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INFLUENCE ANALYSIS OF *MUDHARABAH* FINANCING AND *QARDH* FINANCING TO THE PROFITABILITY OF ISLAMIC BANKING IN INDONESIA

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ABSTRACT

The purpose of this study is to determine the effect of mudharabah financing and qardh financing on the profitability of Islamic Banking in Indonesia. The research approach used is descriptive quantitative. Sampling by purposive sampling with period 2010-2014 data from financial statements of Islamic Banking. Multiple linear regression is used as an analytical tools. The results showed that mudharabah financing did not significantly affect the profitability of Islamic Banking. While qardh financing has a significant effect on the profitability of Islamic Banking in Indonesia. The finding in this research is the absence of influence of mudharabah financing on syariah bank perofitabilitas so it gives picture that mudharabah financing does not give positive impact to profitability of syariah bank in Indonesia.
Keywords: *Financing, Mudharabah, Qardh, Profitability, Bank Syariah*

ABSTRAK

Tujuan dari penelitian ini adalah untuk mengetahui pengaruh pembiayaan mudharabah dan pembiayaan qardh terhadap profitabilitas Perbankan Syariah di Indonesia. Pendekatan penelitian yang digunakan adalah deskriptif kuantitatif. Pengambilan sampel dilakukan secara purposive sampling dengan data periode 2010-2014 dari laporan keuangan Perbankan Syariah. Regresi linier berganda digunakan sebagai alat analisis. Hasil penelitian menunjukkan bahwa pembiayaan mudharabah tidak berpengaruh signifikan terhadap profitabilitas Perbankan Syariah. Sementara pembiayaan qardh berpengaruh signifikan terhadap profitabilitas Perbankan Syariah di Indonesia. Temuan dalam penelitian ini adalah tidak adanya pengaruh pembiayaan mudharabah pada bank syariah perofitabilitas sehingga memberikan gambaran bahwa pembiayaan mudharabah tidak memberikan dampak positif terhadap profitabilitas bank syariah di Indonesia.
Kata kunci: Pembiayaan, Mudharabah, Qardh, Profitabilitas, Bank Syariah

INTRODUCTION

Organizations in the form of companies or banks are different from organizations that are foundational or social. Generally companies are seeking profit for business continuity, while the foundation or social institution is social and not looking for profit. Indonesia is a country that has various cultural characteristics with ethical ethics that prioritizes propriety. Ethics in business is also done with Eastern ethics. Business development from micro to bigger business sometimes gives difficulties for small entrepreneurs in capital so they need access to obtain easier credit.

Profit is one of the objectives of a company engaged in profit oriented because with the profit or profit will be ascertained business continuity (Afkar, 2015d). Islamic Banking include Islamic financial institutions engaged in profit, but not necessarily profit that is financial, but long-term profit (Ascarya, 2012). The continuity of Islamic Banking business is more in the real sector with the cooperation in the business of developing its business requires profit. The function of Islamic Banking as intermediary institutions that move more in real sector financing enables to facilitate small business development (Ascarya and Yumanita, 2005a). Fund disbursements require prudential financial-related measures to maintain capital, as business in high-risk finance is associated with credit risk (Afkar, 2014).

Financing or credit can provide the possibility of increased income for entrepreneurs when able to manage their business well. *Mudharabah* financing is one of Islamic Banking product where 100% capital by Islamic Banking while client is financial manager (Karim, 2010). For the less able in terms of financial operations there is also a virtue loan that is Qardh (Afkar, 2015c). Distribution of funds through financing is the largest amount to be able to explore the profit from the banking business but also has a high enough risk (Afkar, 2015b). Permata, et al (2014) showed that *mudharabah* financing has a significant negative effect on profit change, as well as Anjani and Hasmarani (2014) *Mudharabah* financing has a negative and significant impact on profitability as measured by Return on Equity (ROE), this negative influence is due to the risk of *Mudharabah* financing in the event of loss will have an impact on the rate of return on such capital. This is different from the results of research Wibowo and Sunarto (2014) *Mudharabah* financing has a positive effect on profitability. *Mudharabah* financing is increasing every year starting from 2010 around Rp 8,631,000,000 to Rp 14,354,000,000 in 2014 followed by significant profit changes. Profitability of Islamic Banking is relatively high as shown by the average achievement of Return on Equity (ROE) ratio of Islamic Banking which reaches 45.92% per year (Bank Indonesia, 2009).

Qardh financing is one of the financing that is benevolent or in other words provides assistance to the needy (Afkar 2015c). *Qardh* is a virtue loan with the equation that such a bank gets a loan without interest from the depositor. Banks may use these funds for purposes in accordance with sharia, and from profits earned by banks may provide a share of profits to depositors in the form of money or non-money (this is rarely seen in practice) (Ascarya and Yumanita, 2005b). Research (Arif, 2015) mentions Qardh financing has a positive effect on changes in earnings received. It can be proved statistically that the regression coefficient number is 1.438 and the probability is 0,038. This is because the greater qardh funds distributed to sharia bank partners create a positive reciprocal relationship from the partners of sharia banks so as to minimize the risk of bad debts while *mudharabah* financing does not affect the changes in earnings.

Mudharabah financing is a financing scheme whose share of income does not have a positive impact on profit changes while *Qardh* financing has a positive effect on earnings, whereas *Qardh* financing is a virtue financing used to help less-able small entrepreneurs in other words soft loans without rewards (Karim , 2010). *Qardh* is a non-interest-bearing loan and is only required to return the principal of the debt at any given time (Afkar, 2015c). Previous research has shown that *mudharabah* financing has no significant effect while qardh financing has a significant effect on earnings change. This is interesting to be examined in this research scheme.

Problems

1. Does *Mudharabah* financing have a positive effect on the profitability of Islamic Banking?
2. Does *Qardh* financing have a positive effect on the profitability of Islamic Banking?

Research Purposes

1. To determine the effect of mudharabah financing on the profitability of Islamic Banking.
2. To determine the effect of qardh financing on the profitability of Islamic Banking.

Contribution of Research

1. For Islamic Banking can maximize the business of fund disbursement through financing but by paying attention to all risks with the principle of prudence.
2. For small and micro entrepreneurs can use the virtue loan in the framework of business development with the context of proper financial management and not cheating.

LITERATURE REVIEW

Mudharabah Financing and *Qardh* Financing

The channeling of funds from Islamic Banking can provide various forms of financing. Financing provided by Islamic Banking has five main forms (Khan, 1995) *mudharabah* and *musyarakah* (with profit sharing), *murabahah* and *salam* (with buying and selling patterns), and *ijarah* (with operational and financial lease patterns). In addition to these five forms of financing, there are various forms of financing which are the direct or indirect derivatives of the five forms of financing above. Islamic Banking also have fee-based services such as *qardh* and other financial services (Ascarya and Yumanita, 2005a).

Mudharabah financing is a form of profit-sharing financing when the bank as the owner of the fund or capital, commonly called *shahibulmaal / rabbul maal*, provides capital (100%) to the entrepreneur as a manager, commonly called *mudharib*, to engage in productive activities on condition that the profit generated will be shared between them according to the agreement specified earlier in the contract (which is also influenced by market forces). In the event of a loss due to the normal process of the business, and not due to the negligence or fraud of the manager, the loss is borne entirely by the owner of the capital, while the manager loses the personnel and expertise he has devoted. In the event of loss due to the manager's negligence and fraud, the manager shall be fully responsible. Managers do not include capital, but include the power and expertise, and also do not ask for salary or wages in running their business. The owner of the fund only provides capital and is not allowed to intervene in the management of the business it finances. The willingness of the owner of the funds to bear the risk if there is a loss becomes the basis to get a share of the profits (Karim, 2010).

According to Permata's research results, et al (2014) and Anjani and Hasmarani (2014) that *Mudharabah* financing negatively affects earnings changes which indicate that there are problems regarding returns from this type of financing that have decreased. But the fact is that *Mudharabah* financing still contributes to profit only decreases.

Financing can be concluded that the financing of sharia is the distribution of funds to the public to help the problem of lack of funds used for various businesses with the principles of sharia. This financing can be used for working capital, investment and consumption. Financing based on sharia principles can be divided into two, namely financing with profit sharing and non-profit sharing. This sharia financing is the distribution of funds determined at the beginning of the agreement so that the distribution of risks and benefits have been described initially.

Qardh is a virtue or soft loan with no rewards, usually for the purchase of fungible goods items that can be estimated and replaced by weight, size, and quantity) (Ascarya and Yumanita, 2005b). The object of *qardh* loans is money (Afkar, 2015c). The debtor can return his debt more than the principal of the debt without any compulsion from the owner of the fund (bank). Certain scholars allow lenders to burden the cost of lending services. The cost of these services is not an advantage, but is the actual cost incurred by the lender, such as the cost of building leases, staff salaries, and office equipment (Al-Omar and Abdel-Haq 1996).

Islamic law allows creditors to ask the borrower to pay for operating expenses other than the principal. In order for these charges not to be of interest, these operational costs shall not be proportionate to the loan amount. The cost of these services is generally not more than 2.5 percent, and has been around 1-2 percent. In its application in sharia banking, *qardh* is commonly used to provide bailout funds to prime customers and to contribute to small or micro business sector or to assist the social sector. In the latter case the loan scheme is called *qardhul hasan* (Ascarya and Yumanita, 2005a). Financing is the largest operational in the banking business that leads to the achievement of maximum profit (Karim, 2010).

Profitability

Profitability is the ability of a company to earn profits in relation to sales, total assets, as well as its own capital, so that for long-term investors will be very concerned with this profitability analysis (Sartono in Saputra (2014). Sutrisno in Satriawan and Zainul (2012), Profitability ratio is the result of the policy taken by the management, which measures the level of profit earned by the company. In determining the level of profitability, this study uses Return On Equity (ROE) way. Return On Equity (ROE) is the ratio used to measure the ability of capital own.

Profitability is the ability of banks to earn profits that can be affected by financing schemes such as financing for micro, small and medium enterprises (SMEs) as well as other sharia schemes (afkar, 2017b). Profitability (Oktaviana, 2012) is the net result of a number of company policies and decisions. How the company uses all its capital to earn profit (profit) is a reflection of the company's ability to generate profit (profit). Profitability ratios measure how big the company's ability to generate profits. Without profit (profit), it will be difficult for companies to attract capital from outside. In conducting company analysis, in addition to viewing the company's financial statements, can also be done by using financial statement analysis.

Measurement of profitability ratios can use assets or capital, if using assets is calculated by using Return on Assets (ROA) if using capital in an effort to achieve profit growth can use Return on Equity (ROE) (Permata et al, 2014). Laldin and Furqani (2016) need innovation and not a replica in *sharia* contract so as to make a difference in getting profit. Profits earned by sharia banks during the current period are calculated as well as operational cost efficiencies (Afkar, 2017a) and credit risk greater than Bank Indonesia's provisions will jeopardize the adequacy of capital in covering losses that will have an impact on declining profitability of sharia banks (Afkar, 2015a). *Sharia* financial management is required to persist in order to avoid corruption which will result in loss of assets owned (Afkar, 2016b). Fraud in accounting will also result in the financial performance of the company experiencing shocks (Afkar, 2016a). Credit risk will also affect the capital strength of Islamic Banking (Afkar, 2015a).

Hypothesis

Anjani and Hasmarani's research (2014) indicates that *mudharabah* financing influences negract to Islamic Banking profit change, whereas when *mudharabah* financing rises, profit will decrease, whereas mudharabah financing is decreased, profit will increase the result is reinforced by research result from Permata, et al (2014) that *mudharabah* financing has a negative effect on changes in earnings which will decrease profit when *mudharabah* financing increases. These results indicate that in accordance with the profit sharing scheme that when a business suffers a loss, the Islamic Banking as the owner of the capital will also suffer a financial loss. Arif (2015) This can happen due to inadequate credit assessment and weakness of anticipation to the less prospective customers, and due to competition between Islamic Banking and also competition between Islamic Banking with conventional financial institutions that run longer business.

H1: *Mudharabah* financing has a positive effect on the profitability of Islamic Banking

Arif's research (2015) mentions that Qardh financing has a positive effect on the changes in earnings received because the greater the financing distributed to Islamic Banking partners create a positive reciprocal relationship from the partners of Islamic Banking so as to minimize the problematic financing. While Fauzi (2013) mentioned that *Qardh* financing has a positive effect on third party funds (DPK) where third party funds (DPK) is one source of funding for Islamic banking so as to strengthen the capital.

H2: *Qardh* financing has a positive effect on the profitability of Islamic Banking

RESEARCH METHODS

Approach and Type of Research

This study uses quantitative descriptive approach to describe facts or characteristics of a population systematically, factually, and accurately about the profitability of Islamic Banking through financing for the results that is by *mudharabah* scheme and financing of virtue with *qardh* scheme.

Population and Sample

The population in this study is the Sharia Commercial Bank in Indonesia which until the year 2017 as many as 11 Bank. While the sample in this study which is also used as the unit of analysis is the Joint Financial Statements related to *Mudharabah* Financing, *Qardh* Financing and Sharia Commercial Bank Profitability Over the last 5 years 2010-2014. Sampling is done by Purposive Sampling technique.

Table 1
Shariah Commercial Bank of Indonesia

No	Nama Bank Syariah	Tahun Berdiri
1	Bank Muamalat Indonesia	01 Mei 1992
2	Bank Syariah Madiri	1 Nopember 1999
3	Bank Bukopin Syariah	09 Desember 2008
4	BRI Syariah	01 Januari 2009
5	Bank Panin Syariah	06 Oktober 2009
6	Bank Jawa Barat Syariah	26 Januari 2010
7	Bank Victoria Syariah	01 April 2010
8	BCA Syariah	05 April 2010
9	BNI Syariah	19 Juni 2010
10	Bank Mega syariah	23 September 2010
11	Maybank Syariah	11 Oktober 2010

Source : Bank Indonesia

Operational Variables

Mudharabah Financing (X_1)

Mudharabah financing is a form of profit-sharing financing when the bank as the owner of the fund or capital, commonly called *shahibulmaal / rabbul maal*, provides capital (100%) to the entrepreneur as a manager, commonly called *mudharib*, to engage in productive activities on condition that the profit generated will be shared Between them according to the agreement specified earlier in the contract (which is also influenced by market forces).

Qardh Financing (X_2)

Qardh financing is a virtue or soft loan with no rewards, usually for the purchase of fungible goods (items that can be estimated and replaced according to the weight, size, and quantity).

Profitability (Y)

Profitability is the ability of a company or bank to earn profits in relation to sales, total assets, and own capital.

Conceptual Framework

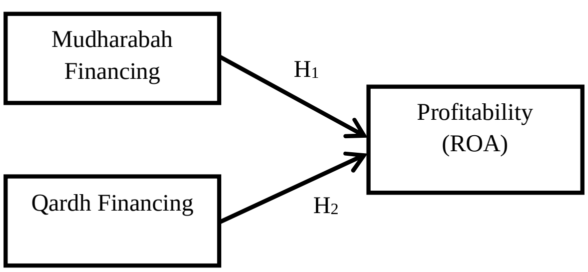

Figure 1
Conceptual Framework

Collecting Data Method

Data collection uses documentation with secondary data types in the form of joint financial statements of Islamic Banking in Indonesia issued by Bank Indonesia as banking supervisor. The data used for the unit of analysis in this study is data from 2010 to 2014.

Analysis Technique

Multiple Linear Regression (two predictors)
Using the formula:
$Y = a + b1X_1 + b2X_2 + e$
Where :
Y : the value of the dependent variable
a : constants (Y value if all X = 0)
b : regression coefficient
X : value of independent variable
e : error

Statistic t Test

This analysis is used to determine the effect of each independent variable that is X_1 and X_2 to the dependent variable Y, so it will be known that the most dominant independent variables affect the dependent variable.

Testing the hypothesis by comparing between tcount and t table, with a significance level of 0.05 and degrees of freedom (n-K-1). If t_{count} value> t_{table}, then Ho is rejected, while H1 accepted.

Calculating the value of t using the formula:

$$t = \frac{b -}{S_b}$$

RESULT AND DISCUSSION

Result

Table 2
Data Recapitulation

Month	2010			2011			2012			2013			2014		
	Mudh	Qardh	Roa	Mudh	Qardh	Roa	Mudh	Qardh	Roa	Mudh	Qardh	Roa	Mudh	Qardh	Roa
Jan	0.1391	0.0419	0.0165	0.1228	0.0849	0.0226	0.0996	0.1194	0.0136	0.0804	0.0801	0.0252	0.0734	0.0474	0.0008

Feb	0.1360	0.0442	0.0176	0.1205	0.0897	0.0181	0.0976	0.1098	0.0179	0.0782	0.0786	0.0229	0.0732	0.0460	0.0013
Mar	0.1338	0.0453	0.0213	0.1181	0.0905	0.0197	0.0963	0.1058	0.0183	0.0751	0.0740	0.0239	0.0730	0.0453	0.0116
Apr	0.1342	0.0440	0.0206	0.1168	0.0849	0.0190	0.0951	0.1006	0.0179	0.0736	0.0711	0.0229	0.0735	0.0429	0.0109
May	0.1359	0.0436	0.0125	0.1155	0.0888	0.0184	0.0929	0.0991	0.0199	0.0727	0.0668	0.0207	0.0731	0.0418	0.0113
Jun	0.1361	0.0439	0.0166	0.1156	0.0891	0.0184	0.0927	0.0944	0.0205	0.0738	0.0638	0.0210	0.0741	0.0399	0.0112
Jul	0.1363	0.0464	0.0167	0.1155	0.0889	0.0186	0.0912	0.0912	0.0205	0.0761	0.0598	0.0202	0.0750	0.0381	0.0105
Aug	0.1362	0.0483	0.0163	0.1103	0.1153	0.0181	0.0895	0.0865	0.0204	0.0762	0.0567	0.0201	0.0736	0.0371	0.0093
Sep	0.1360	0.0476	0.0177	0.1079	0.1294	0.0180	0.0871	0.0840	0.0207	0.0754	0.0549	0.0204	0.0730	0.0361	0.0097
Oct	0.1335	0.0523	0.0179	0.1049	0.1350	0.0175	0.0844	0.0826	0.0211	0.0762	0.0527	0.0194	0.0731	0.0337	0.0092
Nov	0.1349	0.0597	0.0183	0.1026	0.1321	0.0178	0.0821	0.0820	0.0209	0.0767	0.0505	0.0196	0.0721	0.0322	0.0087
Dec	0.1266	0.0694	0.0167	0.0996	0.1260	0.0179	0.0821	0.0820	0.0214	0.0740	0.0489	0.0200	0.0720	0.0299	0.0080

Source : Bank Indonesia Processed

This research data is processed by using guideline of Bank Indonesia Circular Letter no. 3/30 / DPNP dated December 14, 2001 concerning the health of banks in Indonesia.

$$\textit{Mudharabah}\ \text{Financing Ratio} = \frac{\textit{Mudharabah}\ \text{Financing}}{\text{Total Financing}}$$

$$\textit{Qardh}\ \text{Financing Ratio} = \frac{\textit{Qardh}\ \text{Financing}}{\text{Total Financing}}$$

$$\text{Profitability (ROA)} = \frac{\text{Earning after Tax}}{\text{Total Assets}}$$

Table 3
Hypothesis Testing
Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	.008	.003		3.032	.004	.003	.014					

Mudharbah	.036	.025	.171	1.457	.151	-.014	.086	.220	.189	.170	.987	1.013
Qardh	.075	.021	.423	3.600	.001	.033	.117	.442	.430	.420	.987	1.013

a. Dependent Variable: ROA

Influence of Mudharabah Financing on Islamic Banking Profitability

Hypothesis formula Ho = β = 0 No effect of *Mudharabah* Financing (X_1) to Profitability (Y) Hypothesis formula Ha = β ≠ 0 There is influence *Mudharabah* Financing (X_1) to Profitability(Y)

Ho rejection criteria that Reject Ho if $t_{count} >$ $t_{table}\ (\frac{\alpha}{2}; v)$ while v = n-K-1 with level α = 0.05

Based on table 3 obtained the value of t_{count} on variable (X_1) of 1.457 with significance level (α) 0.151 and t_{table} (0.025; 57) of 2.002. The calculation indicates that the Ho hypothesis which reads no effect of *Mudharabah* Financing (X_1) on Profitability (Y) is accepted, while the Ha hypothesis that there is influence *Mudharabah* Financing (X_1) to Profitability (Y) is rejected. This is shown from the results of partial statistical tests obtained $t_{count} < t_{table}$ (0.025; 57). These results show that the actual *Mudharabah* Financing with Profitability as measured by Return on Assets (ROA) has no effect in the ability of Islamic banking in obtaining profit. Based on Bank Indonesia Circular Letter no. 3/30 / DPNP dated December 14, 2001 where profitability and liquidity are the health components of the bank that have their own size, while the calculation of the influence of *Mudharabah* Financing measured ratio by comparison between the amount of *Mudharabah* financing with the amount of financing given to profitability as measured by Return on Assets (ROA) has no effect. This means that *Mudharabah* financing does not increase the level of profitability.

Influence of Qardh Financing on Islamic Banking Profitability

Hypothesis formula Ho = β = 0 No influence of *Qardh* Financing (X_2) to Profitability (Y)

Hypothesis formula Ha = β ≠ 0 There is influence of *Qardh* Financing (X_2) to Profitability (Y)

Ho rejection criteria that Reject Ho if $t_{count} >$ $t_{table}\ (\frac{\alpha}{2}; v)$ while v = n-K-1 with level α = 0.05

Based on table 3, the value of tcount in variable (X2) is 1,014 with significance level (α) 0.001 and t_{table} (0,025; 57) as 2,002. Then Ho which reads no influence of *Qardh* Financing (X_2) on Profitability (Y) rejected, while the Ha hypothesis that *Qardh* Financing (X_2) affect the Profitability (Y) accepted. This is shown from the results of partial statistical tests obtained $t_{count} > t_{table}$ (0.025; 57).

The results of this calculation indicate that *Qardh* Financing has a significant effect on profitability as measured by Return on Assets (ROA). *Qardh* financing is a financing of the virtues provided by Islamic Banking in order to provide convenience but at a low level. In accordance with Bank Indonesia Circular Letter no. 3/30 / DPNP dated December 14, 2001 that stand-alone profitability is used as a health indicator of the Bank.

Tabel 4
Influence Scale by Variables
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.474[a]	.225	.197	.0045301	.225	8.254	2	57	.001	.609

a. Predictors: (Constant), Qardh, Mudharbah

b. Dependent Variable: ROA

The calculation result in table 4 shows the adjusted R square value of 0.225 or 22.5%. Based on these calculations *Mudharabah* Financing and *Qardh* Financing variables can explain the effect on Profitability as measured by Return on Assets (ROA). The low percentage of the two variables of this study indicates that the two variables in this study have a relatively low ability compared to other variables not described in this study. It is proved by only mudharabah financing that affects Profitability partially, so it becomes the only dominant variable that influences in this research

Variables *Mudharabah* Financing and *Qardh* Financing only able to explain the effect of 22.5% while the rest of 77.5% explained or influenced other variables not described in this study. Regeresi trading in research on Profitability with liquidity at Sharia Commercial Bank in Indonesia obtained Profitability = 0.008 + 1.457 *Mudharabah* + 3.600 *Qardh* + 0.003

Discussion

Islamic Banking is a financial institution engaged in the real sector to assist economic growth by empowering its finances in sectors that provide real economic impact. Profitability is the ability of a company to get a profit or profit from assets that manage (Afkar, 2017b). The ability of banks to earn profits can be due to several indicators, among others, from financing provided with small or large schemes. The financing provided can have a significant impact with the fluctuation of profit change in the loyal period as the financing is the largest business activity of the bank. Diallo, Fitrijanti, Tanzil (2015) research results indicate that credit risk (financing) can affect bank liquidity.

This study shows different results from previous studies. Some studies show that mudharabah financing has a significant effect on the profitability of sharia banks in Indonesia as well as in other countries, but the results of this study indicate otherwise that there is no significant effect of *mudharabah* financing on profitability. This means that the financing provided by the *mudharabah* scheme has no impact on profitability, thus in accordance with the theory put forward by (Karim, 2010) that financing is the largest business activity and in accordance with the theory presented (Afkar, 2015b, 2015c, and 2017a) That the financing has a big risk with the existence of problem financing or bad credit so that the ability of banks in getting profits will be reduced.

The financing of *Qardh* is the financing of virtue that is able to provide assistance to the need for bailout funds and small business funds (Afkar, 2015c). This study shows a significant influence of *qardh* financing on the profitability of sharia banks in Indonesia. Actually, this *qardh* financing is not a major financing scheme to make a profit, but the results of this study indicate that *qardh* financing has a positive impact on the ability of sharia banks to earn profits. Beck, Kunt, and Merrouche (2013) profits are used to maintain financial stability. Bourkhis and Nabi (2013) mentioned that Islamic banking also require different credit schemes with conventional bank.

CONCLUSSION

Mudharabah financing has no significant effect on the profitability of sharia banks in Indonesia. These results show differences with previous studies showing that *mudharabah* financing has a significant effect on profitability. The results of this study indicate that *mudharabah* financing is one of the financing that does not have a positive impact on the profitability of sharia banks in Indonesia. *Mudharabah* is a financing scheme by means of profit sharing which is determined by both parties, so there is a possibility of significant risk of problematic financing and have an effect on ability of Islamic banking to get profit.

Qardh Financing has a significant effect on the profitability of Islamic banking in Indonesia. *Qardh* is a financing scheme that is realy for virtue or to help entrepreneurs and individuals who need funds that are not too large. *Qardh* financing is also not a Islamic banking business activity in the most important financing scheme, but able to generate profits compared with *Mudharabah*.

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