



The Financing Structure of Islamic Banks: A Comparative Study

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Abstract

Purpose - This study aims to analyse the financing structure of Islamic Commercial Bank and Islamic Business Unit. This Study Compare the financing structure before and during the Covid-19 pandemic.

Method - This research is using The comparative research method to determine differences in the financing structure of Islamic Banks before and during the Covid-19 period.

Result - The result of this research indicates that the financing structure of Islamic Commercial Banks and Islamic Business Units based on the type of shari'ah compliant contract and the type of usage shows differences before and during the covid-19 pandemic. The decrease is shown in financing with mudharabah and ijarah contracts.

Implication - The research indicates that the Bank has been impacted by the Covid-19 pandemic as indicated by changes in the financing structure of the banking system. Banks need to determine the right strategy in this situation.

Originality - This study conducted a financing test based on the type of contract and the type of usage. This study identified two conditions in the period before and during the pandemic.

Keywords: Covid-19 Pandemic, Financing Structure, Islamic Bank.



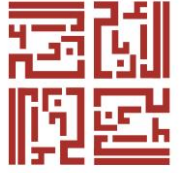
Introduction

The Indonesian economy is showing instability due to the Covid-19 pandemic. The economy showed a decline from 4.96 percent in the fourth quarter of 2019 contracting 5.32 percent in the second quarter of 2020. Based on data from the Central Statistics Agency, in October 2020 there were 6.87 percent of the business sector stopped operating and 18.65 percent of the business sector temporarily stopped operating due to Covid-19 pandemic (Badan Pusat Statistik, 2020).

The government in order to minimize the economic impact caused by the Covid-19 pandemic has issued a National Economic Recovery Program. One of these policies involves the banking sector in encouraging the distribution of financing, especially in the business sector.

Islamic Commercial Banks and Islamic Business Units are Islamic banks that are developing in Indonesia. Sharia Banking Statistics data shows that until March 2022 there are 12 Islamic Commercial Banks and 21 Islamic Business Units (Otoritas Jasa Keuangan, 2022). Islamic banking has various types of shari'ah compliant contract and types of usage. Based on the type of shari'ah compliant contract, Islamic Commercial Banks and Islamic Business Units have six types of financing contracts, namely mudharabah, Musyarakah, Murabahah, istishna, qardh and ijarah. Meanwhile, based on the type of usage, Islamic Commercial Banks and Islamic Business Units have three types of working capital, investment and consumption financing. Banking Financing is the main activity of banking. The main income of banks is obtained from financing. Financing at Islamic banks during the Covid-19 pandemic fluctuated.

Banks need to set strategies in the financing structure so that an increase in financing is not followed by an increase in non-performing financing, especially during the covid-19 pandemic. Yusuf et al., (2019) show that differences in the use of types of shari'ah compliant contract in Islamic banking affect the ability of banks to generate profits. Alam et al. (2022) stated that the risk of mudharabah financing is greater than that of Murabahah financing. Susanti (2020) stated that there was a decrease in mudharabah financing



compared to the period before the Covid-19 pandemic. Aprilianto (2020) states that profit sharing schemes, especially Musyarakah, increase financing risk. Hidayatullah & Astuti (2021) stated that non-performing financing for istishna financing showed an increase during the covid-19 pandemic. Based on the type of usage, Miranda (2021) shows that working capital and investment financing have an effect on Non-Performing Financing. Suharli et al., (2022) stated that the Covid-19 pandemic had a positive impact on increasing working capital, investment and consumption.

This study aims to identify the financing structure of Islamic Commercial Banks and Islamic Business Units in types of shari'ah compliant contract and types of usage. Based on the results of previous studies, there were differences in the impacts that occurred during the Covid-19 pandemic period. This study will identify the period before and during the Covid-19 pandemic on the condition of the banking financing structure.

Literature Review

Financing based on The Types of Shari'ah Compliant Contract

Financing in Islamic Banking based on the types of shari'ah compliant contract consists of Mudharabah, Musyarakah, Murabahah, salam, Istishna, Qardh, Ijarah and IMBT. Mudharabah Financing according to DSN-MUI Fatwa No. 07/DSN-MUI/IV/2000, mudharabah financing is a cooperation agreement between two parties where the first party is the shahibul maal (capital owner) who provides all the capital. The second party is the mudharib (capital manager) acting as capital management. The period of time, the mechanism of return on capital and the distribution of profits are determined based on the agreement of the two parties.

Fawahan & Purnasari (2022) stated that Mudharabah Financing supports MSMEs in the Covid-19 Pandemic. Mudharabah financing with a profit-sharing system can relieve MSMEs and not be burdened with fixed payments during the Covid-19 pandemic which has the potential to cause business losses. Sanulika & Hidayati (2020) state that mudharabah has an effect on the



profitability of Islamic banks. The higher the mudharabah financing, the higher the profit achieved by the Bank.

Mudharabah financing had an effect on business development during the pandemic (Sari & Estiningrum, 2022). Mudharabah financing helps increase profits. Alam et al. (2022) stated that the risk of mudharabah financing is greater than that of Murabahah financing. In practice, mudharabah financing tends to be relatively high due to asymmetric information and moral hazard. Susanti (2020) shows that there is a decrease in mudharabah financing from the period before the Covid-19 pandemic.

Musyarakah Financing according to DSN MUI Fatwa No. 08/DSN-MUI/IV/2000 is a cooperation contract between two or more parties for a business, each party contributing funds with the provisions that the profits and risks will be shared in accordance with the agreement. Musyarakah has an influence on the profitability of Islamic banks (Sanulika & Hidayati, 2020). There is a high risk in the implementation of Musyarakah financing. In addition to sharing profits, the bank also shares losses with customers in the business. Jumaidi (2021) stated that the financing of Musyarakah during the pandemic was different. Musyarakah financing is able to grow positively, meaning good performance resilience and being able to grow during the Covid-19 pandemic. Aprilianto (2020) states that profit sharing schemes, especially Musyarakah, increase financing risk.

Murabahah financing according to the Fatwa of DSN MUI No. 4/DSN-MUI/IV/2000 concerning Murabahah is buying and selling financing in which the Bank as the seller conveys the purchase price to the customer plus the profit. Banks must inform customers of the cost of goods and fees. Murabahah financing has a positive impact on the profitability of the Bank (Agustina et al., 2022). Alam et al., (2022) stated that the risk of mudharabah financing is greater than that of Murabahah financing. The Murabahah financing scheme is able to reduce the level of financing risk. Murabahah financing has a financing scheme with a low risk profile (Aprilianto, 2020).



Istishna Financing according to DSN MUI fatwa no. 06/DSN-MUI/IV/2000 is a sale and purchase contract in the form of an order for the manufacture of goods with agreed criteria and requirements between the buyer (mustashni') and the seller (maker, shani'). Hidayatullah & Astuti (2021) states that istishna financing income has a positive impact on the Bank's return on assets. Research shows that non-performing financing istishna financing shows an increase during the covid-19 pandemic.

Qardh Financing according to DSN MUI Fatwa No. 19/DSN-MUI/IV/2001 is a loan agreement to a customer with the condition that the customer is obliged to return the funds he has received at the time agreed upon by the Bank and the Customer. I. L. Agustina & Hilmania (2021) stated that Qardh financing has an impact on increasing the profitability of Islamic Commercial Banks.

Ijarah Financing according to DSN MUI Fatwa No. 09/DSN-MUI/IV/2000 is a contract for the transfer of the right to benefit from an item within a certain time with rental payments without transfer of ownership. Aprilianto (2020) stated that the Ijarah financing scheme can increase financing risk. The level of non-performing financing in Ijarah financing shows an increasing trend during the pandemic.

Financing based on The Type of Usage

Financing based on type of usage consists of working capital financing, investment financing and consumption financing. Working capital financing is financing intended to obtain capital in business development (Muhamad, 2016). Accuracy in measuring working capital needs is needed for Islamic banking, so that the financing provided to partners is in accordance with the needs (Susilo, 2017). Working capital financing is generally short-term financing provided to finance the working capital needs of its business based on sharia principles.

Miranda (2021) states that working capital financing has an effect on Non-Performing Financing. Suharli et al., (2022) stated that the Covid-19 pandemic had a positive impact on increasing working capital financing.



Investment Financing is financing to invest or provide consumptive goods (Muhamad, 2016). Investment financing has an effect on Non-Performing Financing (Miranda, 2021). The Covid-19 pandemic had a positive impact on increasing investment financing (Suharli et al., 2022). Consumptive financing is financing for purposes outside the business and generally for individuals. Rahmati et al., (2019) stated that consumptive financing has an effect on the growth of Islamic banking assets. Suharli et al., (2022) stated that the Covid-19 pandemic had a positive impact on increasing consumption financing.

Methods

This research uses a quantitative approach. The objects of this research are Islamic Commercial Banks and Islamic Business Units. This study uses secondary data for the period before the pandemic, February 2018 - February 2020 and the period during the pandemic, March 2020 - March 2022. The assessment on the financing structure of Islamic Commercial Banks and Islamic Business Units divided into financing based on the type of shari'ah compliant contract and the type of usage.

SPSS 22 program for research data analysis was used in this study. The analytical method used in this study is descriptive statistical and paired samples T test analysis. Descriptive statistical analysis was conducted to describe the research data. The paired sample T test was carried out to identify differences in the financing structure of before and during the Covid-19 pandemic.

Results and Discussion

Descriptive Analysis

Descriptive statistical analysis is used to describe the financing structure of Islamic Commercial Banks and Islamic Business Units before and during the Covid-19 pandemic. The financing structure is shown in table 1. This study divides the financing structure into two categories, namely financing based on type of shari'ah compliant contract and financing based on the type of usage.



The financing based on the type of contract is divided into six contracts, namely Mudharabah, Musyarakah, Murabahah, Qardh, Istishna and Ijarah. The period before the pandemic showed that Mudharabah financing had the lowest value of 13,083 billion rupiah, the highest of 16,770 billion rupiah and an average value of 14,790 billion rupiah. Meanwhile, the period during the pandemic was the lowest with 9,931 billion rupiah, the highest was 13,724 billion and an average of 11,408 billion rupiah. In conclusion, the average mudharabah financing during the Covid-19 pandemic has decreased.

Musyarakah financing before the pandemic had the lowest value of 100,386 billion rupiah, the highest of 157,603 billion rupiah and an average value of 130,830 billion rupiah. Meanwhile, during the period during the pandemic, the lowest was 162,371 billion Rupiah, the highest was 175,535 Billion Rupiah and the average value was 175,535 Billion Rupiah. In conclusion, the average Musyarakah financing during the pandemic has increased.

Murabahah financing before the pandemic had the lowest value of 149,339 billion Rupiah, the highest of 161,511 billion Rupiah and an average value of 155,424 Billion Rupiah. Meanwhile, during the period during the pandemic, the lowest distributed was 161,226 billion Rupiah, the highest was 198,795 Billion Rupiah and the average value was 178,252 Billion Rupiah. In conclusion, the average mrabaha financing during the pandemic has increased. Murabahah financing is a financing contract that has the highest average before and during the pandemic compared to other financing contracts.

Qardh financing before the pandemic had the lowest value of 6,217 billion rupiah, the highest of 10,713 billion rupiah and an average value of 8,145 billion rupiah. Meanwhile, during the period during the pandemic, the lowest distribution was 9,121 billion rupiah, the highest was 12,833 billion rupiah and the average value was 11,366 billion rupiah. In conclusion, the average Qardh financing during the pandemic has increased.

Istishna financing before the pandemic had the lowest value of 1,228 Billion Rupiah, the highest of 2,142 Billion Rupiah and an average value of



1,678 Billion Rupiah. Meanwhile, during the period during the pandemic, the lowest was 2,175 billion Rupiah, the highest was 2,560 Billion Rupiah and the average value was 2,370 Billion Rupiah. In conclusion, the average Istishna financing during the pandemic has increased.

Ijarah financing before the pandemic had the lowest value of 9,257 billion rupiah, the highest of 10,765 billion rupiah and an average value of 10,275 billion rupiah. Meanwhile, the lowest period during the pandemic was distributed 6,902 billion rupiah, the highest was 10,169 billion rupiah and the average value was 8,172 billion rupiah. In conclusion, the average Ijarah financing during the Covid-19 pandemic has decreased.

Financing based on usage is divided into three, namely working capital, investment and consumption. The period before the pandemic showed that working capital financing had the lowest value of 94,490 billion rupiah, the highest of 110,586 billion rupiah and an average value of 103,979 billion rupiah. Meanwhile, the lowest period during the pandemic was 106,897 billion rupiah, the highest was 117,522 billion rupiah and the average value was 112,714 billion rupiah. In conclusion, the average working capital financing during the Covid-19 pandemic has increased.

Investment Financing before the pandemic had the lowest value of 67,008 billion rupiah, the highest of 86,972 billion rupiah and an average value of 76,719 billion rupiah. Meanwhile, the lowest period during the pandemic was distributed at 84,388 billion rupiah, the highest was 92,515 billion rupiah and the average value was 87,101 billion rupiah. In conclusion, the average investment financing during the Covid-19 pandemic has increased.

Consumption Financing before the pandemic had the lowest value of 119,975 billion Rupiah, the highest of 160,362 Billion Rupiah and an average value of 140,446 Billion Rupiah. Meanwhile, during the period during the pandemic, the lowest was 163,163 billion Rupiah, the highest was 215,354 Billion Rupiah and the average value was 187,289 Billion Rupiah. In conclusion, the average consumption financing during the Covid-19 pandemic has increased.



Table 1. Descriptive Statistics

Financing Based on the types	Minimum	Maximum	Mean	Std. Deviation
Mudharabah_Before	13083	16770	14790.84	1238.004
Mudharabah_Pandemic	9931	13724	11408.60	918.748
Musyarakah_Before	100386	157603	130830.44	18275.871
Musyarakah_Pandemic	162371	190724	175535.64	7562.211
Murabahah_Before	149339	161511	155424.88	3652.744
Murabahah_Pandemic	161226	198795	178252.44	10657.401
Qardh_Before	6217	10713	8145.76	1457.211
Qardh_Pandemic	9121	12833	11366.32	954.055
Istishna_Before	1228	2142	1678.00	278.341
Istishna_Pandemic	2175	2560	2370.08	104.247
Ijarah_Before	9257	10765	10275.64	506.309
Ijarah_Pandemic	6902	10169	8172.24	984.735
Financing Based on the type of usage				
WorkingCapital_Before	94490	110586	103979.00	4155.602
WorkingCapital_Pandemic	106897	117522	112714.32	2223.709
Investment_Before	67008	86972	76719.44	6548.595
Investment_Pandemic	84388	92515	87101.92	1850.001
Consumption_Before	119975	160362	140446.84	12358.812
Consumption_Pandemic	163163	215354	187289.04	16323.343

Hypothesis Test

Hypothesis test in this study was conducted using paired sample t-test. Hypothesis test was conducted to identify differences in the financing structure of Islamic Commercial Banks and Islamic Business Units before and during the Covid-19 pandemic. The results of hypothesis are shown in table 2.

Financing based on the types of shari'ah compliant contract: before and during the Covid-19 pandemic

The results of the financing test based on the types of shari'ah compliant contract show that mudharabah, Musyarakah, Murabahah, Qardh, Istisha and Ijarah obtained a significance value of 0.000 less than 0.05. In conclusion, H1 is accepted, there are differences in financing based on the type of contract before and during the Covid-19 pandemic.



Table 2. Paired Samples Test

	Mean	95% Confidence Interval of the Difference		Lower	Upper	
		Lower	Upper			
Pair 1	Mudharabah_Before - Mudharabah_Pandemic	3382.240	3056.554	3707.926	21.434	.000
Pair 2	Musyarakah_Before - Musyarakah_Pandemic	-44705.200	-49406.092	-40004.308	-19.628	.000
Pair 3	Murabahah_Before - Murabahah_Pandemic	-22827.560	-25786.204	-19868.916	-15.924	.000
Pair 4	Qardh_Before - Qardh_Pandemic	-3220.560	-3707.317	-2733.803	-13.655	.000
Pair 5	Istishna_Before - Istishna_Pandemic	-692.080	-765.500	-618.660	-19.455	.000
Pair 6	Ijarah_Before - Ijarah_Pandemic	2103.400	1520.442	2686.358	7.447	.000
Pair 7	WorkingCapital_Before - WorkingCapital_Pandemic	-8735.320	-10801.010	-6669.630	-8.728	.000
Pair 8	Investment_Before - Investment_Pandemic	-10382.480	-12844.508	-7920.452	-8.704	.000
Pair 9	Consumption_Before - Consumption_Pandemic	-46842.200	-48551.185	-45133.215	-56.570	.000

The principle of profit sharing financing is financing with mudharabah and Musyarakah contract schemes for business cooperation. In Musyarakah financing, the contribution to capital and management is from both parties. Meanwhile, in mudharabah financing, one party is the investor and the other party is the manager. In mudharabah financing, the risk of loss on the customer's business is borne by the bank if the loss occurs not due to the customer's negligence in managing the business. Loss of customers as managers in the form of energy, time and thoughts used in managing the business. Meanwhile, in Musyarakah financing, losses are shared based on the contribution of capital and work in business management.

The results of this study support the results of Susanti (2020) showing that there has been a decrease in mudharabah financing from the period before the Covid-19 pandemic. Jumaidi (2021) shows that Musyarakah financing during



a pandemic is different. The results of this study indicate a decrease in mudharabah financing during the pandemic, these results indicate that Islamic Commercial Banks and Islamic Business Units are careful in mudharabah financing during the covid-19 pandemic, which is caused by the characteristics of mudharabah financing which are influenced by economic conditions. Meanwhile, Musyarakah financing has shown an increase during the Covid-19 pandemic.

Murabahah and Istishna financing based on the principle of buying and selling. Sale and purchase financing, namely the bank conveys the cost of goods and profit margins to the buyer or customer. Profits in buying and selling financing are obtained from the difference between the buying and selling prices or known as margin. This financing scheme has the lowest risk of profit-sharing principle financing such as Mudharabah and Musyarakah based on the customer's business performance. Murabahah and Istishna financing is not based on the customer's business performance because the form is a sale and purchase agreement. Hidayatullah & Astuti (2021) research shows that non-performing financing for Istishna financing shows an increase during the covid-19 pandemic.

Qardh financing is the financing of goodness based on the agreement between the bank and the customer. Qardh financing has increased during the pandemic, meaning that Islamic Commercial Banks and Islamic Business Units have high concern for the community, especially during the Covid-19 outbreak. Research by I. L. Agustina & Hilmania (2021) shows that Qardh financing has an impact on increasing the profitability of Islamic Commercial Banks. These results are supported by the results of this study which showed an increase in Qardh financing during the pandemic.

Ijarah financing is based on the principle of rent. Ijarah financing is a contract for the transfer of the right to benefit from goods or services without any transfer of ownership. The bank's advantage over ijarah financing is the rental fee or known as ujarah. The results of this study indicate that Ijarah financing has decreased during the Covid-19 pandemic. This result is supported by research by Aprilianto (2020) which shows that the Ijarah



financing scheme can increase financing risk. The level of non-performing financing in Ijarah financing shows an increasing trend during the pandemic.

Financing based on the type of usage: before and during the Covid-19 pandemic

The results showed that the financing based on the type of use of working capital, investment and consumption obtained a significance value of 0.000 less than 0.05. In conclusion, H2 is accepted, there are differences in financing based on the type of use before and during the Covid-19 pandemic. The results of this study support the research results of Suharli et al., (2022) the Covid-19 pandemic has a positive impact on increasing working capital financing, investment and consumption.

Working capital financing is financing to obtain capital for business development. Investment Financing is used to invest or provide consumer goods. Meanwhile, consumptive financing for purposes outside the business. This study shows that consumption financing has the highest portion in Islamic Commercial Banks and Islamic Business Units based on the type of use.

Conclusion

This study shows that there are differences in the financing structure of Islamic Commercial Banks and Islamic Business Units before and during the Covid-19 pandemic. The financing structure based on the type of contract shows differences before and during the Covid-19 pandemic. The average financing by contract shows an increase. The decrease occurred in financing with mudharabah and ijarah contracts. Financing based on the type of contract is the most Murabahah financing before and during the covid-19 pandemic. Meanwhile, financing based on the type of use shows differences before and during the Covid-19 pandemic. Average working capital financing, investment and consumption showed an increase. The financing structure based on its highest use is consumption both before and during the covid-19 pandemic.

These results indicate that Islamic Commercial Banks and Sharia Business Units have changed their financing structure due to the Covid-19 pandemic.



This increase in financing distribution supports the Government's program in the context of accelerating the national economic recovery through the distribution of financing by the banking sector. This research is limited to Islamic Commercial Banks and Sharia Business Units in Indonesia. Further research can be done on each bank.

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