05, while the FDR variable has a value of 0.552 which means it has a value greater than 0.05. So, all probability values for the independent variables are greater than the significant level 0.05, then H0 is accepted. It means that heteroscedasticity does not occur, and the classic assumption of heteroscedasticity is fulfilled.

Hypothesis Testing

Partial Test (t test)

A partial test is a statistical test in parametric statistics that are used in hypothesis testing. This t-test is used to find out information about the value of the unknown population variance (David & Djamaris, 2018). Table 1 shows the results of data processing from the partial T-test results.

Table 1. T Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-27.776	11.016		-2.521	.018		
	x1	.823	.187	.524	4.398	.000	.850	1.177
	x2	1.484	.458	.366	3.236	.003	.943	1.061
	x3	.248	.118	.281	2.092	.046	.670	1.493

a. Dependent Variable: y

Source: IBM SPSS Statistics 21 output, secondary data processed 2020

Based on Table 1, the value of the $T_{account}$ of DST variable is 4,398 and the value of T_{table} is 2,036, which means $T_{account} > T_{table.}$ The significance value of the DST variable is 0.000 and the significant value is less than 0.05. So, the DST variable partially has a significant effect on *Mudaraba* Financing (H_1 is proven). The value of the $T_{account}$ of the ROA variable is 3,236 and the value of T_{table} is 2,036, which means $T_{account} > T_{table.}$ The significance value of the ROA variable is 0.003 and the significant value is less than 0.05. So, the ROA variable partially has a significant effect on *Mudaraba* Financing (H_2 is proven). The value of the $T_{account}$ of the FDR variable is 2.092 and the value of T_{table} is 2,036, which means $T_{account} > T_{table.}$ The significance value of that the FDR variable is 0.046 and the significant value is less than 0.05. So, the FDR variable partially has a significant effect on *Mudarab*a Financing (H_3 is proven).

Simultaneous Test (Test F)

If F test probability (significant) < α (0.05), the independent variable simultaneously affects the dependent variable. while if probability (significant)> α (0.05), the independent variable simultaneously does not affect the dependent variable (Ghazali, 2005). The results of the F test can be seen from Table 2.

Table 2. F Test Results

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	811.817	4	202.954	13.937	.000[b]
	Residual	393.184	27	14.562		
	Total	1205.001	31			

a. Dependent Variable: y

b. Predictors: (Constant), x1, x2, x3

Source: IBM SPSS Statistics 21 output, secondary data processed 2020

As shown in Table 2, the significant value of the F test using the Anova shows 0.000. Compared to the significant level of 0.05, it is smaller than the significant level. The $F_{account}$ value is 13.937 and the value of the distribution F_{table} with an error rate 5% is 2.95 obtained by calculating df1 and df2, where df1 = k = 4, K = number of independent variables, df2 = nk-1 = 32-3-1 = 28. So that, $F_{account}$ 13.937> F_{table} (2.95) is obtained. It means Temporary *Shirkah* Funds, Return on Assets, and financing to Deposit Ratio simultaneously have a positive effect on *Mudaraba* Financing (H4 is proven).

Determination Coefficient Test (R^2)

Table 3 shows the results of the coefficient of determination (R^2). R^2 is used to test the contribution of the independent variable to the dependent variable (Kurniawan & Yuniarto, 2016). The scale of the determination coefficient is between 0-1 (0% - 100%). If the value of R^2 approaches 0, the independent variable is considered to have a negligible effect on the dependent variable, but if R^2 approaches 1, the independent variable has an enormous influence on the dependent variable.

Table 3. Determination Coefficient Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.821[a]	.674	.625	3.81607	1.834

a. Predictors: (Constant), x1, x2, x3
b. Dependent Variable: y
Source: IBM SPSS Statistics 21 output, secondary data processed 2020

Based on Table 3, it can be seen that the R Square number is 0.674. The value of R Square is in numbers 0 to 1. The Adjusted R Square number is 0.625, meaning that the ability of the independent variable to influence the dependent variable is 62.5%, while the remaining 37.5% is explained by other variables which are not included in the model.

Multiple Linear Regression Test

Table 4. Multiple Linear Regression Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	-27.776	11.016		-2.521	.018		
	x1	.823	.187	.524	4.398	.000	.850	1.177
	x2	1.484	.458	.366	3.236	.003	.943	1.061
	x3	.248	.118	.281	2.092	.046	.670	1.493

a. Dependent Variable: y
Source: IBM SPSS Statistics 21 output, secondary data processed 2020

The results of multiple linear regression research can be seen in Table 1. The results of Table 4 can be formulated in an equation 1.

$$Y = a + b_1 x_1 + b_2 x_2 + b_3 x_3 + e$$

$$Y = - 27.776 + 0.823\ X_1 + 1.484\ X_2 + 0.248\ X_3 + e$$

X_1 = Temporary *Shirkah* Funds, X_2 = Return nn Assets, X_3 = Financing to Deposit Ratio, and Y = *Mudaraba* Financing

From equation 1, it can be explained that a constant is -27.776 means that the amount of *Mudaraba* Financing is -27.776, assuming the Temporary *Shirkah* Funds, Return on Assets, and Financing to Deposit Ratio variables are constant (zero).

The coefficient of X1 (Temporary *Shirkah* Funds) is 0.823. Every increase of one Temporary *Shirkah* Funds unit will increase *Mudaraba* Financing by 0.823 one unit, assuming that other independent variables such as ROA and FDR are considered constant. Temporary Shirkah Funds have a positive value, meaning

that for every one-unit increase in DST, the mudaraba financing will increase by 0.823 one unit.

The coefficient of X1 (ROA) is 1.484. Each increase of one unit of ROA will increase the value of mudaraba financing by 1.484 units, assuming that the other independent variables are considered constant. ROA has a positive value, meaning that with every one-unit increase in ROA, the *Mudaraba* Financing increases by 1,484 one unit.

The coefficient of X3 (FDR) is 0.248. Each increase in one unit of FDR will increase the value of *Mudaraba* Financing by 0.248 units, assuming that each independent variable is considered to have a constant value. FDR has a positive value, meaning that the mudaraba financing will increase by 0.248 one unit for every one-unit increase in FDR.

The Effect of Temporary *Shirkah* Funds on *Mudaraba* Financing

The results of this study indicate that there is a positive relationship The results of this study indicate that there is a positive relationship between Temporary Shirkah Funds (DST) on Bank Syariah Mandiri *Mudaraba* Financing. The positive coefficient shows that if DST experiences an increase, it will be followed by an increase in financing. This is because Bank Syariah Mandiri distributes its funds in the form of *Mudaraba* Financing and *Musharaka* Financing. So that banks must be able to distribute their funds in other forms such as wadiah demand deposits to get profit sharing. This Temporary *Shirkah* Fund is one of the balance sheet elements in which it is following sharia principles in raising funds. Islamic public finance banks must increase savings funds to increase *Mudaraba* Financing (Amelia & Hardini, 2017).

The higher the Temporary Shirkah Funds obtained by Islamic banks, the greater the distribution of funds in the form of financing carried out by Islamic banks (Suwiknyo, 2010). It can be interpreted that the result value received by the bank will also be more excellent due to the investment that has been made. The increase in Temporary *Shirkah* Funds requires banks to increase their income as high income will increase profit sharing for savers and deposits (Mukhibad & Khafid, 2018).

Financing with a *Mudaraba* contract is financing in the form of investment transactions from the bank to the customer as the business manager by dividing the profit from the business according to the ratio previously determined in the contract (Andrianto & Firmansyah, 2019) *Mudaraba* is a cooperation contract in which the bank owns the entire fund while the customer manages the funds provided by the bank (Antonio, 2001). Profits obtained through the mudaraba agreement will be shared according to the agreement between the bank and the consumer. If there is a loss, it will be borne by the bank as long as the loss is not a fund manager mistake. In mudaraba financing, there are five elements of justice in the form of prohibition that must be applied: *usury*, *gharar, maysir, dzolim*, and *haram* in carrying out transactions (Perwitasari et al., 2017).

In providing *Mudaraba* Financing, it needs to be monitored by examining customer business results reports. In the *Mudaraba* Financing system, it is usually used as working capital financing, which includes working capital for trading and

services; and an excellent investment, this means that a unique source of funds with particular distribution with conditions that have been determined by the owner of the capital or what is commonly called a *sharia* bank (Heradhyaksa & Markom, 2018). There are two types of *Mudaraba* contracts: *mudaraba mutlaqah*, a cooperation contract between the owner of the fund and the fund manager that has a broad scope and is not limited to the type of business undertaken; and *mudaraba muqayaddah* is a cooperation contract in which the owner of the fund sets limits on the business that the recipient of the funds will do. The profit and loss sharing system agree with *shahibul mal* and *mudharib* in running a business with economic losses and certain risks (Syarifuddin, 2020).

The Effect of Return on Assets on *Mudaraba* Financing

The result shows a positive effect of ROA on *Mudaraba* Financing. It means the increasing of ROA will increase the value of *Mudaraba* Financing. The high ROA ratio shows that the bank invests many of its funds into productive assets so that the investment activities carried out can also increase the return on investment. However, high ROA is influenced by the quality of current assets (Asiyah, 2017). The greater the ROA value, the greater the profit. Besides, it can also affect the distribution of financing at the bank. The higher the ROA ratio, the lower the bank profit-sharing rate (Winarsih & Asokawati, 2019). The level of ROA profit-taking in the Islamic banking system is influenced by credit risk, liquidity risk, and bank size (Al-Rdaydeh et al., 2017).

This research aligns with Giannini (2013), which shows that ROA partially has a positive and significant effect on *Mudaraba* Financing. This research contrasts with research conducted by Annisa & Fernanda (2017), which shows that the ROA does not significantly affect *Mudaraba* Financing. The previous study also proves that ROA will affect the bank's distribution of financing (Hanafi & Halim, 2009). In this study, the amount of ROA value will affect the level of financing disbursement made by these Islamic banks. Profitability is an essential thing in managing a company, especially in banking institutions. To obtain a high level of profitability, a bank must apply risk management with prudential principles as regulated by the banking regulator, which will result in losses for the bank (Syamni et al., 2018) In addition, ROA can affect share prices, which if total assets decrease, the value of ROA will be more excellent so that the profits achieved by the company will also be even more significant (Kurniawan et al., 2019).

The Effect of Financing to Deposit Ratio on *Mudaraba* Financing

The result shows a positive effect of FDR on *Mudarab*a Financing. So, if there is a change in the FDR value, it will significantly affect the value of *Mudaraba* financing in independent Islamic banks. In this case, the level of bank liquidity greatly influences the distribution of financing, where if the liquidity of the bank is good, the distribution of financing to the public will be better. This liquidity is also interpreted as a measure in assessing Islamic banks health levels.

This research is in line with the research conducted by Ningsih (2017), which shows that FDR has a positive and significant effect on *Mudaraba*

Financing. This study does not align with Giannini (2013) which shows that FDR negatively affects *Mudaraba* Financing. Bank liquidity can be measured by the bank's ability to meet maturity obligations as a source of cash flow funding (Rivai & Arifin, 2010). FDR must continue to be appropriately managed by minimizing the risk of *Mudaraba* Financing. In addition, the amount of liquidity projected by FDR cannot increase the growth of *Mudaraba* savings (Doktoralina & Nisha, 2020).

The Influence of Temporary Shirkah Funds, Return on Assets, and Financing to Deposit Ratio toward *Mudaraba* Financing

Temporary *Shirkah* Funds, Return on Assets, and Financing to Deposit Ratios simultaneously have a significant effect on *Mudaraba* Financing at Bank Syariah Mandiri for 2012-2019. Although in general, buying and selling financing dominates the financing of Islamic banks. Buying and selling have a more outstanding contribution than financing with profit and loss sharing schemes (Husaeni, 2016) Both revenue sharing and buying and selling contribute to the development of Islamic banks in profitability. Financing also can affect the profitability of Islamic banks, either directly or indirectly (Belkhaoui et al., 2020).

Mudaraba Financing is a cooperation agreement between the bank and the customer in which the bank is the provider of funds, and the customer is the manager of the funds (Antonio, 2001). *Mudaraba* Financing is part of the fulfilment of Islamic bank liquidity, which can be projected as the Financing to Deposit Ratio. Meanwhile, the profit from *Mudaraba* Financing contributes to the profitability ratio, which can be measured through the Return on Assets ratio. Financing requires a severe struggle in order to become the choice of the customer. Afzal and Hasan's paper acknowledged that the application of equity-based financing (Mudaraba) is significantly less than another financing that is affected by moral hazard, operational difficulties, and other risk factors (Afzal & Hassan, 2018) A higher profit-sharing rate offered by Islamic banks will increase *Mudaraba* Financing and be followed by an increase in *Mudaraba* Financing income (Iskandar & Adirestuty, 2018). There is a risk of financing profit and loss sharing as part of *Mudaraba* Financing because of the high investment risk, difficulty in choosing the right partner, requests from customers with low creditworthiness, and a lack of capital security (Abdul-rahman & Nor, 2016).

CONCLUSION

Temporary Shirkah Funds, Return On Assets, and Financing to Deposit Ratios partially and simultaneously have a positive and significant effect on Mudaraba Financing. The results of this study illustrate that Mudharabah Financing deserves to be a priority for Islamic banks in managing their productive assets. This paper has the limitation of only making the internal variables of Islamic banks as independent variables, so further research should involve external variables such as inflation and exchange rates.

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