

The Effect of Ijarah Lease Income on Net Income at The Indonesian Sharia Bank (Case Study of The Indonesian Sharia Bank in Pinang 2018–2020)

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ABSTRACT

The background of this research is the effect of ijarah lease income on net income in Indonesian Islamic banks. Net profit will increase when the financing distributed to customers can generate high profits. The higher the financing distributed, the higher the income received by the bank. Increasing the financing level will ultimately increase net profit (net income). With a large net profit, the bank will be able to face competition and expand the market, the continuity of the bank's business will be more guaranteed, and the level of financing obtained for each product will be evenly distributed without too much comparison. will make the bank's position more stable and optimize profit gain. Even though one product is problematic and poses a risk, that risk certainly does not significantly affect the bank's business in generating profits because it is still anticipated by financing other products.

Keywords: Effect of Ijarah Income, Net Profit, Indonesian Sharia Bank

A. INTRODUCTION

Banking is one institution that carries out three main functions: receiving deposits, lending money, and providing money transfer services. This is because a bank is a financial intermediary institution that is generally established with the authority to collect funds from the public in the form of savings and distribute them to the public in the form of credit and/or other forms to improve the standard of living of the general public (Rizqa, Ramadhani Tya., 2019).

Islamic banks, or in Indonesia, called Islamic banks, are financial institutions that function to facilitate economic mechanisms in the real sector through business activities (investment, buying and selling, or others) based on Sharia principles, namely agreements based on Islamic law between banks and other parties for depositing funds, financing business activities, or other activities declared in accordance with sharia values, both macro and micro (Wira murti. I putu, 2018).

In general, the concept of Islamic banking offers an economic system that is in accordance with Islamic law and sharia principles. There are several different concepts in conventional banking that are considered to bring misery because they contain elements of usury, which are considered very contrary to Islamic law. At the beginning of its development, Islamic banking offered a variety of interest-free banking products in the form of profit-sharing financing, popularly known as profit and Loss Sharing (PLS), and murabaha financing (Musnaini, 2018).

High growth in a number of key sharia banking indicators is indicative of the relatively good performance of sharia banking. Total assets of sharia banking (BUS and UUS) grew 5.44% to IDR 387.74 trillion. The growth rate of all important indicators of Islamic banking in 2020 exceeds that achieved in 2019. In accordance with their function as financial intermediary institutions, Islamic banks receive profit sharing from funds placed with their customers.

Islamic bank products, one of which is financing, package the services offered by Islamic banks. Financing is distribution in the form of goods or services purchased by the bank for its customers. Some of the main financing methods at Islamic banks, are *murabahah*, *mudharabah*, *ijarah*, and *qardh* financing (Abdallah, 2019).

Ijarah financing, namely financing in the form of bailout funds needed by the customer to own an item or service with the obligation to rent the item for a certain period of time according to the agreement, At the end of this period, ownership of the goods is granted to the customer or purchased by the customer. Banks obtain margins through purchases from suppliers and rental fees (*ujroh*) from customers (Marumpe et al., 2018)

The growth and decrease in net profit are empirically quite closely related to the movement of Islamic Bank assets. If expectations for growth in the net profit of Islamic banks in the future dominate asset sentiment, it is often the cause of an increase in assets in Islamic banks. However, if the actual net profit is lower than expected, it often causes a decrease in asset value.

Financing that has the potential to generate profits but does not generate profits will affect the level of net profit earned by the bank. Net profit will increase when financing distributed to customers is able to generate high profits; the higher the financing distributed, the higher the income received by the bank. Increased income will affect the level of profit and bank profitability (Udiyanti, 2014).

With an increase in the level of financing, it will ultimately increase net profit (net income). With a large net profit, the bank will be able to face competition as well as expand the market, the continuity of the bank's business will be more guaranteed, and the level of financing obtained by each product will be evenly distributed without too much comparison. will make the bank's position more stable and optimize profit gain, even though there is one product that is problematic and poses a risk, but that risk certainly does not significantly affect the bank's business in generating profits because it is still anticipated by financing other products (Damanik Intan Konta, 2022).

Given the aforementioned phenomena in Islamic commercial banks, this research offers a way to increase net profit by increasing public distribution of the financing each Islamic bank offers and by providing details about what actually happens in Islamic banks.

Research on the effect of financing on the profits of Islamic commercial banks (BUS) has been carried out by several previous researchers. Dinna's research (2014) shows that *Murabahah* Financing and Profit Sharing Financing have a significant positive effect on net profit growth. Meanwhile, *Qardh* financing has no significant effect on net profit growth. Early Research (2017) shows that *mudharabah*, *musyarakah*, *murabaha*, and *ijarah* financing have a positive effect on the level of net profit at Bank Muamalat and Bank Syariah Mandiri Islamic banks (Utami S, 2012).

Based on the phenomenon and previous research, the researcher is interested in conducting this research because, firstly, in previous research there were still many differences in the results studied in each period; secondly, to explain again the phenomenon that actually occurred to the net profit of Islamic Commercial Banks in more different periods; and thirdly, to provide more up-to-date information. Based on the problems above, the authors conducted

a study entitled "The Influence of Ijarah Rental Income on the Level of Net Profit at Indonesian Sharia Banks in Pinang 2018–2020."

B. LITERATURE REVIEW

2.1. Ijarah Financing

Ijarah financing is the provision of funds in order to transfer the usufructuary rights or benefits of an item or service based on a lease transaction without being followed by a transfer of ownership of the item itself. The sharia foundation of the *ijarah* contract is the DSN MUI Fatwa No. 09/DSN-MUI/IV/2000 regarding *ijarah* financing (Rizwanto, 2016).

Ijarah contains the meaning of a contract that includes buying and selling profits on something by giving a certain amount in return. This is equivalent to selling the excess of an item, not something that is different from the actual item. Another term that can also be referred to is *ijarah*, which is an agreement that contains taking profits according to a mutual agreement (Qodriasari, 2019)

According to Sahrani, Abdullah Al-*Ijarah* comes from the word *al-ajru*, whose meaning according to the language is *al-iwadh*; the meaning in Indonesian is compensation and wages. *Ijarah* also means rent, service, or compensation, namely a contract made on the basis of a benefit in return for services. According to Sayyid Sabiq, *Ijarah* is a type of contract that benefits by way of replacement. Meanwhile, according to MA. Tihami, *al-Ijarah* is a contract relating to certain benefits, so it is legal to take a benefit by giving a certain payment (Ilham, 2019).

2.2. Net profit

Profit and loss are conditions faced by profit-oriented companies. Profit plays an important role in the decision-making of users of financial statements because they can predict the company's condition in the future. With a good profit position, users will also have confidence in the company (Fatmawati, 2019).

Net profit is one of the components contained in the statement of comprehensive income. The elements that are part of forming profit are income and costs. According to Kieso, "Net income is the net result of the company's performance over a period of time". It can be concluded that net income is the net result of the company's performance over a period of time. The net result of the company's performance is reduced by various expenses, including tax expenses. The net result is often called net income when the revenue is greater than the expenses (Umiyati, 2020).

2.3. The Effect of Ijarah on the Level of Net Income at Indonesian Sharia Banks

In ijarah financing, it provides benefits to companies that need goods or services without spending large amounts of funds. Ijarah financing is a lease where the bank (lessor) provides assets that can be used or benefited from during the contract period and gives the bank the right to receive rental fees (ujroh). Rental payments can be paid in advance, deferred, or in installments, according to the agreement between the lessor and the lessee. This rental fee (ujroh) is the profit obtained from ijarah financing, which can increase the bank's net profit income.

Emha's research (2014) explains that ijarah financing has a significant effect on the level of net income. Meanwhile, according to Fatmawati's research (2016), ijarah financing does not significantly affect the level of net profit. Based on previous research, the hypothesis proposed in this study is:

H₁ = There is a positive and significant influence of the Ijarah variable on the level of net profit at the Indonesian Sharia Bank in Pinang City in 2018–2020.

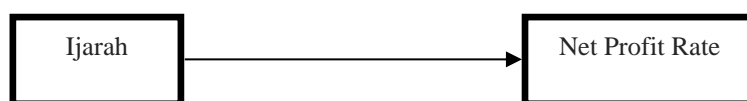


Figure 1. Theoretical Thinking Framework

C. METHODS

This research will be conducted at Bank Syariah Indonesia Kota Pinang, which has published its financial reports for three consecutive periods, namely 2018, 2019, and 2020 per month. A population is a generalization consisting of objects or subjects that have certain qualities and characteristics determined by the researcher to be studied and then drawn conclusions from. The population used in this study is from the annual financial statements of Bank Syariah Indonesia, Pinang City. The sampling technique is a sampling technique. The sampling technique was carried out using the saturated sample method, which is a sampling technique in which all members of the population are used as samples.

This type of research is quantitative research, meaning statistical data in the form of indirect figures from the results of research or the results of processing quantitative data. The types and sources of data to be used in this study are secondary data. Secondary data, according to Sugiyono (2018), is data obtained indirectly by researchers or data collectors. It is said to be

indirect because the data is obtained through intermediaries, which can be other people or documents. The objects in this study are Ijarah Rental Income (X1) and Net Income (Y). Meanwhile, the subjects in this study were Bank Syariah Indonesia, Pinang in 2018–2020.

D. RESULT AND DISCUSSION

Normality Test

It can be seen in Figure 2 that the probability value obtained based on the results of the normality test is 0.510195, while the α value is 0.05. So it can be said that the data used is normally distributed with the condition $0.510195 > 0.05$. The results of the normality test in detail can be seen in Figure 2.

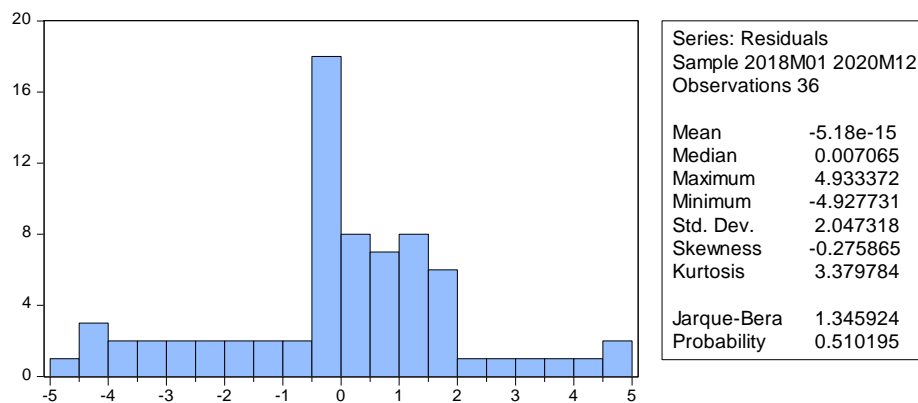


Figure 2. Normality Test Results

Multicollinearity Test

The regression model needs to be tested, with the aim of seeing whether there is intercorrelation or collinearity between the independent variables, where the intercorrelation itself is to see whether or not the strength of the relationship between the independent variables and the predictor variable is determined by looking at the correlation value. coefficient, VIF value, and tolerance Testing this model is called the Multicollinearity Test, namely testing by looking at the VIF value of each independent variable < 10 and the tolerance value > 0.05 , so that based on the processed data, the VIF value of each independent variable is < 10 and the tolerance value is > 0.01 so that it can be concluded that there is no multicollinearity problem in the regression model. The following is shown in Table 1:

Table 1. Multicollinearity Test

Variance Inflation Factors
 Date: 07/05/23 Time: 14:21
 Sample: 2018M01 2020M12
 Included observations: 36

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	25551.64	116.9739	NA
<i>Ijarah</i>	7551.903	116.9739	1.000000

Based on the table above, it can be seen that the Centered VIF value of each independent variable is not greater than 10. This means that there are no symptoms of multicollinearity in the regression model.

Heteroscedasticity Test

Heteroscedasticity is a test conducted to test whether, in a linear regression model, the confounding errors have the same variance from one observation to another. In this study, the assumptions were tested using the Glejser test.

Table 3. Heteroscedasticity Test

Heteroskedasticity Test: Glejser

F-statistic	0.005052	Prob. F(1,34)	0.9438
Obs*R-squared	0.005349	Prob. Chi-Square(1)	0.9417
Scaled explained SS	0.004981	Prob. Chi-Square(1)	0.9437

Based on the table above, it can be seen that the results of the heteroscedasticity test show the value of Obs *-Square Probability = 0,9417 > α (0,05), so H0 is accepted; in other words, the regression model is free from heteroscedasticity problems.

Autocorrelation Test

Table 4. Heteroscedasticity Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	58.67128	Prob. F(2,32)	0.4377
Obs*R-squared	28.28619	Prob. Chi-Square(2)	0.0584

Based on the test results above, it can be seen that the calculated probability f value is 0,4377, which is greater than 0,05. So it can be concluded that there is no autocorrelation problem.

Multiple Linear Regression Analysis

Based on the results of the regression analysis below, the regression equation is obtained as follows:

$$Y = 1033.416X_1$$

The results of the regression analysis in the first model show that the Ijarah variable has a positive and significant effect on net income. The Ijarah variable has a coefficient value of 1033,416 the variable has a calculated t value that is greater than the t table value (t table value = 11.89178) with a significance value < 0.05. This means that the hypothesis is accepted and the independent variable is a significant explanation of the dependent variable.

Table 5. Multiple Linear Regression Test

Dependent Variable: Laba Bersih				
Method: Least Squares				
Date: 07/05/23 Time: 14:17				
Sample: 2018M01 2020M12				
Included observations: 36				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1043.119	159.8488	-6.525662	0.0000
Ijarah	1033.416	86.90169	11.89178	0.0000
R-squared	0.806173	Mean dependent var	849.6250	
Adjusted R-squared	0.800473	S.D. dependent var	198.5249	
S.E. of regression	88.67807	Akaike info criterion	11.86185	
Sum squared resid	267369.2	Schwarz criterion	11.94983	
Log likelihood	-211.5134	Hannan-Quinn criter.	11.89256	
F-statistic	141.4145	Durbin-Watson stat	0.027736	
Prob(F-statistic)	0.000000			

Partial Significance Test (t-test)

A partial test (t-test) is a test that can provide significant information about the effect of the independent variable on the dependent variable by means of separate testing. With the provision that if $t_{count} < t_{table}$, then H_0 is accepted and H_a is rejected. As a result, there is no significant effect of the independent variable (X) on the dependent variable (Y). (Sugiyono,

2017) (2) If $t_{count} > t_{table}$, then H_0 is rejected and H_a is accepted. In order to obtain a significant influence between the independent variable (X) and the dependent variable (Y).

The results show that the Ijarah variable (X1) has a significant level of $0.0000 > 0.05$, which means that the Ijarah variable has an effect and is significant on Net Income (Y). This is in accordance with the theory put forward by Suwailem that, with financing under the ijarah principle, Islamic banking will get income in the form of ijarah rental income (ujroh), which can later increase Islamic banking profits. So the results of the analysis above show that the ijarah financing variable has a positive effect on the level of net profit at Bank Syariah Indonesia. The higher the ijarah financing distributed, the higher the net profit on Sharia (BSI) (Amalia, 2019).

Simultaneous Significant Test (f-test)

This test is used to test whether the independent variables jointly have a significant effect on the dependent variable or not. (Riduwan, 2018) says that the way to find f_{table} values is by using a significant level of $\alpha = 0.05$. The significance test method put forward (Riduwan, 2018) is as follows: (1) If $F_{count} \geq F_{table}$, then it is significant. (2) If $F_{count} < F_{table}$, then it is not significant. Based on table 5, it can be seen that the calculated F value is 141.4145 with a net profit of 0.000. Because Net Profit is less than 0.05, the regression model can be used to predict net income, or it can be said that ijarah financing jointly affects net income.

Determination Test (R²)

In the next step, the researcher used the eviews20 software to find the R value, with the results shown in Table 5. From the data above, it is obtained that the coefficient of determination is 80.61%, meaning that the influence of the Ijarah variable (X1) and on Net Profit (Y) is High.

E. CONCLUSION

If expectations for growth in the net profit of Islamic Banks dominate asset sentiment, it is often the cause of an increase in assets in Islamic Banks. However, if the actual net profit is lower than expected, it often causes a decrease in the value of assets and financing that has the potential to generate profits. Assets and financing that do not generate profits will affect the level of net profit earned by the bank. Net profit will increase when the financing distributed to customers is able to generate high profits. The higher the financing distributed, the higher the income received by the bank.

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