

CHAPTER I

INTRODUCTION

A. Background of Study

Bank nowadays had been being a crucial institution as an intermediary institution for the continuity of economy of a country. Almost all society need banking services in the varieties of their transactions, either individually or institutional such as government institutions.

Indonesia with its muslim majority, has two banking systems which legally operating, conventional banking system and Islamic banking system. Conventional bank is a bank that operates its business activities (collecting funds from the society in the form of deposits, and then distributing to the society in the form of credits or other forms for improving society's living standard) conventionally, while Islamic bank is a bank that operates its business activities based on Islamic principles.¹

The establishment of Islamic bank in Indonesia started from the establishment of a college students cooperative on 1979 in Bandung – Koperasi Mahasiswa Bandung–by Imaduddin and Salman community. Then continued by the establishment of an ITB's bachelors cooperative called Koperasi Jasa Keahlian Teknosa, which on 1983 pioneering a discussion with a special theme about Islamic Economics.² Then workshop about bank interest and banking system held on August 19-22, 1990 in Cisarua, Bogor. Finally, on November 1, 1991 the Deed of Establishment of Bank Muamalat Indonesia signed as the pioneer of Islamic bank in Indonesia.³

¹ Undang-Undang Republik Indonesia Nomor 21 Tahun 2008 Tentang Perbankan Syariah, downloaded from <http://www.ojk.go.id/id/kanal/perbankan/regulasi/undang-undang/Pages/undang-undang-nomor-21-tahun-2008-tentang-perbankan-syariah.aspx>, accessed on May 23, 2017, at 4.39 pm.

² Anif Punto Utomo, et al, *Dua Dekade Ekonomi Syariah, Menuju Kiblat Ekonomi Islam*, (Jakarta Selatan: Gres! Publishing, 2014), p. 40.

³ *Ibid.*, p. iv.

The appearance of Islamic bank in Indonesia based on the strong desire for doing banking activities without taking the interest as what conventional bank does. Moreover, the Indonesian Council of Ulama (MUI) explained through fatwa MUI No. 1 Year 2004 that the interest of conventional financial institution is riba, and riba is haram.⁴

Surprisingly, in its young age, Islamic bank in Indonesia has been able to show its existence in the world of national economy. In the last two years, Islamic bank in Indonesia recorded an increase in owned total assets. Total assets in January 2012 amounted to IDR 147.501,00 billion,⁵ and increased by 194,93% to IDR 435.021,12 billion in December 2017.⁶ Surely this growth can not be separated from the role of Sharia Rural Bank (SRB) as a part of Islamic banking system in Indonesia. SRB contributes IDR 3.613.003,43 million or 2,51% of the total assets of the Islamic bank in January 2012⁷ and IDR 10.840.374,60 million or 2,56% of total assets in December 2017.⁸ The growth of total assets shows that SRB is in demand by the customers. Not only in assets, SRB growth also happens institutionally year by year. Offices and banks have increased every year.

The function of SRB is to provide banking services in a fast, simple, and easy way, especially for medium, small, and micro entrepreneurs both in urban and rural areas that have not been reached by commercial banks.⁹

⁴ Yusak Laksmiana, *Panduan Praktis, Account Officer Bank Syariah, Memahami Praktis Proses Pembiayaan di Bank Syariah*, (Jakarta: PT Elex Media Komputindo, 2009), p. 5.

⁵ Otoritas Jasa Keuangan, *Statistik Perbankan Syariah – Januari 2015*, in the website <https://ojk.go.id/id/kanal/syariah/data-dan-statistik/statistik-perbankan-syariah/Pages/statistik-perbankan-syariah-januari-2015.aspx>, accessed on January 11, 2019, at 10.41 pm.

⁶ Otoritas Jasa Keuangan, *Statistik Perbankan Syariah – Desember 2017*, in the website <https://ojk.go.id/id/kanal/syariah/data-dan-statistik/statistik-perbankan-syariah/Pages/Statistik-Perbankan-Syariah---Desember-2017.aspx>, accessed on January 11, 2019, at 10.41 pm.

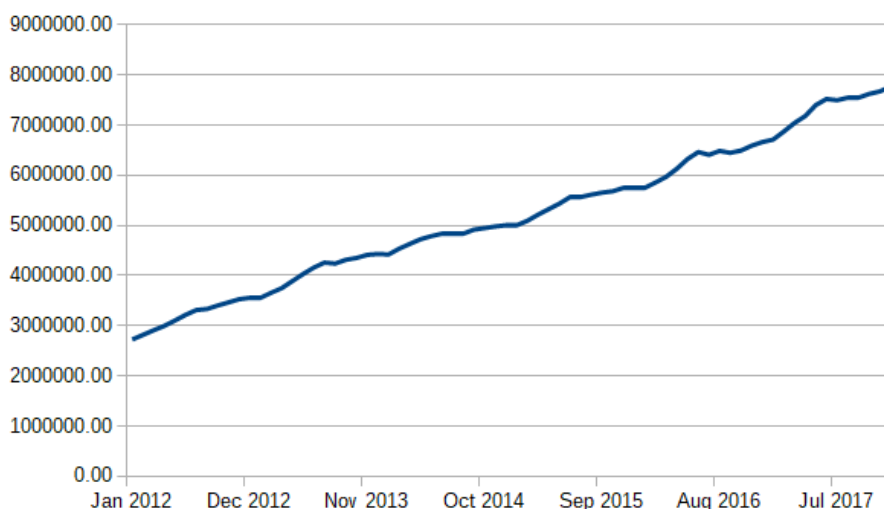
⁷ *Op.Cit.*, Otoritas Jasa Keuangan, *Statistik Perbankan Syariah – Januari 2015*.

⁸ *Op.Cit.*, Otoritas Jasa Keuangan, *Statistik Perbankan Syariah – Desember 2017*.

⁹ Anton Sudrajat, *Determinan Total Aset Bank Pembiayaan Rakyat Syariah (BPRS)*

According to its name, it can be seen that the main product of SRB is financing. Based on the basic principles, the financing of SRB is categorized into 5 main categories, these are, profit sharing principle, buying and selling principle, lease principle, borrowing principle, and service principle.

Figure 1. Financing Distribution by SRB (2012-2017)



Source: SPS-OJK, processed.

The figure 1 above shows the growth of financing distribution by SRB in Indonesia from January 2012 to December 2017. In January 2012 the total funding distributed by SRB amounted to IDR 2.726.937,016 million. This distribution increases from year to year, in December 2017 SRB distributes financing at IDR 7.763.950,54 million. It means that in the 6 years period, the total funding distributed by SRB increased by 184,71%. This increase shows the amount of customer interest in products of SRB in Indonesia.

In the banking world, the business performance of a bank will be considered good if the financial ratios are good. Financial ratio is a tool to determine the effectiveness of a company in managing owned resources.

Measurement is done by comparing one factor with other factors in a financial report.¹⁰ One of the most important financial ratios is profitability ratios.

Figure 2. ROA SRB (2012-2017)



Source: SPS-OJK, processed.

Different with the total funding that has been successfully distributed, ROA SRB tends to decrease from year to year, as shown in the figure 2 above. In January 2012 ROA SRB was recorded at 2,65%, then fluctuated until December 2017, and ROA SRB decreased to 2,55%.

According to the things that are described above, researcher wanted to take it as the thesis title. Then researcher took the title “**The Influence of Financing on Profitability of Bank Pembiayaan Rakyat Syariah in Indonesia on Period 2012-2017**” in the proposed thesis to fulfill the final task of Sarjana program.

B. Limitation of the Problem

¹⁰ *Op.Cit.*, Yusak Laksana, *Panduan Praktis, Account Officer Bank Syariah, Memahami Praktis Proses Pembiayaan di Bank Syariah*, p. 119.

Based on a brief description of the problem above, in this research the researcher limits the problems to be examined on several aspects in order to avoid deviations in this research, including as follows:

1. The research was conducted on the financing product of SRB in Indonesia in the national scale on period 2012-2017.
2. Data used in this research is secondary data, that is statistical data of Islamic banking in Indonesia on period 2012-2017, especially about SRB obtained from *Otoritas Jasa Keuangan* (OJK).
3. The financing products in SRB are as follows:
 - a. *Mudharaba*
 - b. *Musharaka*
 - c. *Murabaha*
 - d. *Salam*
 - e. *Istishna*
 - f. *Ijara*
 - g. Multi Purpose Financing
4. The level of profitability is measured using Return on Asset (ROA) ratio.

C. Problem Formulation

Formulation of the problem aims to make this study more focused. Based on what has been described in the background of study, the researcher can identify the problem in this study. Formulation of the problem in this study as follows:

1. What is the influence of the financing (*Mudharaba, Musharaka, Murabaha, Salam, Istishna, Ijara*, and Multi Purpose Financing) in short term on ROA of SRB in Indonesia on period 2012-2017?
2. What is the influence of the financing (*Mudharaba, Musharaka, Murabaha, Salam, Istishna, Ijara*, and Multi Purpose Financing) in long term on ROA of SRB in Indonesia on period 2012-2017?
3. What is the response of ROA of SRB in Indonesia to the shock of the financing (*Mudharaba, Musharaka, Murabaha, Salam,*

Istishna, Ijara, and Multi Purpose Financing) variable on period 2012-2017?

D. Objectives of Research

Generally, based on the problem formulation above, the objectives of this research is for:

1. Knowing the influence of the financing (*Mudharaba, Musharaka, Murabaha, Salam, Istishna, Ijara, and Multi Purpose Financing*) in short term on ROA of SRB in Indonesia on period 2012-2017.
2. Knowing the influence of the financing (*Mudharaba, Musharaka, Murabaha, Salam, Istishna, Ijara, and Multi Purpose Financing*) in long term on ROA of SRB in Indonesia on period 2012-2017.
3. Knowing the response of ROA of SRB in Indonesia to the shock of the financing (*Mudharaba, Musharaka, Murabaha, Salam, Istishna, Ijara, and Multi Purpose Financing*) variable on period 2012-2017.

E. Benefits of Research

Based on the objectives above, this research is expected to be useful for:

1. For the researcher, this research is expected to be a tool of distribution and development of knowledge that has been obtained during lectures at the University of Darussalam Gontor Department of Islamic Economics, and to increase the researcher's knowledge on matters relating to the SRB in Indonesia.
2. For academics, this research is expected to be a source of reference for similar research and can be used as comparison of existing research or that will be done. This research is also expected to expand the knowledge of students, especially students of University of Darussalam Gontor about SRB in Indonesia.
3. For practitioners, this research is expected to contribute for increasing profitability of SRB in Indonesia as additional information in the

financing policy making.

F. System of Study

System of study used in this thesis is as follow:

CHAPTER I INTRODUCTION: This chapter contains a description of the background of study, limitation of the problem, formulation of the problem, objective of study, benefits of study.

CHAPTER II LITERATURE REVIEW: This chapter describes the previous study, and theoretical framework.

CHAPTER III RESEARCH METHODOLOGY: This chapter describes the research design, the variables of this research, measuring instrument, population and sample, analysis technique.

CHAPTER IV RESULT AND DISCUSSION: This chapter describes the overview of SRB, data presentation, data analysis, and discussion of the results of study.

CHAPTER V CLOSING: This chapter describes the conclusion of this study briefly and the advice to solve the problem faced in this study.