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Risk Management and Rate in Growing of Profit-Sharing Financing

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ABSTRACT

As a main characteristic of Islamic banks, profit-sharing financing (PsF) has an actual influence on driving the economy in the real sector. A PsF using mudharabah and musyarakah contract is mostly channeled to fund productive businesses. This study tries to find out how the Islamic bank performance reflected by credit risk, profit-sharing rate, and liquidity can increase the PsF growth in Islamic banks. Using a quantitative approach through regression analysis, this study analyzed the impact arising from the improved credit risk, profit-sharing rate, and liquidity on the growth of PsF. The data used is secondary data obtained from statistics on Islamic banking in Indonesia (ranging from the 1st quarter of 2015 to the 4thquarter of 2021). The findings revealed that the Islamic bank performances as represented by credit risk, profit-sharing rate, and liquidity can be an indicator of growth of PsF. A low profit-sharing rate, credit risk, and liquidity risk will encourage PsF growth.

Introduction

As a part of national banking system, İslamic banks (IBs) play a key role in the economy (Dianita et al., 2021). One of the duties of an Islamic bank is an intermediary financial institution collecting public funds and then shares them back to the community by sharia principles. The existence of a financing mechanism channeled by Islamic banks is very helpful for the national economy to provide capital for entrepreneurs to develop their businesses. There are at least four types of disbursed financing, namely: buying and selling financing, profit sharing (PS), leasing, and financing with complementary contracts. Of the four types of financing, buying and selling financing and profit-sharing financing (PSF) have the largest portion. Meanwhile, in terms of the benefits of PSF, it is better than buying and selling financing, because its use is intended for productive businesses compared to buying and selling financing which is more consumptive in nature (Riyadi et al., 2021).

The two types of contracts ın PSF are mudharabah and musyarakah. Mudharabah is abussiness conducted by two parties, one of which (the fist party) provides funds, while another acts as manager. The profits of the bussiness are shared based on the initial agreement (Arnan & Kurniawasih, 2014). Similar to Mudharabah, Musyarakah is a bussiness conducted by two parties based on some agreement. The difefrences are both parties cutribute in funds and profits as well as risks are shared based on the initial agreement (Soetopo et al., 2016).

Financing using the principle of PS are still unable to dominate the financing provided by IBs as a whole.This phenomenon occurs because PSF has a greater risk than other financings (Muhammad & Nugraheni, 2021; Asmirawati & Sumarlin, 2018). Islamic banks assess that the contribution of PSF generates lower income compared to buying and selling financing (Murabahah). This is because getting benefits from PSF relies on the customer's performance in managing the funds invested (Riyanto, 2016).

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Theoretically, the principle of PS and risk is the core or main characteristic of Islamic economics. However, in profit-sharing and risk-financing activities, musyarakah and mudharabah products are less desirable in financing activities (Ahmad, 2020). This is due to PS in a mudharabah agreement based on a pre-agreed ratio. When there has been a loss in the mudharabah contract, it is only the owner of the fund who bears the loss, the fund manager does not bear the loss unless the loss occurs as a result of an error made by the fund manager (Giannini, 2013).

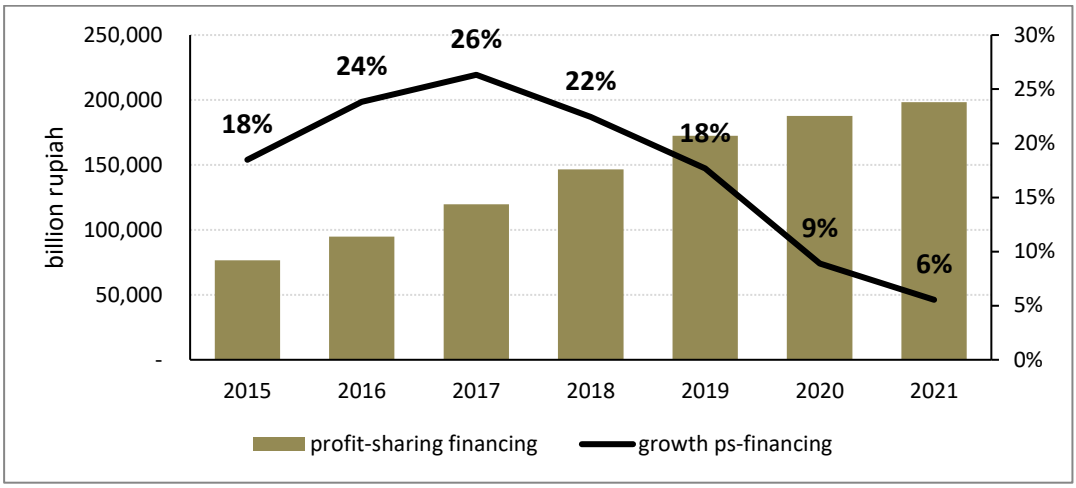

Figure 1: Growth of Sharia Banking Profit-Sharing Financing
Source: Financial Services Authority (2022)

Figure 1 above shows that PSF has a positive growth trend, although with varying growth rates. For example, in the first three years, 2015 to 2017, it grew 24% and 26% respectively, while growth in the following years, 2019 to 2021, decreased by an average of 14% per year. Many factors affect the size of the growth of PSF, starting from a large number of mudharabah deposits, credit risk, profit-sharing rates, and third-party fundraising (Ismah & Shofawati, 2018; Angraini & Sumantri, 2019). In addition, other financial ratios such as the financing to return on assets (ROA), capital adequacy ratio (CAR), deposit ratio (FDR), and operating costs to operating income (BOPO) also affect the size of growth in PsF (Primadhita et al., 2021; Rusandry, 2021; Jamilah & Wahidahwati, 2016).

In order to increase PSF growth, which in a few years has been smaller, it is necessary to increase the growth of PSF. A potential effort is that conducting a study of the dominant factors influencing the PsF growth. Fınding out how the pattern of factors that affect PsF, at least it can be stimulated by these factors to increase the PsF growth.

The growth trend of PSF in recent years has been relatively small. The amount of PSF growth should always increase or at least be consistent. In the perspective of islamic economic, PSF plays a significant role as a core identity or main characteristic in Islamic banking activities. IBs should increase their market share for PSF. The reason is that its two potential products, mudharabah and musyarakah known as quasi-equity financing have impacts on the economic stability (Irsan et al., 2022).

PSF has the potential to move the real sector because the capital obtained is intended for productive businesses. Of the many factors that drive PSF, the most dominant are credit risk (Primadhita et al., 2021), profit-sharing rate (Ismah & Shofawati, 2018), and liquidity risk (Rusandry, 2021; Jamilah & Wahidahwati, 2016).

Regarding the function of Islamic banks as intermediary institutions, Islamic banks bear credit risk. The risk in question is not returning the principal of the financing and not receiving compensation, ujrah, or profit-sharing as agreed in the financing agreement made by the customer and the bank (Wangsawidjaja Z, 2012), which is then called non-performing financing (NPF). Ismah & Shofawati (2018) claimed that NPF affects financing policies that will be carried out by IBs. The higher the NPF owned by the bank, the lower the disbursed financing. Low NPF will potentially increase the bank ability to channel their financing. Meanwhile, the equivalent rate of financing becomes a major factor in determining the amount of PS-based financing (Kurniawanti & Zulfikar, 2014).

According to Jamilah & Wahidahwati (2016) the lower the liquidity risk of Islamic banks, the greater the disbursed PSF. The lower the liquidity risk of an IB, the better the Islamic bank ability to bear the risk of any risky credit or productive assets. If the liquidity risk value, represented by the capital adequacy ratio (CAR), is high, the higher the PSF that can be allocated.

Literature Review

Islamic Bank

In Indonesian Law no. 21 of 2008, it is stated that "Sharia banks are banks that carry out their business activities based on sharia principles and according to their type, they consist of Islamic Commercial Banks (ICB) and Islamic Business Units (IBS)." Islamic banks (IBs) mainly functions as an institution which raises funds from public in the form of deposits and investments, as well as channels them back into the form of financing. Funds collected in the form of deposits include savings or current accounts, while funds in the form of investments are in the form of deposits. In addition to distributing and collecting public funds, IBs can also provide services in the form of other banking services that comply with sharia provisions (Azka et al., 2018).

There is no charge or pay interest applied by the IBs to the customers in their operations. In this regard, it does not mean that the bank does not want profits, but the profits taken from the bank are in the form of margin, PS, ujrah, or fees based on the contract used. Therefore, transactions carried out by Islamic banking are expected to be able to eliminate usury (Kasmiati, 2021).

Financing

Financing is a major function of IBs. It is funding provided by IBs to facilitate a business or parties in need (in this case customers) based on particular agreement between the two parties by a predetermined time (Nurhalizah & Pohan, 2022). Broadly speaking, financing means financing or spending, namely funds issued to support planned investments, either carried out alone or carried out by other people (Ilyas, 2018). Financing, in a narrow sense, refers to funding by financing institutions for customers, including those carried out by IBs. Thus, financing from the bank is a loan facility provided to debtors who need funds for business. the debtor is required to pay the installments at maturity, with the PS that has been agreed at the beginning. (Beni et al., 2021).

According to Vanni (2022), financing includes funds issued to support a personal investment or someone else's. Funding distributed to the public is the major goal of IBs based on the Islamic Banking Law Number 21 of 2008. In other words, funding is one of the main businesses which is the main source of income for IBs. Financing ın IBs is classified into four types, namely buying and selling financing (SF), PSF, complementary contracts, and leasing financing (LF), (Kasmiati, 2021).

Profit-sharing Financing

According to Ismail (2011) one of the IB products that are very different from conventional banks is PSF. In PSF, IBs do not charge interest to customers but participate in investments. Investment returns will be received in the form of PS for the business carried out by the customer. In a business, the profits obtained by the owners of capital who place their funds in a business cooperation are in the form of PS. There are two types of contracts used by IBs in PSF, namely: mudharabah and musyarakah.

Mudharabah according to Fatwa of the National Sharia Council No.07/DSN-MUI/IV/2000 is financing channeled by LKS to other parties for productive businesses. Mudharabah in Ismah & Shofawati' (2018) perspective is a form of bussiness agreemen between two parties. In the agreement, the first party or commonly called *shahibul maal* or the bank provides full funds, while another has role as manager. Meanwhile, musyarakah is a cooperation agreement between two parties, in which each party distributes its funding. The agreement in this contract is that both parties bear both the risks and benefits together in accordance with the agreement that has been made (Rusandry, 2021).

Bank Financial Performance

Financial performance (FP) of a bank refers to its financial condition in a certain period which concerns the collection of funds and distribution of funds. IB's FP can be seen through the level of financial ratios owned by the bank. Bank financial ratios provide information to the government, investors, and IB customers about financial conditions during a certain period (Diana et al., 2021).

The soundness level of a bank is measured through various aspects that affect risk and performance both qualitatively and quantitatively. In IBs, the level of soundness of the bank is evaluated through self-assessments which are carried out by the bank itself on a regular basis. The approach used is the risk approach or what is known as the risk-based bank rating (RBBR). The RBBR method utilizes the four factors issued by SE BI no 13/24/DPNP including good corporate governance, risk profile, profitability, and capital (Radiyanti, 2020).

The risk profile is measured by indicators of NPF and liquidity ratios which are used to measure a company's ability to pay off its current debts owned by a bank. An indicator that can be used to calculate the liquidity ratio is the financing-to-deposit ratio (Dani & Wiarta, 2022). Good corporate governance (GCG) is an assessment of the quality of bank management for the implementation of GCG principles. The assessment of bank GCG implementation considers assessment factors in a comprehensive and structured manner, including governance processes, governance structure, and governance outcomes (Afrialdy et al., 2020). Earnings can be measured by return on assets (ROA). This is used to measure a bank's ability to obtain optimal profit from managing its assets (Rizal & Humaidi, 2021). According to Dani & Wiarta (2022), an assessment of capital is an assessment that can be done using the capital adequacy ratio (CAR). This ratio is employed in determining the adequacy of a bank's minimum capital participation to cover risks that may occur, such as operational, market, and credit risks.

Credit Risk

Credit risk due to settlement failure is a failure in banking. This is due to the failure to deliver cash and/or financial instruments on the agreed settlement date of the sale and/or purchase of financial instruments (Kusnandar, 2022). Credit risk can be measured using the ratio of NPF (Pravasanti, 2018).

One form of financing risk is the risk of default. This risk is experienced by banks when the debtor can no longer pay financing bills from the bank. This condition occurs when the debtor is no longer able to return capital from the bank, including the profit that should have been obtained by the bank as stated in the initial agreement. (Rahman & Safitrie, 2018).

NPF can be interpreted as problem loans. The higher the value of NPF, the more careful the bank will be in distributing financing to the community, therefore the bank must minimize the value of NPF. The smaller the value of NPF, the smoother the payment of public financing to banks (Prasetyo, 2020). Under PBI Number 15/2/PBI/2013 dated 20 May 2013 concerning the Determination of Status and Follow-Up of Bank Supervision, a bank will be designated as a bank under Bank Indonesia's intensive supervision if the NPF ratio is more than 5% (Irsan et al., 2022).

Profit-Sharing Rate

The profit-sharing rate (PSR), commonly referred to as the equivalent rate, is an indication of the rate of return from an investment or fundraising by a bank (Asiyah et al., 2022). The equivalent rate also means the rate of return on investment that has been invested, the equivalent rate has the same role as interest in conventional banks, which gives an idea of how much the rate of return the bank receives for the financing provided. However, in conventional banks, direct interest is agreed upon at the beginning of the contract before the financing is carried out, while in IBs, the equivalent rate is calculated by the bank at the end of each month after the PSF gives results. Financing in IBs does not use interest, but the equivalent rate is calculated based on the agreed profit-sharing ratio (Nurmanila, 2016).

In theory, in carrying out its operations, a bank as a profit-oriented business entity certainly expects a high level of profit. Related to this, this means that the level of PSF is crucial in determining the volume of PS-based financing distributed (Andraeny, 2011) Products that meet this criterion are mudharabah and musyarakah financing because mudharabah and musyarakah financing can only be calculated for profits or PS when the business is already running and generates profit or loss (Riyanto, 2016).

Liquidity Risk

Liquidity risk, usually measured by CAR, aims to contain the risk of loss that a bank may face in the future. According to Syakhrun et al. (2019), this ratio shows the extent to which all bank assets that possibly contain risk (loans, investments, claims on other banks, securities) are also financed from bank capital funds apart from obtaining funds from sources outside the banking system. These funds include public funds, loans (debt), and others.

According to Bank Indonesia Regulation (PBI) Number 3/21/PBI/2001, “banks are required to provide a minimum capital of 8 percent of risk-weighted assets stated in the CAR. This ratio is important because by maintaining the CAR at a safe limit (at least 8 percent), it also means protecting customers and maintaining overall financial system stability.”

Framework

Based on previous research discussing the factors influencing PSF, this study wants to identify the effect of financing risk, PS levels, and liquidity risk on PSF. The logic of thinking or the framework of thinking of the influence of these three variables on PSF is as follows:

Credit risk or NPF is the ratio between the amount of financing that is uncollectible or classified as non-current with substandard, lose quality, and doubtful (Bramandita & Harun, 2020). If banks can suppress NPF, the amount of current financing will be higher, thus the amount of financing that can be disbursed by banks will also be greater, including PSF (Ismah & Shofawati, 2018).

H_1: Credit risk affects the growth of PSF.

PS rate or equivalent rate is the average rate of return on mudharabah and musyarakah financing for IBs at a certain time, expressed as a percentage (Andraeny, 2011). The higher the bank charges the equivalent rate, the less interest the public has for financing, because they are faced with the amount of financing coupled with a high equivalent rate burden, this encourages the public to choose another financing, namely buying and selling financing, leasing, complementary contracts or even financing in conventional banks. That is, the higher the equivalent rate, the less PSF.

H_2: PS rate affects the growth of PSF.

Liquidity risk or CAR is the ratio of liabilities related to the fulfilment of the minimum capital that must be owned by banks. A high CAR indicating the bank has good capital to meet its needs and can bear the risks that arise, including those related to financing risks. The CAR has a positive relationship with financing. Bank capital is used as the basis for determining the maximum limit for financing. So in providing financing, banks are influenced by the capital they have. The greater the capital, the maximum limit for providing financing will also increase. Therefore, the higher the value of the capital adequacy ratio, the higher the PSF that can be channeled by the bank (Prasetyo, 2020; Jamilah & Wahidahwati, 2016).

H_3: Liquidity risk affects the growth of PSF.

Research Methods

This is an associative research associative employing quantitative approach. The quantitative method was employed to study samples or populations. The primary aims is to test the hypotheses and further to find out the cause and effect between dependant and independent variables (Sugiyono, 2017).

The research variables consist of three independent variables and one dependent variable. The operational explanation of all research variables is as follows:

Profit-Sharing Financing (PSF): PSF is an agreement with customers for financing based on sharia principles. The PS system is agreed upon at the time of the contract by the parties concerned. PSF includes mudharabah and musyarakah financing. PSF can be obtained with the following formula:

PSF = mudharabah financing + musyarakah financing

Credit Risk or Non-Performing Financing (NPF): Credit risk or NPF is the ratio between the amount of financing uncollectible or classified as doubtful, non-current with substandard, and lose quality. NPF can be obtained using the formula below:

NPF = (problem financing)/(total financing)×100%

The data utilized ın this study are only NPF from PS-based financing.

Profit-Sharing Rate (PSR) or Equivalent rate (ER): PSR or ER is the average rate of return on the results of financing with mudharabah and musyarakah contracts at a certain time. The equivalent rate can be obtained by the formula:

ER = (production sharing received)/(amount of profit-sharing financing)×100%

In this study, the data employed are only the equivalent rate of profit-sharing-based financing.

Liquidity risk or capital adequacy ratio (CAR): Liquidity risk is a ratio showing how far all bank assets that contain risk (securities, claims on other banks, financing, investments) are also financed from bank capital funds apart from obtaining funds from sources outside the bank such as loans (debt) and public funds. The CAR can be obtained using the formula below:

CAR = capital/risk weighted assets×100%

The Islamic banking industries in Indonesia which including ICBs and IBUs excluding Islamic Rural Banks were the population of this study. This study took banking data using non-probability sampling where the researcher took a sample not based on chance but referred to a purposive sampling technique to obtain a sample that complies with the specified criteria. The sample criteria include recent data which are considered more specific than previous data, including the adequacy of relevant data. This is because the data is available at OJK from the first quarter of 2015 to the fourth quarter of 2021.

In data analysis, multiple linear regression analysis with the Ordinary Least Squared (OLS) approach was employed. The multiple linear regression equation of the influence of the independent variables of credit risk, PSR, and liquidity risk on the dependent variable of PSF is as follows:

$$Ln\text{PSF}_t = \beta_0 + \beta_1\text{NPF}_t + \beta_2\text{RATE}_t + \beta_3\text{CAR}_t + e_t$$

Where:
PSF = Profit-sharing financing
NPF = Credit risk (non-performing financing)
RATE = Profit-sharing rate (equivalen rate)
CAR = Liquidity risk (capital adequacy ratio)

The approach used to estimate the multiple linear regression equation above is ordinary least squared (OLS). The requirements for estimating multiple linear regression with OLS are fulfilling the classic assumptions of multicollinearity, normality, autocorrelation, and heteroscedasticity (Iqbal, 2015; Mardiatmoko, 2020).

Results and Discussion

Results

The distribution of funds by banks to customers is carried out in the form of financing. Islamic banking is the object of research with its main focus on PSF as the dependent variable and credit risk, PSR, and liquidity risk as the independent variables.

PSF has increased every year, although buying and selling financing still dominates. In the last seven years, PSF has been dominated by musyarakah financing (2015-2021) as shown in Figure 2. PSF using musyarakah contracts has increased every year. Whereas PSF with mudharabah contracts decreased in 2016, in 2017 and 2018 there was an increase and then decreased again from 2019 to 2021. It can be concluded that musyarakah financing dominates over PSF. This is because musyarakah financing provides added value and is superior to mudharabah financing, that is, it is better able to avoid moral hazard because the parties both include capital and have a voice in determining the course of business.

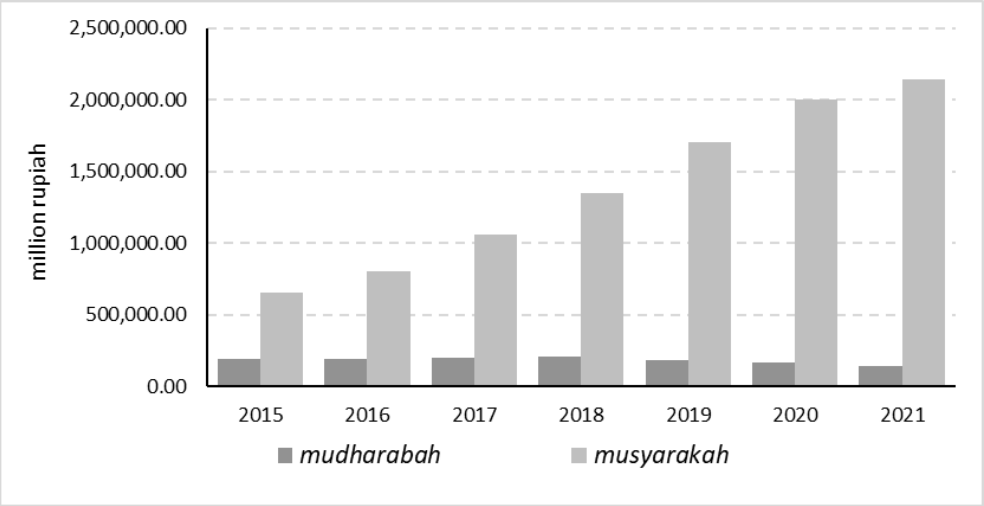

Figure 2: Sharia Banking Revenue Sharing Financing in Indonesia Based on Contracts
Source: Processed data (2022)

Table 1 above displays the average growth in PSF is 11.741 and the standard deviation is 0.364. The average or mean value is greater than the standard deviation, namely 11.741 < 0.364 indicating that the distribution of PSFvalues collects at the average value. The minimum value for descriptive analysis of PSF variables is 11.109. As for the maximum value of 12.197.

The average for the NPF variable is 3.643 and the standard deviation is 0.650. The mean or mean value is greater than the standard deviation, namely 3.643 > 0.650 indicating that the distribution of NPF values is homogeneous. The minimum value for the NPF variable descriptive analysis is 2.760. As for the maximum value of 5.240. The average for the variable equivalent rate is 9.073 and the standard deviation is 3.171. The mean or mean value is greater than the standard deviation, namely 9.073 > 3.171 indicating that the distribution of equivalent rate values is also homogeneous. The minimum value for descriptive analysis of the variable equivalent rate is 5.430. As for the maximum value of 17.870. The average for the CAR variable is 18.976 and the standard deviation is 3.462. The mean or mean value is greater than the standard deviation, namely 18.976 > 3.462 indicating that the distribution of CAR values is also homogeneous (having values that tend to be the same). The minimum value for the descriptive analysis of Variable CAR is 13.850. As for the maximum value of 25.710.

Table 1: Summary of Descriptive Statistics

Numerical Statistic	LnPSF	NPF	ER	CAR
Mean	11.741	3.643	9.073	18.976
Median	11.798	3.450	9.760	19.705
Maximum	12.197	5.240	17.870	25.710
Minimum	11.108	2.760	5.430	13.850
Std Dev.	0.364	0.650	3.171	3.462
n	28	28	28	28

Source: Processed data (2022)

Prior to hypothesis testing, a test on the classical assumptions as a condition for the regression model with the OLS approach was conducted. To produce a good model, a model must meet several assumptions including multicollinearity, autocorrelation, normality,

and heteroscedasticity. This is necessary so that the estimated regression model is unbiased or meets the best linear unbiased estimator (BLUE) rule.

As seen in Table 2, the results of the multicollinearity test on the linear regression model of PSF obtained the VIF value of the CAR, NPF, and ER Variables below 10. VIF values that do not exceed 10 indicate that there is no multicollinearity or there is no strong relationship between the independent variables. So that the linear regression model fulfils the assumption of being free from multicollinearity.

Table 2: Multicollinearity Test Results with Variance Inflation Factor

Variable	VIF
NPF	1.976
ER	3.567
CAR	4.184

Source: EViews output 10 (2022)

Autocorrelation is done to determine the correlation of variables in the regression model. The autocorrelation test uses the LM (Lagrange Multiplier) test with the Breusch-Godfrey Serial Correlation method. Based on Table 3, the results of the profit-sharing financing autocorrelation test using the LM Breusch-Godfrey Serial Correlation test show the probability values of the statistical test for both distributions (F-Stat and Chi-Squared) of 0.2054 and 0.2672. Both are more than 0.05, so it can be concluded that there is no autocorrelation in the regression model of profit-sharing financing growth. This means that the model assumptions free from autocorrelation are met.

Table 3: Autocorrelation Test Results with the LM Test

	Test Statistics	Probability
F-statistic (2,22)	1.4023	0.2672
Obs*R-squared (2)	3.1659	0.2054

Source: Output EViews 10 (2022)

An idea regression model comprises of residual model data which is normally distributed or close to normal. The normality test was conducted using the Jarque-Bera (JB) test. Based on Table 4, the residual PS model shows a JB value of 1.4304 with a probability value of 0.4891. The probability value of JB which is greater than the value of α (0.05) indicates that the residuals of PSF model are normally distributed, thus the normality assumption of the model was fulfilled.

Table 4: Normality Test Results with the Jarque-Bera Test

	Test Statistics	Probability
Jarque-Bera	1.4303	0.4891

Source: Output EViews 10 (2022)

The heteroscedasticity test was conducted in order to test a regression model, whether there exists an inequality of variance from the residuals for all observations in the regression model. The results of the heteroscedasticity test with the Glejser test can be seen in Table 5. The results of the heteroscedasticity test of the PSF regression model with the Glejser test show that the probability values of the two statistical tests are 0.0502 and 0.0540. Both are greater than 0.05, thus it can be said that the PSF regression model does not comprise heteroscedasticity.

Table 5: Heteroscedasticity Test with the Glejser Test

	Test Statistics	Probability
F-statistic (3,24)	3.0040	0.0502
Obs*R-squared (3)	7.6446	0.0540

Source: Output EViews 10 (2022)

The results of multiple linear regression estimation of the independent variable credit risk, profit-sharing rate, and liquidity risk on the dependent variable for PSF are shown in Table 6. Based on Table 6, the probability value of the F-statistic is 0.000, which is smaller than the alpha value (0.05). This shows that the estimation of the regression model is appropriate to use to explain the effect of credit risk-free variables, PSR, and liquidity risk on the growth of PSR. Or in other words, all independent variables simultaneously affect the dependent variable.

Table 6: Multiple Linear Regression Results with Ordinary Least Square (OLS)

Variable	Coefficient	t-Statistic	Prob.
C	11.7455	38.1907	0.0000
NPF	-0.1031	-2.9710	0.0066
ER	-0.0519	-5.4348	0.0000
CAR	0.0004	4.6831	0.0001
R-squared = 0.9534	Adj. R-squared	= 0.9476	
F-statistic = 163.7082	Prob(F-statistic)	= 0.0000	

Source: Output EViews 10 (2022)

The NPF variable has a t-statistic value of -2.9710 with a t-count probability value of 0.0066 which means it is smaller than the value of α (0.05) so that the independent variable NPF significantly and negatively effects on the PSF dependent variable at alpha 5%. In other words, the NPF variable significantly and negatively effects on the dependent variable for PSF growth (lnPSF) with a confidence level of 95%. The ER variable has a t-statistic value of -5.4348 with a t-count probability value of 0.0000 which means it is smaller than the value α (0.05) so that the ER independent variable significantly and negatively effects on the PSF dependent variable at alpha 5%. In other words, the ER variable significantly and negatively effects on the dependent variable for PSF growth (lnBPH) with a confidence level of 95%. The CAR variable has a t-count probability value of 0.0001 which means it is smaller than the value of α (0.05) so the CAR variable significantly effects on the PSF variable at alpha 5%. In other words, the CAR has a significant effect on the growth of PSF (LnPSF) with a confidence level of 95%.

The Adjusted R-squared value of the multiple linear regression model of PSF is 0.9476. This shows that the CAR variable, NPF, and ER simultaneously have an effect of 94.76% on PSF, while the remaining 5.24% is influenced by other variables outside the multiple linear regression model.

Discussion

Multiple linear regression analysis is a regression model used to determine whether or not there is an influence of credit risk, PSR, and liquidity risk on PSF. That way, it can be known what factors affect the financing of PS. Based on the results of the t-test on multiple linear regression coefficients, the research hypothesis can be proven. The value of the regression coefficient where the null hypothesis is rejected and the alternative hypothesis is accepted occurs in the variable AR, NPR, and ER. The results show that the first, second, and third hypotheses of this study are accepted.

The first hypothesis in this study states that NPF affects the growth of PSF. As has been proven in the t-test of the NPF Variable regression coefficient, the results stated that the first hypothesis was accepted. This indicates that the NPF regression coefficient of -0.1031 has a meaning that can be interpreted. Negative values indicate that NPF has a negative effect on the growth of PSF. When NPF increases, the growth of PSF decreases. And vice versa, if NPF decreases, the growth of PSF will increase.

The elasticity of the influence of NPF on the growth of PSF is shown by the value of the regression coefficient of NPF. An increase in NPF by one percent will reduce the growth in PSF by 0.1031 percent and conversely, a decrease in NPF by one percent will increase the percentage growth in PSF by 0.1031 percent.

PSF is known to have high risks, one of which is the risk of NPF. NPF will have an impact on reducing the income earned by IBs so Islamic banks will be more careful in channeling PSF and do not even rule out the possibility IBs will reduce the portion of PSF.

The results of testing NPF have a negative influence on PS. These results are corroborated by Riyanto (2016) and Primadhita et al., (2021) who state that NPF has a significant negative effect on PSF. The emergence of high-problem financing will result in a reduction in the distribution of financing provided to customers, thereby reducing profits and adversely affecting bank profitability. But this is contrary to the research of Salman (2021), Nur'aeni & Setiawan (2020), Jamilah & Wahidahwati (2016), and Kalkarina et al., (2016) which found that NPF has no significant effect on PSF in Islamic banking. in Indonesia.

This study states that the equivalent rate affects PSF, as evidenced by the t-test of the regression coefficient of the Variable ER (the second hypothesis is proven). This indicates that the equivalent rate regression coefficient which is -0.0519 has a meaning that can be interpreted. A negative value indicates that the equivalent rate has a negative effect on the growth of PSF. When the equivalent rate rises, the growth of PSF decreases. Vice versa, if the equivalent rate falls, the growth of PSF will increase.

The elasticity of the effect of the equivalent rate on PSF is shown through the value of the equivalent rate regression coefficient. When the equivalent rate increases by one percent, the growth of PSF will decrease by 0.0519 percent, assuming other variables are considered constant. And conversely, if the equivalent rate decreases by one percent, the growth of PSF will increase by 0.0519 percent assuming other variables are considered constant.

When the equivalent rate charged to customers is high, it will reduce the growth of PSF. This is because there are no customers who are interested in PSF and prefer other financing products that are under their abilities so the portion of PSF does not function optimally or even prefers to finance at conventional banks with lower interest.

The ER negatively and significantly effects on PSF. This result is in line with Nugraha's research (2014) which states that the ER has a significant negative effect on PSF. This result is also corroborated by the data equivalent rate which continued to decline from March 2015 to December 2021, while PSF continued to increase. For example, in December 2016 the ER fell to 11.63 percent while PSF increased by 94.751 billion, and in December 2021 the ER continued to decrease to 5.43 percent while PSF continued to increase to 198,231 billion. On the other hand, when the PSF decreases, the equivalent rate increases. For example, in December 2020 PSF showed a figure of 187,819 billion and an equivalent rate of 5.59 percent. In March 2021, PSF fell to 187,519 billion, while the ER increased to 5.62 percent. The results of this study are in contrast to the research of Andraeny (2011) and Ismah & Shofawati (2018) which state that the ER has a positive effect on PSF.

The third hypothesis in this study is that the CAR affects the growth of PSF. By the results of the CAR Variable t-test, the third hypothesis is accepted. This indicates that the CAR regression coefficient of 0.0004 has a meaning that can be interpreted. A positive value indicates that the CAR possitively effects on PSF. That is, when the CAR of IBs increases, the growth of PSF also increases. Vice versa, if the CAR of IBs decreases, the growth of PSF will also decrease.

The increasing value of the CAR of IBs indicates that they have sufficient capital to meet their needs and operational activities. This means that the allocation of funds for financing is higher, thus the distribution of PSF will be smoother.

The elasticity of the influence of the CAR on the growth of PSF is shown through the regression coefficient value of the CAR Variable. When the CAR increases by one percent, the growth in PSF will also increase by 0.0004 percent, assuming other variables are considered constant. And conversely, if the growth in the CAR decreases by one percent, PSF will also decrease by 0.0004 percent assuming other variables are considered constant. Although the CAR has a significant effect, it is not elastic enough (inelastic) to affect the growth of PSF. Changes in the high CAR are not enough to encourage the growth of PSF. And vice versa, the reduction in the CAR did not significantly impact the growth in PSF.

The results of testing the CAR significantly and positively effects on PSF. This is in line with the research results of Jamilah & Wahidahwati (2016) and Giannini (2013) which state that the CAR has a positive effect on PSF. However, this is not in line with the findings of Kalkarina et al. (2016) and Azwari et al. (2022) which state that the CAR does not affect PSF, which means that high or low CAR do not affect PSF.

Conclusions

The analysis results have shown that significantly the CAR has a positive influence on PSF. In other words, a high CAR is accompanied by a high growth in PSFas well. Meanwhile, troubled financing has a significant effect on PS. In other words, the growth in the NPF ratio is inversely proportional to the growth in PSF (negative correlation). Furthermore, the equivalent interest negatively and significantly effects on PSF. If the equivalent interest rate growth increases, then the growth in PSF will decrease.

The limitations of this study have not included other variables that might affect the PSF of ICBs and ICUs. This research is also limited to PSF, even though there are several types of financing in IBs, such as sale-purchase-based financing with murabahah contracts and leasing-based financing with ijarah contracts.

The IB managers are suggested to give more attention to what factors can affect PSF. Because in this case, IBs should always maintain a high ratio of NFC. Thus, they are expected to channel financing more optimally and determine ratios through careful consideration of several aspects.

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