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The Influence of Internal Bank Financial Ratios on Murabaha Financing: Evidence from Indonesian Islamic Commercial Banks

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ABSTRACT

The main objective of this study is to investigate how internal bank financial ratios impact Murabaha financing in Indonesian Islamic banks. We examine the effects of the financing bank ratios as assessed by the financing to deposit ratio, capital adequacy ratio, Non-performing financing, and return on assets on Murabaha finance in Indonesian Shariah banks. A sample of 14 from 48 Indonesian commercial Islamic banks was used in this study. The sampling method employed a random-sampling technique. This study showed that Indonesian Islamic commercial banks' financing-to-deposit ratio significantly affected the financing of Murabaha. However, the Indonesian Islamic commercial banks that provide Murabaha financing have been severely impacted by the capital adequacy ratio, Non-performing financing, and return on assets. This study suggests that the assessment of the capital adequacy ratio be improved by appropriately adjusting the inclusion of violations in accordance with the circumstances of each country. With the use of the study's findings, it is hoped that potential investors will be inspired to take the amount of money being offered into account when choosing their investments. It is also anticipated that these factors will be considered as input for how Shariah commercial banks can affect Murabaha financing, so that Shariah commercial banks can be more cautious when applying Shariah accounting principles, particularly Murabaha financing, in a way that Shariah accounting standards are not improperly violated.

Keywords: Murabaha financing, Internal financial ratios, Islamic commercial banks, Indonesia.

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أثر النسب المالية الداخلية على تمويل المرابحة: دليل عملي من البنوك التجارية الإسلامية الإندونيسية

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ملخص

هدفت هذه الدراسة إلى بيان أثر النسب المالية الداخلية على تمويل المرابحة في البنوك الإسلامية الإندونيسية. حيث تمت دراسة آثار نسب التمويل المصرفي من خلال احتساب: نسبة التمويل إلى الودائع، ونسبة كفاية رأس المال، والتمويل غير المتعثر، والعائد على الأصول، على تمويل المرابحة في البنوك الشرعية الإندونيسية. تم استخدام عينة من 14 بنكًا إندونيسيًا من أصل 48 بنكًا إسلاميًا تجاريًا. واستخدمت طريقة العينة العشوائية عند أخذ العينة. وأظهرت الدراسة أن نسبة التمويل إلى الودائع لدى البنوك التجارية الإسلامية الإندونيسية قد أثرت بشكل كبير على تمويل المرابحة. ومع ذلك، تأثرت البنوك التجارية الإسلامية الإندونيسية التي تقدم تمويل المرابحة بشدة من نسبة كفاية رأس المال والتمويل المتعثر والعائد على الأصول. وتقترح الدراسة تحسين تقييم نسبة كفاية رأس المال من خلال التعديل المناسب في إدراج الانتهاكات وفقًا لظروف كل دولة. ومن خلال النظر إلى نتائج الدراسة، فإنه من المأمول أن يتم إلهام المستثمرين المحتملين عند اختيار استثماراتهم واعتبار هذه العوامل كمدخلات لكيفية تأثير البنوك التجارية الشرعية على تمويل المرابحة، بحيث يمكن للمصارف التجارية الشرعية أن تكون أكثر حذراً عند تطبيق مبادئ المحاسبة الشرعية، وخاصة تمويل المرابحة، حتى لا يتم انتهاك معايير المحاسبة الشرعية بشكل غير صحيح.

الكلمات الدالة: تمويل المرابحة، النسب المالية الداخلية، البنوك التجارية الإسلامية، إندونيسيا.

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1. INTRODUCTION

The economies of Indonesia and Asia are always moving fast, accompanied by broader challenges; it is necessary to take essential steps to anticipate them in order to accommodate the aspirations and needs of the Indonesian people to carry out business activities based on Shariah principles that are starting to flourish (Nurdiwaty & Faisol, 2017; Rahman et al., 2017; Farianti et al., 2019; Alnwairan, 2022; Obaid, 2020).

Banks with Shariah principles were born against the background of the needs of the community, especially some Indonesian Muslims towards interest-free banks (Adriyani et al., 2019). The birth of Islamic banks in Indonesia that use an interest-free bank system has had a significant influence on the Indonesian banking system, because the concept of interest in conventional banks by some Indonesian Muslims is considered as riba, which is haram In Islam (Suhari & Esya, 2017; Abbas & Hidayat, 2021).

The principle of Islamic banks, like conventional banks, also functions as an intermediary institution; namely, mobilizing funds from the public and redistributing these funds to people who need them in the form of financing facilities (Zulaecha & Yulistiana, 2020).

Along with increasing economic growth in Indonesia, Islamic bank financing has increased sharply (Pradita et al., 2019). The quality of Islamic bank financing also showed improved performance, indicated by the increasing portion of financing (Nahrawi, 2017). Islamic banks offer a variety of very attractive financing products. There are 8 types of financing at Islamic banks; namely, akad wadiah, akad mudharabah, akad musharakah, akad murabaha, akad salam, akad istishna, akad ijarah, and akad qardh (Farianti et al., 2019). The financing comes from Shariah commercial banks and business units registered with Bank Indonesia.

Referring to funds issued by Bank Indonesia between 2016-2020, data was obtained that Murabaha transaction mechanism is Indonesia's most common type of transaction.

All Indonesian people prefer this type of financing, because this type of transaction has the greatest profit opportunities and the highest level of certainty compared to other banking transactions.

In addition, murabaha financing mechanism has the lowest risk level compared to other financing types. The following is a presentation of data published by Shariah commercial banks in Indonesia.

Table 1
Murabaha financing in Indonesian Islamic commercial banks, 2020 (billion IDR)

Year	Month	Murabaha	Mudharabah	Musharakah
2020	March	124.191	4.878	86.242
	April	123.654	4.671	86.441
	May	125.808	4.451	87.646
	June	128.087	4.319	89.128
	July	130.220	4.104	89.783
	August	131.281	4.137	89.445
	September	133.806	4.376	90.577
	October	135.071	4.187	90.938
	November	136.578	4.370	91.856
	December	136.990	4.098	92.279

Source: Data processed at Indonesian Islamic commercial banks, 2020.

Considering the disclosure of the information in Table 1, it is found that financing with Murabaha contracts during the Covid-19 pandemic is the most transaction when compared to other similar transactions.

In Table 1, financing with Murabaha contracts increased every month. In June, the number of transactions with Murabaha contracts amounted to IDR 128,087 billion; in July, there was an increase in transactions to IDR 130,220 billion; in September, it was IDR 133,806 billion, then it continued to increase until December 2020 to IDR 136,990 billion.

The result of the transaction is inversely proportional to the mudharabah contract. Murabaha financing is the lifeblood that can drive Islamic banking management. The composition of Murabaha financing distribution to Islamic commercial banks in Indonesia is shown in Table 2.

Table 2
Murabaha financing at Islamic commercial banks in Indonesia from 2015 to 2020

No.	Bank Name	Year						Average
		2015	2016	2017	2018	2019	2020	
1	PT. Bank Victoria Shariah	304,00	238,00	322,00	241,00	281,00	-	231,00
2	Bank Muamalat Shariah	18,27	17,48	19,75	15,63	13,81	12,88	16,30
3	PT. Bank BRI Shariah	978,00	105,00	1,46	11,37	13,19	22,67	188,62
4	PT. BJB Shariah	3,66	3,71	3,50	3,22	3,60	-	2,95
5	PT. Bank BNI Shariah	13,49	1,52	16,56	18,20	19,19	20,25	14,87
6	PT. Bank Shariah Mandiri	34,81	36,20	36,23	36,20	40,17	45,57	38,20
7	PT. Bank Mega Shariah	3,98	4,27	391,00	3,84	3,97	2.747,00	525,68
8	PT. Bank Panin Dubai Shariah	527,00	102,00	976,00	189,00	335,00	-	354,83
9	PT. Bank Shariah Bukopin	2,19	2,22	1,63	1,46	1,49	1.186,00	199,16
10	PT. BCA Shariah	1,45	1,52	1,59	1,71	1,58	1,37	1,54
11	PT. BTPN Shariah	3,66	5,30	4,94	7,14	8,77	9.514,00	1.590,63
12	PT. Maybank Shariah Indonesia	848,00	488,00	284,00	372,00	4,80	-	332,80

Source: Processed data, 2020.

From Table 2, it can be seen that the Shariah commercial bank that distributes the highest Murabaha financing is Bank Mandiri Shariah, which was IDR 45,569,492 in 2020, while in 2019, it was IDR 39,916,416, followed by Bank BRI Shariah, which was able to distribute Murabaha financing in 2020, amounting to IDR 22,674.700, and in 2019, it amounted to IDR 13,192. 848.

Murabaha financing, on the other hand, has a consumptive tendency, so it is considered to deviate from the purpose of Islamic financing (Abbas & Hidayat, 2021; Husaeni, 2016). It was considered that the purpose of financing is not only to increase profits, but also to consider the benefits in order to meet the financial objectives of Islamic banks; namely, to increase justice, togetherness, and equitable welfare of the Indonesian people (Abbas & Hidayat, 2021; Nurdiwaty & Faisol, 2017; Husaeni, 2016).

1.1 The Motivation for the Study

The findings of data processing based on the quantity of financing issued can be explained using 14 Shariah Commercial Banks from 2015 - 2020, each of which has a different amount of Murabaha financing distribution and influences the development of Murabaha financing.

This difference motivates the researchers to explore further the factors of internal financial information of Islamic banks that can overcome Murabaha's financial problems, so that this Islamic financing contract can improve justice, unity, and equity of public welfare in Indonesia. Several factors of internal financial information of Islamic banks are thought to affect Murabaha financing so far; namely, Financing to Deposit Ratio, Capital Adequacy Ratio, Non-performing Financing, and Return on Assets.

Based on the background that has been provided, various challenges that occur in the issue of Murabaha financing in Islamic commercial banks can be identified, among others, as follows:

- Murabaha finance is said to deviate from the objectives of the Islamic economy by lowering risk and increasing shareholder security.
- Liquidity in Islamic banking remains relatively loose. Liquidity is tightening in the banking industry. Demand for financing and lending tends to slow.
- The capital adequacy ratio was still outstanding until the end of 2019. A considerable amount of capital is a positive thing in terms of durability, but it also indicates that the bank needs to be able to use capital properly.
- Non-performing financing is still quite prevalent among Islamic banks.
- The Return on Assets rate at Islamic commercial banks is lower than at conventional banks, indicating that public trust in Islamic banks and their products is still low compared to conventional banks.

1.2 Contribution of This Research

It is anticipated that this study will provide data that will encourage prospective investors to consider the amount of money being given while making investment decisions.

Additionally, it is anticipated to be taken into account that this study serves as input for what factors can influence Shariah commercial banks and Murabaha financing, where Shariah commercial banks can be more cautious in applying Shariah accounting principles, particularly Murabaha financing so that Shariah accounting standards are not improperly violated.

1.3 Study Aim and Objectives

The main objective of this research is to investigate the role of internal factors of bank financial ratios to *Murabaha* financing in Indonesian Islamic banks. Specifically, the study objectives are to:

1- Investigate the impact of the financing bank ratio measured by the Financing to Deposit Ratio on Murabaha finance in Indonesia Shariah banks
2- Investigate the impact of the financing bank ratio measured by the Capital Adequacy Ratio on Murabaha finance in Indonesian Shariah banks.
3- Investigate the impact of the financing bank ratio measured by Non-performing Financing on Murabaha finance in Indonesian Shariah banks.
4- Investigate the impact of the financing bank ratio measured by Return on Assets on Murabaha finance in Indonesian Shariah banks.

2. Literature Review

This section critically reviews the literature and discusses previous studies on service quality and customer loyalty.

2.1 Stewardship Theory

Using stewardship theory in research is based on the interaction between Islamic banks as capital providers and consumers as capital managers before and after financing. As stewards, Islamic banks will do what the customer or principal desires. Islamic banks will meet customers' demands for financing or working capital by providing acceptable financing and accomplishing what customers desire. However, the Shariah party does not lose sight of its ultimate purpose, which is to benefit society and generate profits from its operational operations. Thus, before making financing decisions for clients, it is essential to take risks that Islamic banks will approve. Furthermore, emphasis must be paid to the quality of the financing process, correct financial statement analysis, and competition for human resources from Islamic banks qualified to identify and assess consumers for the funding that will be or has been provided.

In this study, stewardship theory explains the link between the independent variables: Financing to Deposit Ratio, Capital Adequacy Ratio, Non-performing Financing, and Return on Assets, and the dependent variable, Murabaha financing. Islamic banks aim to act as stewards, granting clients the authority to choose and use finance that may meet both parties' interests.

2.2 Murabaha Financing

Financing with a Murabaha contract is financing in the form of a sale and purchase transaction of goods equal to the acquisition price plus the profit margin agreed by the parties (seller and buyer). The amount of profit margin is expressed in the form of a nominal rupiah or a presentation of the purchase price (Firmansyah & Andrianto, 2019). It can be concluded that Murabaha is one of the financing contracts used by Islamic banking to buy and sell goods at an acquisition price that has been informed to the buyer and added to the profit agreed by the seller and buyer. Murabaha financing can be presented by comparing the amount of Murabaha financing disbursed with the amount of Murabaha financing provided by banks.

2.3 Financing to Deposit Ratio

FDR compares the amount of financing disbursed against the amount of third-party funds raised from the public (Dwijayanty & Mansoni, 2018). It can be concluded that the Financing to Deposit Ratio is one of the liquidity ratios in Islamic banking, which is used to measure the ability of banks to pay funds withdrawn from depositors by using financing as a source of liquidity.

2.4 Capital Adequacy Ratio

The capital adequacy ratio is a bank performance ratio to measure the adequacy of capital owned by the bank to support assets that contain or generate risk (Hakim & Anwar, 2017). CAR (Capital Adequacy Ratio) is a ratio used to calculate a bank's capital adequacy (Munir, 2018). It can be concluded that the Capital Adequacy Ratio (CAR) is a ratio that shows the ability of a bank to cover the decline in capital caused by bank assets that have risk.

2.5 Non-performing Financing

Non-performing financing is an indicator in assessing the performance of bank functions, where the bank's function is as an intermediation institution (Aryani et al., 2016). Non-performing financing has problems, because the implementation of the financing does not or has yet reached the target expected by the bank (Fadli, 2018). It can be concluded that Non-performing Financing (NPF) is a ratio that shows problematic financing in Islamic banking caused by the debtor's failure to perform the obligations to the bank.

2.6 Profitability

Return on Assets (ROA) is a ratio used to measure the effectiveness of management in managing the amount of profit earned by the bank. ROA determines the bank's ability to manage assets to generate maximum profit (Sudarsono, 2017). ROA is as follows: ROA is a ratio used to measure the ability of the bank management to obtain overall profits (Umiyati & Ana, 2017). Return on Assets is a ratio used by banks or companies to measure the ability of banks or companies to manage their assets to show how far management can generate profits by utilizing these assets.

2.7 Relationship between Financing to Deposit Ratio and Murabaha Financing

The Financing to Deposit Ratio is one of the ratios in Islamic banking; it can reflect a bank's capacity to give cash to be allocated to debtors; the higher this ratio, the greater the bank's ability to channel financing. Previous empirical data (Nurdiwaty & Faisol, 2017; Rahman et al., 2017; Farianti et al., 2019) showed that the Financing to Deposit Ratio substantially and positively influences Murabaha financing. According to Adriyani et al. (2019), the Financing Deposit Ratio has a good influence on Murabaha financing; however, Abbas and Hidayat (2021); and Suhari and Esya (2017) found that the Financing to Deposit Ratio has no beneficial effect on Murabaha financing. The following possibilities are offered in this study based on this description.

2.8 Relationship between Capital Adequacy Ratio and Murabaha Financing

Capital adequacy ratio is a ratio that can show a bank's ability to provide funds that can be used as a reserve to overcome losses that may occur. In channeling financing, a bank is required to adjust to its capital adequacy; this is because financing is one of the bank assets that have the highest risk of loss. As a result, the higher the Capital Adequacy Ratio, the greater the bank's ability to handle the risks associated with the financing provided by the bank. According to the findings of (Abbas & Hidayat, 2021; Husaeni, 2016), the Capital Adequacy Ratio had a favorable and substantial influence. According to (Ali & Miftahurrohman, 2016), the Capital Adequacy Ratio has no detrimental influence on Murabaha funding at Islamic commercial banks in Indonesia. The Capital Adequacy Ratio has a favorable and minor influence on Murabaha financing, according to (Farianti et al., 2019). Meanwhile, the Capital Adequacy Ratio has a little influence on Murabaha financing (Zulaecha & Yulistiana, 2020).

2.9 Relationship between Non-performing Financing and Murabaha Financing

Non-performing financing is a measure that reflects the percentage of Non-performing loans in Islamic banks. When disbursing finance, the probability of encountering Non-performing financing increases proportionately to the quantity of financing dispensed. As a result, the bigger the quantity of Murabaha financing disbursed, the lower the value of Non-performing Financing. Previous researchers' empirical evidence (Nahrawi, 2017) stated that Non-performing financing had a significant effect on Murabaha financing, whereas (Harianto et al., 2019; Kusnianingrum & Riduwan, 2016) stated that Non-performing Financing has a positive effect on Murabaha financing. Research (Chendrawan 2016; Vaidian & Riduwan 2016) found that Non-performing Financing has a negative influence on Murabaha financing, but (Abbas & Hidayat 2021; Rachmawaty & Idayati 2017) found that Non-performing Financing had no effect on Murabaha financing.

2.10 Relationship between Return on Assets and Murabaha Financing

Return on Assets (ROA) is one of the profitability ratios used to measure a bank's ability. Return on assets can show the management's ability to generate profits or income from managing assets owned by the bank, so that if the bank has high profitability, it will support the amount of financing that banks can disburse. Previous research (Nurdiwaty & Faisol, 2017; Abbas & Hidayat, 2021; Husaeni, 2016) suggested that Return on Assets has a favorable and substantial influence on Murabaha funding. Meanwhile (Pradita et al., 2019) revealed that Return on Assets was not significantly beneficial for Murabaha financing. Return on Assets has a little influence on Murabaha financing (Rachmawaty & Idayati, 2017).

2.11 Theoretical Framework and Development of Hypotheses

Based on a critical literature review, the study develops a theatrical model to achieve the study objectives. The model shows the effects of the financing bank ratios as independent variables on Murabaha finance as a dependent variable.

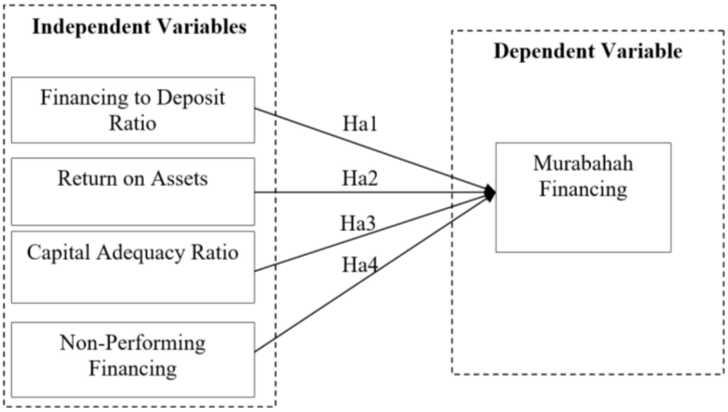

Figure (1)
Theoretical model: The study variables and the hypotheses connecting them

Adapted from: (Abbas & Hidayat, 2021; Suhari & Esya, 2017; Farianti et al., 2019; Zulaecha & Yulistiana, 2020; Harianto et al., 2019; Kusnianingrum & Riduwan, 2016; (Pradita et al., 2019).

In light of the study model, the current study develops the main hypothesis as follows:

Ha. There is an impact of financing bank ratios on Murabaha finance in Islamic commercial banks in Indonesia. The main hypothesis can be divided into sub-hypotheses as follows:

Ha1. There is an impact of the financing bank ratio measured by Financing to Deposit Ratio on Murabaha finance in Indonesian Shariah banks.

Ha2. There is an impact of the financing bank ratio measured by the Capital Adequacy Ratio on Murabaha finance in Indonesian Shariah banks.

Ha3. There is an impact of the financing bank ratio measured by Non-performing Financing on Murabaha finance in Indonesia Shariah banks.

Ha4. There is an impact of the financing bank ratio measured by Return on Assets on Murabaha finance in Indonesian Shariah banks.

3. Methodology and Research Design

Based on the sampling criteria in this study, the purposive sampling approach was used at Islamic commercial banks in Indonesia between 2015 and 2019, with the goal of collecting the proper sample in accordance with the criteria. Bank Indonesia has 14 Islamic commercial banks on its books. Since 2015, two Islamic commercial banks have ceased operations. Four Islamic commercial banks release yearly financial reports in which they submit annual reports and financial statements and have lost money for five years. Based on the sample selection, it was determined that 8 Islamic commercial banks would be employed in this study over five years of observation. The sample data gathered totals 40. The formulae for computing the variables utilized in this study are as follows.

Table 3
Variables' measurement

Variable	Concept	Measurement
Murabaha Financing	The Murabaha financing percentage is computed by comparing the amount of Murabaha financing disbursed to the amount of financing supplied by the bank (Kusnianingrum & Riduwan, 2016).	$Financing = \frac{\sum murabaha\ financing\ that\ is\ channeled}{\sum financing\ provided} \times 100\%$
Financing to Deposit Ratio	The Financing to Deposit Ratio expresses the bank's capacity to repay depositors' withdrawals of cash by regulating the credit given as a source of liquidity.	$FDR = \frac{Total\ Financing}{Third-party\ funds} \times 100\%$
Capital Adequacy Ratio	Capital Adequacy Ratio is a performance ratio used by banks to assess the adequacy of capital held by a bank to support assets that include or produce risk, such as the financing supplied. (Ali & Miftahurrohman 2016).	$CAR = \frac{Capital}{Risk\ Weighted\ Assets} \times 100\%$
Non-performing Financing	Non-performing Financing (NPF) is the rate of return on credit supplied to banks by depositors; in other words, NPF is the number of bad loans at the bank.	$NPF = \frac{\sum Number\ of\ non-performing\ financing}{\sum total\ financing} \times 100\%$
Return on Assets	Return on Assets is the ratio of profit before tax over the previous 12 months to the average company volume over the same period. The term ROA refers to asset turnover as measured by sales volume (Nahrawi, 2017).	$ROA = \frac{Earning\ after\ tax}{Total\ Asset} \times 100\%$

Source: Prepared by the authors.

The classical assumption test is a statistical criterion that must be satisfied when analyzing data with the Ordinary Least Square (OLS) estimate approach. The classical assumption must be tested in panel data models based on Ordinary Least Squares, such as the Common Effect Model (CEM) and the Fixed Effect Model (FEM). Because the Random Effect Model (REM) employs the General Least Squares (GLS) method in its estimation procedure, the regression equation is more suited to apply the Random Effect Model (REM). Therefore, there is no need to make classical assumptions. However, only multi-collinearity and heteroscedasticity tests were conducted in the panel data regression.

The goal of the analytical hypothesis measurement stage with Panel Data Regression in this study is to gain confirmation of responses regarding whether the factors in this study may be utilized to deliver information to the public *via* Murabaha financing at Islamic Commercial Banks in Indonesia, listed in the Indonesia Stock Exchange (IDX) from 2015 to 2019. In this study, the hypothesis-analysis was tested using Panel Data Regression.

The F-test is used to determine whether all exogenous factors included in the model may influence at the same time as endogenous variables (model fit or not). If the F-statistic is smaller than the value in the F-Table, then H0 is accepted, indicating that the exogenous variable (X) does not impact the endogenous variable (Y) simultaneously. If, on the other hand, the value of the F-statistic is greater than the value in the F-Table, then Ha is accepted, indicating that the exogenous variable (X) simultaneously affects the endogenous variable (Y).

Determination Coefficient Test (R^2): This test reveals how effective the regression model utilized in this study is in revealing exogenous *vs.* endogenous factors. The R-squared value illustrates how significantly external factors contribute to the endogenous interaction variable. The greater the interaction between the impacts of exogenous factors on endogenous variables, the higher the R-squared value. In other words, the greater the exogenous variable value, the more the exogenous variable will describe the endogenous variable. The t-test demonstrates how each exogenous variable's significance level is partially observed to endogenous factors. The regression of the panel data equation in this study is shown to illustrate further the research discussion on the interplay of the effect of exogenous factors on endogenous variables using time-series and cross-section data setups.

4. Analysis and Findings

Before assessing the overall effect of the factors in this study, the descriptive research variables will be examined using descriptive statistical analysis. Descriptive statistics describe data, such as the average value, the standard deviation, the maximum value, and the minimum value. The entire descriptive statistical findings are shown in Table 4.

Table 4
Descriptive statistics test results

	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis	Obs.
Murabaha	0.649113	0.608700	1.000000	0.317600	0.212776	0.368517	1.940202	40
FDR	0.937965	0.945450	1.198700	0.543400	0.144884	-0.699306	4.100530	40
CAR	0.206680	0.187300	0.459900	0.088300	0.086988	1.210292	4.019975	40
NPF	0.024028	0.022650	0.072500	0.000100	0.018587	0.641876	3.090456	40
ROA	0.013180	0.006100	0.091000	0.000200	0.022083	2.528782	8.154031	40

Source: Processed data with Eviews 9.0, 2022.

The data used in this study consisted of 40 data points. Based on the preceding statistical findings, the results may be described as follows. Murabaha (PM) funding has a minimum of 0.317600, a maximum of 1.0000000, a standard deviation of 0.212776, and an average value of 0.649113 (64.91 percent). Furthermore, the Financing to Deposit Ratio has a minimum value of 0.543400 and a maximum value of 1.198700, with a standard deviation of 0.144884 and an average value of 0.937965. In addition, the Capital Adequacy Ratio has a minimum value of 0.088300, a maximum value of 0.459900, a standard deviation of 0.086988, and an average value of 0.206680. Furthermore, Non-performing Financing has a minimum value of 0.000100, a maximum value of 0.070000, a standard deviation of 0.018587, and an average value of 0.024028. Moreover, Return on Assets has a minimum value of 0.000200, a maximum value of 0.091000, a standard deviation of 0.022083, and an average value of 0.013180.

Table 5
Model estimation test results

Effect Test	Prob>F	Best Model		
		Determining test	(Prob>F) / (Prob > Chibar2)/ (Prob > Chi2)	Description
Ordinary Least Square (OLS)	0.0000	Chow test (OLS vs FE)	0.0000	Fixed Effect
Fixed Effect (FE)	0.0000	Hausman test (FE vs RE)	0.1698	Random Effect
Random Effect (RE)	0.0000	LM test(OLS vs RE)	0.0000	Random Effect

Source: Processed data with Eviews 9.0, 2022.

Based on the results of the three tests, it is possible to infer that the panel data regression model utilized to test the hypotheses and the panel data regression equation is the Random Effect Model (REM) model. The conventional assumption test will not be performed in this study due to using the Random Effect Model (REM) as the panel data regression model.

Table 6

Test results of research hypotheses

Hyp.	Hypothesis Statement	T-stat./Prob.	P >|z|	Sig.	Model
1.	Does the Financing to Deposit Ratio affect Murabaha Financing?	-2.869/ 0.069	Hypothesis accepted	√	Y = 1.028446 - 0.410575)FDR – 0.284520) CAR+ 1.193020NPF+ 2.724673 ROA+£
2.	Does the Capital Adequacy Ratio affect Murabaha financing?	-0.796/ 0.431	Hypothesis denied	-	
3.	Does Non-performing Financing affect Murabaha financing?	0.907/ 0.370	Hypothesis denied	-	
4.	Does Return On Assets Affect Murabaha Financing?	1.446/ 0.156	Hypothesis denied	-	
F-statistic	2.820961				
Prob. (F-statistic)	0.039600				
Adjusted R-squared	0.157373				

Source: Processed data with Eviews 9.0,2022.

4.1 Financing to Deposit Ratio Decreases Murabaha Financing Significantly

Based on the research findings regarding the effect of Financing to Deposit Ratio (FDR) on Murabaha financing, the t-statistic is -2869617, t-table is 2.02809 and the value of Prob. Is 0.0069<0.05 with a negative direction. So, it can be concluded that the variable Financing to Deposit Ratio (FDR) in this study influences Murabaha financing. Thus, the first hypothesis is accepted and the negative study findings can explain why when Islamic commercial banks have extra funds and if the available funds are not maximized for usage in meeting financing requests, the money produced will not cycle correctly, reducing Murabaha financing. According to (Husaeni, 2016), the greater the Financing to Deposit Ratio, the riskier the bank's liquidity situation. Hence, the higher the Financing to Deposit Ratio, the more financing may be distributed. Theoretically, the research findings contradict the theory used in this study, where the stewardship theory upholds the value of trust between the fund owner and the fund manager, and where Islamic commercial banks as fund managers have not distributed the funds that they have collected through Murabaha financing to the greatest extent possible. The findings of this study support prior research (Abbas & Hidayat, 2021; Nurdiwaty & Faisol, 2017; Farianti et al., 2019), showing that the Financing to Deposit Ratio influences Murabaha financing.

4.2 Capital Adequacy Ratio Does Not Increase or Decrease Murabaha Financing

Based on the findings of the study on the variable Capital Adequacy Ratio (CAR), the t-statistic is -0.796097, t-table is 2.02809, and the probability is 0.4313 > 0.05. As a result, the Capital Adequacy Ratio in this study did not influence Murabaha funding. As a result, the second hypothesis is rejected. According to (Abbas & Hidayat, 2021; Lestari & Jayanti, 2020), Capital Adequacy Ratio is a bank's capacity to supply cash to cover losses. Hence, it is not a source of Murabaha financing. Under these circumstances, the Capital Adequacy Ratio has no impact on Murabaha financing provided by Islamic commercial banks. The findings of this study agree with those of (Pradita et al., 2019), who found that the Capital Adequacy Ratio did not influence Murabaha financing.

4.3 Non-performing Financing Does' Not Increase or Decrease Murabaha Financing

Based on the research findings on the Non-performing Financing variable, the t-statistic is 0.907837, t-table is 2.02809, and the Prob. value is 0.3702 > 0.05. As a result, the third hypothesis is rejected, since Non-performing financing in this study did not influence Murabaha funding. This finding is feasible, because Non-performing finance data utilized in this study is at a different level than that of NPF that bank managements are aiming for. Non-performing finance targeted by bank managements reflects the level of control and policies to be followed by the bank (Ali & Miftahurrohman, 2016). As a result, if the bank management aims for a high level of Non-performing financing, financing distribution will be more extensive; conversely, if the bank management targets a low level of Non-performing financing, Murabaha financing distribution will be less. As a result, Non-performing lending has no impact on Murabaha finance. This is consistent with the findings of (Abbas & Hidayat, 2021; Ali & Miftahurrohman, 2016; Farianti et al., 2019), who found that Non-performing financing did not influence Murabaha funding.

4.4 Return on Assets Does Not Increase or Decrease Murabaha Financing

Based on the findings of the study on the Return on Assets (ROA) variable, t-statistic is 1.446726 t-table is 2.04227 and the value of Prob. Is 0.1569 > (0.05). As a result, ROA in this study did not influence Murabaha funding. As a result, the fourth hypothesis is rejected. The higher the ROA, the more efficiently assets are used to create profits, while huge earnings can attract investors due to the company's high rate of return. Because the finance given is generated from third-party money, the substantial profits earned are not funneled *via* financing. Under these circumstances, the disclosure of ROA has no impact on the Murabaha financing provided by Islamic commercial banks. According to (Abbas & Hidayat, 2021; Harianto et al., 2019), ROA does not influence Murabaha financing because of disparities in ROA profits that do not focus solely on investing earnings in Murabaha financing. This is consistent with (Pradita et al., 2019; Rachmawaty & Idayati, 2017), who found that Return on Assets had a very little, insignificant influence on Murabaha financing.

5. Conclusions, Practical Implications Limitations, and Recommendations for Future Studies

5.1 Conclusions

The purpose of this research is to determine the effects of financing to deposit ratio, capital adequacy ratio, Non-performing financing, and return on assets on Murabaha financing at Islamic commercial banks in Indonesia for the 2015-2019 period, using a sample of 8 Islamic commercial banks out of 14 commercial banks in Indonesia using panel data regression.

The study's findings indicate that the Financing to Deposit Ratio has a substantial negative influence on Murabaha financing, with a significance value of 0.0069 (0.69 percent) which is less than 0.05 (5 percent), implying that both high and low FDR can damage Murabaha financing. The higher the FDR, the riskier the bank's liquidity circumstances are; hence, the higher the FDR, the greater the bank's ability to decrease the funding distribution. Meanwhile, the Capital Adequacy Ratio has no influence on Murabaha financing, which indicates that the Capital Adequacy Ratio's high and low levels do not affect Murabaha financing. Furthermore, the Capital Adequacy Ratio measures a bank's capacity to provide cash to cover losses. Hence, CAR is not a source of Murabaha funding. Furthermore, Non-performing Financing has no influence on Murabaha financing, which indicates that the degree of Non-performing Financing does not affect Murabaha financing. Management involvement is present in Non-performing financing.

5.2 Practical Implications

The higher the bank management seeks the Non-performing Financing level, the greater the financing distribution (loose), and *vice versa*; the lower the bank management targets the Non-performing Financing level, the smaller the distribution of Murabaha financing. Moreover, Return on Assets does not influence Murabaha financing, which indicates that the amount of ROA, whether high or low, does not affect Murabaha financing. Differences in Return on Asset profits that are not solely focused on investing profits in Murabaha financing do not affect the return on assets influence on Murabaha financing. This provides some managerial implications and proposes directions for further research on the quality of banking services.

5.3 Limitations of the Study and Recommendations for **Future** *Studies*

The main weakness of this study is that it only employed 8 Islamic commercial banks out of 14 Islamic commercial banks in Indonesia as a sample. Furthermore, only four independent variables are included in this study: financing-to-deposit ratio, capital adequacy ratio, Non-performing financing, and return on assets. It is envisaged that future scholars will be able to employ more variables that can impact Murabaha financing that is still tied to financial ratios or variables that can affect Murabaha financing through external causes, such as inflation.

To enhance the measurement of internal financial ratios for banks, this study recommends to better adjust the inclusion of violations according to the conditions of each country in the measurement of the Capital Adequacy Ratio.

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