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Original Research Article

The Effect of Istishna Financing, Mudharabah Financing and Ijarah Financing on Financial Performance in Islamic Commercial Banks

Yanti[1*], Achmad[1], Memet Agutiar[1]
[1]Faculty of Economics and Business, Tanjungpura University, Indonesia

***Corresponding Author:** Yanti
Faculty of Economics and Business, Tanjungpura University, Indonesia

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Abstract: The purpose of this study is to see the partial and simultaneous effects of istishna, mudharabah and ijarah financing on profitability (ROA) of Islamic Commercial Banks in Indonesia. The method is a descriptive quantitative approach. The sample and population in this study are Islamic commercial banks in Indonesia in 2018-2023 on a quarterly basis. So that there are 24 samples in this study. Isthisna financing results in the conclusion that the level of profitability (ROA is significantly negatively affected by istishna financing. In addition, mudharabah financing significantly and negatively affects the level of profitability (ROA). Furthermore, it is shown that ijarah financing does not significantly affect the level of profitability (ROA). Simultaneously, it is concluded that istishna financing and mudharabah financing have a significant negative effect on the level of profitability (ROA). Then ijarah financing has no significant effect on the level of profitability (ROA). Data analysis used in this study requires descriptive analysis test, classical assumption test and hypothesis testing. The data used is secondary from Islamic banking statistics with the Financial Services Authority (OJK) website.

Keywords: Isthisna, Mudharabah, Ijarah, Profitability (ROA).

1. INTRODUCTION

Islamic banks are financial institutions whose operations and business guidelines are based on sharia principles and are engaged in the business of providing financing and other services. In terms of finance and money circulation, its activities are regulated according to the principles of sharia law. Islamic banking has similarities with conventional banks in general, which functions as a depository institution and collects customer money, then returns it to customers in the form of grants. Although the roles of the two banks are the same, there are differences between the two banks, which are evident in their establishment, vision, mission, operations and operational objectives. For example, in the way banks generate profits and return rewards to customers, conventional banks practice interest rates and Islamic banks use the principle of profit sharing because according to Islamic teachings, interest rate trading activities are prohibited because they contain elements of usury known to be haram, according to Hanifatusa'idah in (Supriani & Sudarsono, 2018).

The development of Islamic financial institutions had begun unofficially before Islamic banking in Indonesia had an official legal structure. Prior to 1992, a number of non-bank financial institutions had been established and had incorporated the idea of profit-sharing into their business practices. This shows that financial institutions capable of offering sharia-compliant financial services are needed to serve the general public (Ihsan & Thahirah, 2023).

Profitability ratios that compare net profit after tax with total assets to display the capacity of bank management to earn profits are often used to evaluate the financial performance of a bank. The profitability of a bank increases with a higher percentage of profitability. Return on Assets (ROA) is used as a substitute for profitability because it can measure how well a bank uses its assets to generate profits. The bank's ability to use its assets profitably will increase with a higher

ROA. Investors will be attracted to high profits because banks are considered to offer a high rate of return (Yusuf & Surjaatmadja, 2018).

Return on Asset is a measurement of the company's overall ability to generate profits by means of all assets owned (Imamah & Safira, 2021). Return on Assets (ROA) or profitability is a ratio used to measure the effectiveness of management in managing the amount of profit earned by the bank. ROA is used to determine the bank's ability to manage assets to generate maximum profit. The level of ROA each period is influenced by the amount of Islamic bank financing (Sudarsono, 2017).

Profitability is the company's ability to earn profits through all existing capabilities and sources such as sales activities, cash, capital, number of employees, number of branches and so on. Companies that have high profits can open up opportunities for investors to invest (Dwiastuti & Dillak, 2019).

Financing is the distribution of capital through an agreement between banks and other parties, which requires the capital provider to repay money based on profit sharing rewards after a specified period of time. According to Permata *et al.*, (2014), Ascarya defines financing as the provision of financial means to support planned capital investments based on agreements or arrangements between banks and other parties that require the party being financed to replace funds in exchange for profit sharing after a specified period of time (Romdhoni & Yozika, 2018). In providing funding to the public, Islamic banks have acted as investment managers as well as investors (OJK, 2021). Investment involves allocating resources to generate income. Islamic banks offer a number of fund distribution programs, such as isthisna, mudharabah, and ijarah (Puspitasari & Musaroh, 2018). Islamic banks can channel funds in various ways. The three main ways Islamic banks provide financing are through isthisna (sale and purchase), mudharabah (profit sharing), and ijarah (rental) (Amalia & Fidiana, 2016).

Istishna is an agreement where the client requests a product, machine, or development project to be built, manufactured, fabricated, or assembled. Usually, in this situation, the bank is asked to fund. The bank offers to build, manufacture, or assemble the requested item. Thereafter, the buyer has the option to pay the full price of the goods they ordered on the spot or in installments (Tazkiya *et al*., 2023).

Mudharabah is a business partnership between two parties where shahibul maal prepares all (100%) funds, then mudharib becomes the manager (Permata Russely Dwi Inti *et al.*, 2014). Mudharabah business profits are shared based on the contract. While losses are charged to the owner of the capital, if there is a deficit due to the negligence of the manager, it is no longer the responsibility of the capital provider.

Based on (Saharuddin & Nisra, 2023) in Payment of rent under the terms of the Ijarah contract can be made in full, in part, or in advance, depending on what is agreed by the tenant and the renter. Similar to Murabahah and Istishna contracts, kifarat (fines) can be applied in the event of tenant negligence resulting in late payment (Afkar & Purwanto, 2021).

2. LITERATURE REVIEW

The capacity of a company to generate profits is known as profitability. It is also used as a measure of how effectively the company runs its operations because a high profit margin indicates excellent resource management. ROA measurement is the method used to assess profitability.

A ratio used to evaluate the profitability of a company. This ratio allocates an indication of the effectiveness of the management team and is visible from the profit generated; in other words, the efficiency of the company is shown through the application of the ratio. Another term for this is the bank's profit, which mostly comes from financing (loans). Its purpose is to measure the efficiency of the business and the amount of profit of the bank. Profitability can be defined as the level of performance of the management of funds processing, where this has an important meaning. The company's performance can be said to be good if it meets certain criteria, especially those related to its financial position. If the financial ratios are also good in obtaining effectiveness and high profits, then performance will also increase. There are many ratios that can assess performance, one of which is Return on Asset (ROA) (Devyane *et al.*, 2022).

An increase in a bank's return on assets (ROA) indicates the growth in profits earned by the bank and the bank's better condition in terms of cash growth from DPK that has been collected. The ROA formula is:

$$ROA = \frac{Net\ profit\ after\ tax}{Total\ activity} \times 100\%$$

ROA is a ratio used to evaluate a bank's capacity to manage its assets to earn net profit. According to some studies, ROA is a better indicator of bank profitability than net profit, especially for Islamic banks. ROA is very important for management to assess how well an organization's management handles all its assets; in other words, higher income can be generated with the same amount of assets (W, 2011).

Istishna Financing

The word "istishna" refers to the call to make. In the case of istishna, it is an agreement between the seller, Shani, and the customer, Mustashni. The seller, Shani, is charged for the product. The majority of scholars state that Istishna and Salam are the same in that the purpose of the order must be made or ordered in advance. Bai' al-istishna' is defined by Fatwa No.06/DSN-MUI/IV/2000 as a sale and purchase agreement in the form of ordering specific goods with conditions agreed upon by the buyer as well as the seller. Meanwhile, based on PSAK 104 Istishna is a sale and purchase in the form of ordering special goods according to certain criteria and specifications agreed upon by the seller (shani') and the orderer (musashni'). Thus istishna' is the purchase and sale of an item with the option of cash payment in advance, installments, or delivery of goods at a later date. Istishna' financing is commonly used in industrial and construction financing. When a customer requests a product, machine, or development project that needs to be built, manufactured, or fabricated, an istishna' agreement is made. Usually, the bank is asked to fund in this situation. The bank offers to produce, manufacture, or construct the requested item. The buyer can then choose to pay the remaining balance for the ordered goods over time, either directly or in installments (Tazkiya *et al*., 2023).

Istishna financing, as used in Islamic banking, refers to short-, medium-, and long-term financing for the purchase of goods used to meet the needs of purchasing goods. The bank confirms the income to which it is entitled at the time of installment, either at the supply of goods. Therefore, the ratio of providing goods or when the goods are made, because the installment time extends the period of goods in process (Dinah & Darsono, 2017).

There are three options for istishna financing mechanisms: deferred payment, payment upon delivery of the product, and payment in advance (Sari & Anshori, 2017). For an istishna transaction to be considered valid, the price is determined in advance according to the contract and the goods must meet the exact criteria and then decided by both parties (Bimantara & Asari, 2022). Istishna is typically used for industrial and manufactured goods, with payment options including prepayment, installments until completion, and arrears. Before the goods are received, the salam is paid (Luthfi *et al*., 2021). Parallel istishna and sale and purchase istishna are the two main types of istishna contracts used in muamalah. What distinguishes the two is the use of subcontractors, which is the buyer's consent for the manufacturer to use subcontractors to fulfill the contract (Nurdiani, 2021). Therefore, the manufacturer can enter into a second istishna contract to fulfill its responsibilities under the previous contract. Parallel istishna is the phrase coined for this new agreement (Dewi *et al*., 2017).

Based on research (Sarasi *et al*., 2020) suggests that isthisna has a negative effect on the profitability of Islamic Commercial Banks in Indonesia.

Mudharabah Financing

Mudharabah is defined as a business cooperation agreement between two parties where shahibul maal provides 100% of the costs, and mudharib becomes the manager (Permata Russely Dwi Inti *et al*., 2014). In Mudharabah, business profits are shared based on the agreement in the contract. Meanwhile, if there is a deficit, the deficit is charged to the owner of the capital, provided that the manager does not commit carelessness. Mudharabah is a kind of partnership agreement in which the management of the business is the responsibility of the mudharib, while the shahibul maal provides the funds. Business profits are shared in the proportion of profit sharing agreed at the beginning, and if there is a loss, shahibul maal will lose a share of the profits earned as a consequence of his diligence and ability to manage the project (Fadhila, 2015). Among them is the Hanafi madzhab, in which one party provides financial assistance and the other party provides labor in exchange for a share of the profit. The ratio agreed upon at the beginning of the contract is used to divide the revenue or profit.

There are two types of financing solutions for mudharabah, the first is called mudharabah mutlaqah, where the mudharib proposes a business to Shahibul Mal without specifying what type of business will be run by the capital provider. The second is called mudharabah muqayyadah, where the mudharib only acts as a manager and supervises the company, and the Shohibul Mal determines the running of the company (Lena & Syarofi Muhammad, 2022).

Mudharabah is defined by Statement of Financial Accounting Standards No.105 as a business cooperation agreement between two parties where the capital manager acts as the manager and the fund owner provides all the funds. Business profits are shared according to the agreement, and business losses are borne by the capital manager (Puteri, 2014).

Based on research by Dharma & Pristianda, (2018) suggests that mudharabah has a negative and insignificant effect on the profitability of Islamic Commercial Banks in Indonesia.

Ijarah Financing

The 2000 DSN Fatwa defines ijarah as an agreement to transfer the right to use goods or services within a certain period of time for a rental fee without any transfer of ownership of the goods. The pillars of ijarah according to the majority of scholars are four, namely: the parties involved (muajir, the renter, and musta'jir, the renter), sighat (ijab and qabul), ujrah (rental fee), and benefits (Sjahdeini, 2018). That the bank retains ownership of the product during the term of the ijarah agreement. The goods can be returned to the lessee at the end of the lease period, or the interested party can buy them at second-hand prices. Leasing a car or house, for example, is an example of ijarah of product benefits. The objective of ijarah is the type of utilization, which is the object of benefit of goods and services. However, the purpose of ijarah from the benefit of services is to hire professionals such as consultants, lawyers, educators, and others. Ujrah is the term for the money earned through an Ijarah transaction. The user of the benefit pays al-Ujrah, the promised reward, in return for the benefit he receives.

There are two categories of ijarah according to Islamic law: a) Ijarah related to service rental is renting services in exchange for payment. b) Ijarah related to asset rental is the transfer of the right to use a specific asset to another person for a rental fee, known as mustajir, ajir, and ujrah refers to the wage paid. This type of ijarah is comparable to conventional leasing (Retnowati & Fidiana, 2016). Ijarah is linguistically defined as rent, income, or gift. Ijarah is a term used in Islamic banking to describe the provision of collateralized capital that allows customers to benefit from a product. Ijarah, therefore, is an agreement to transfer the right to use goods or services for a certain period of time with monetary compensation paid in the form of salary, rent, or wages; ownership of the goods themselves is not transferred at that time (Saharuddin & Nisra, 2023).Rental payments in an Ijarah contract can be made in full, delayed, or in installments in accordance with the terms agreed upon by the renter and the renter. Similar to murabahah and istishna, kifarat (fines) can be imposed in the event of tenant negligence resulting in late payment (Afkar & Purwanto, 2021).

According to Sharia enterprise theory, SET considers the interests of other parties in addition to its own interests. This implies that Islamic banks pay attention to the welfare of other parties besides their own interests. Banks always help customers with ijarah financing by leasing the products and services they need. In this transaction, the customer will profit from the goods or services leased by the bank and the bank will receive a rental fee. Since rental fees add value to the bank, the more value the bank gets from ijarah financing, the higher the fees received.

Research by Amalia & Fidiana, (2016) and Faradilla *et al*., (2017) shows that ijarah variables have no effect on profitability (ROA).

Framework of Thought

The framework can be developed as follows. Based on literature studies that have been supported by previous studies. The dependent variable is profitability. The independent variable (X) is Isthisna 'Financing, Mudharabah, and Ijarah.

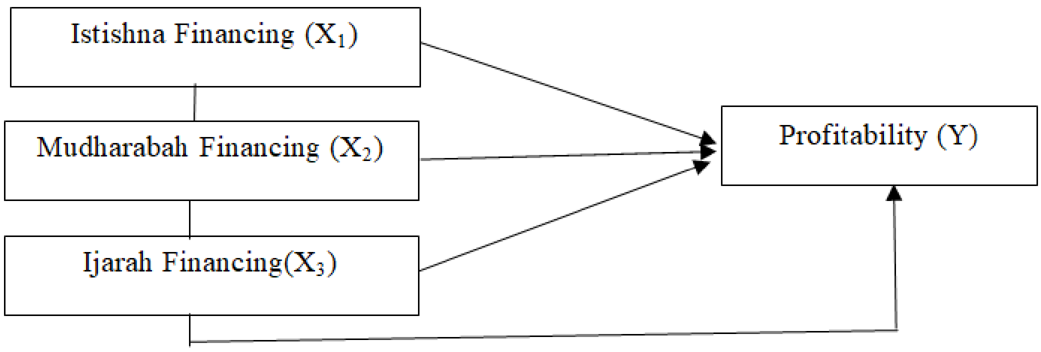


Figure 1.1: Framework

Hypothesis

In this study the hypothesis is:

H_0: Isthisna has no effect on the profitability of Islamic Commercial Banks in Indonesia
H_1: There is a significant influence between istishna on the profitability of Islamic Commercial Banks in Indonesia.
H_0: Mudharabah has no effect on the profitability of Islamic Commercial Banks in Indonesia
H_2: There is a significant influence between mudarabah on the profitability of Islamic Commercial Banks in Indonesia.
H_0: Ijarah has no effect on the profitability of Islamic Commercial Banks in Indonesia
H_3:There is a significant influence between ijarah on the profitability of Islamic Commercial Banks in Indonesia.

3. RESEARCH METHODS

Quantitative descriptive technique, which discusses the analysis of numerical data through processing and analysis to make conclusions. To draw findings that will make the description of the object under study clearer, descriptive statistical analysis, classical assumption tests, and hypothesis testing are used in the data analysis process. All Indonesian Islamic Commercial Banks are population used. Based on data from OJK 2019-2023 quarterly Islamic banking statistics. The website www.ojk.go.id provides financial reports. This research is secondary data used in the process of collecting data. Multiple regression analysis is used statistical analysis, classical assumption test and hypothesis testing.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where,

Y=Dependent Variabel
α=Koefisien regresi
β=Parameter koefisien regresi
X_1=Independent Variabel
X_2=Independent Variabel***
X_3=Independent Variabel
ε=Error

Then the regression model equation can be obtained, namely:

$$P = \alpha + \beta_1 Is + \beta_2 Md + \beta_3 Ij + \varepsilon$$

Where,

P=Dependent variable
α=Regression coefficient
β=Parameter of regression coefficient
Is=Istishna
Md=Mudharabah
Ij=Ijarah
ε=Error

4. RESEARCH RESULTS AND DISCUSSION

Results and analysis are needed to determine how the independent variable affects the dependent variable. This means descriptive statistical analysis, classical assumptions, linear regression, and hypothesis testing are required.

Descriptive Statistical Analysis

Many types of data are produced in descriptive statistics, such as mean, maximum, minimum, std.dev, and observation (Sugiyono, 2017). The variables that make up the three dependent variables are ijarah, mudharabah, and isthishna financing.

Table 4.1: Descriptive Statistic

	Y	X1	X2	X3
Mean	5.088333	14010.08	38.20833	8672.125
Maximum	6.320000	19154.00	83.00000	11898.00
Minimum	2.050000	10462.00	6.000000	5460.000
Std. Dev	1.082672	2472.042	25.34626	1619.650
Observations	24	24	24	24

Source: Data processed E-views 12 (2024)

The table above shows that:

a. Observation amounted to 24 data.
b. The minimum value of Isthisna is 10462.00; Mudharabah is 6.000000; Ijarah is 5460.000; and ROA is 2.050000.
c. The maximum value of Isthisna is 19154.00; Mudharabah is 83.00000; Ijarah is 11898.00; and ROA is 6.320000.
d. The average value (mean) of Isthisna is 14010.08; Mudharabah is 38.20833; Ijarah is 8672.125; and ROA is 5.088333.
e. The standard deviation of Isthisna is 2472.042; Mudharabah is 25.34626; Ijarah is 1619.650; and ROA is 1.082672.

Multicollinearity Test

The purpose of the multicollinearity test is to see if there is a relationship between the independent variables in the regression model. Looking at the multicollinearity test results with the uncentered VIF value, coefficient variance value, and centered VIF value. If the uncentered value> 1 or the VIF value < 10, then this shows that there is no multicollinearity between the independent variables.

Table 4.2: Multicollinearity Test

Variable	Coeffcient Variance	Uncentered VIF	Centered VIF
C	0.820333	41.08632	NA
X1	5.66E-09	57.30065	1.660115
X2	3.55E-05	3.685754	1.093300
X3	1.23E-08	47.76714	1.545101

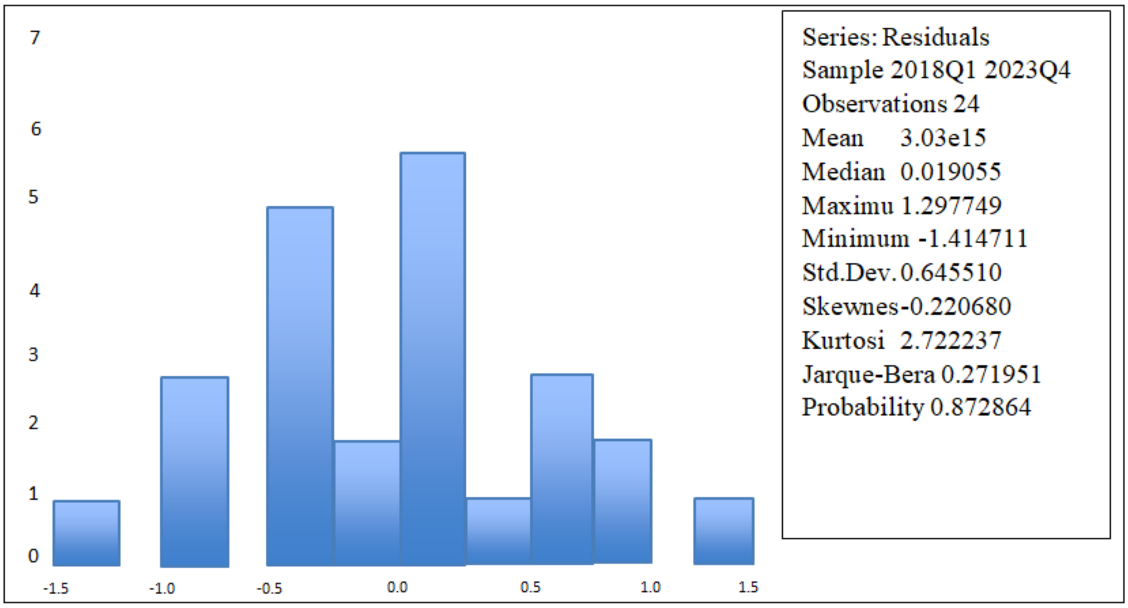
Source: Data processed E-views 12 (2024)

The multicollinearity test shows the Centered VIF value <1 and VIF value <10 on each variable. Then the Isthisna, Mudharabah and Ijarah variables do not occur symptoms of multicollinearity.

Normality Test

The purpose of the normality test is to see whether the research data is normally distributed or not. If the analysis results show that the probability value of data significance> 0.05, then the data is normally distributed.

Table 4.3: Normality Test



Source: Data processed E-views 12 (2024)

From the normality test, the probability value is 0.872864> 0.05, so it is concluded that the data is normally distributed.

Heteroscedasticity Test

The purpose of the heteroscedasticity test is to determine whether the residuals from different observations show unequal variances in the regression model. To confirm the presence or absence of heteroscedasticity, specifically if Obs*R-squared > 0.05, then it does not show these symptoms.

Table 4.4: Heteroscedasticity Test

F-statistic	2.790768	Prob. F (9,14)	0.0416
Obs*R-squared	15.41036	Prob. Chi-Square (9)	0.0803
Scaled Explained SD	9.215379	Prob. Chi-Square (9)	0.4176

Source: Data processed E-views 12 (2024)

Based on the table above, it shows that Obs R-squared is 0.0803>0.05, so it is concluded that there are no symptoms of heteroscedasticity.

Autocorrelation Test

The purpose of the autocorrelation test is to find out whether this period and the previous period are correlated.

Table 4.5: Autocorrelation Test

F-statistic	2.361457	Prob. F (2,18)	0.1228
Obs*R-squared	4.988354	Prob. Chi-Square (2)	0.0826

Source: Data processed E-views 12 (2024)

From the table above shows the value of Prob. Chi-Square value of 0.0826> 0.05, it is concluded that there is no autocorrelation.

Multiple Linear Regression Analysis

Multiple linear regression is an equation that describes the relationship between two or more independent variables and one dependent variable. This study uses multiple linear regression to determine the linearity of the joint effect of istisna, mudarabah, and ijarah financing variables on profitability.

Multiple linear regression aims to detect partial and simultaneous effects between independent and dependent variables.

Table 4.6: Multiple Linear Regression

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	8.640206	0.905722	9.539577	0.0000
X1	-0.000332	7.52E-05	-4.409357	0.0003
X2	-0.014611	0.005954	-2.453791	0.0234
X3	0.000191	0.000111	1.721591	0.1006
R-squared	0.644523	Mean dependent var		5.088333
Adjusted R-squared	0.591201	S.D. dependent var		1.082672
S.E. of regression	0.692232	Akaike info criterion		2.253222
Sum squared resid	9.583716	Schwarz criterion		2.449564
Log likelihood	-23.03866	Hanna-Quinn criter		2.305312
F-statistic	12.08746	Durbin-Watson stat		1.728105
Prob (F-statistic)	0.000098			

Source: Data processed E-views 12 (2024)

From the regression above, the multiple linear regression equation is:

$$P = \alpha + \beta_1 Is + \beta_2 Md + \beta_3 Ij + \varepsilon$$

Where,

P=Dependent variable
α=Regression coefficient
β=Parameter of regression coefficient
Is=Istishna
Md=Mudharabah
Ij=Ijarah
ε=Error

Regression Equation Analysis

$$P = 8.640206 - 0.000332\, Is - 0.014611\, Md + 0.000191 + \varepsilon$$

a. The constant value obtained is 8.640206, meaning that if the independent variable increases by one unit on average, the dependent variable will increase by 8.640206.
b. The coefficient value of variable X1 is negative (-) of -0.000332, meaning that if variable X1 increases, variable Y will decrease by -0.000332, and vice versa.
c. The coefficient value of the X2 variable is negative (-) equal to -0.014611, meaning that the X2 variable increases, the Y variable also decreases by -0.014611, and vice versa.
d. The coefficient value of the X3 variable is positive (+) of 0.000191, meaning that if the X3 variable increases, the Y variable also increases by 0.000191, and vice versa.

T Test (Hypothesis)

Table 4.7: T Test (Hypothesis)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.640206	0.905722	9.539577	0.0000
X1	-0.000332	7.52E-05	-4.409357	0.0003
X2	-0.014611	0.005954	-2.453791	0.0234
X3	0.000191	0.000111	1.721591	0.1006

Source: Data processed E-views 12 (2024)

The purpose of hypothesis testing or what is often known as the t test is to determine whether the independent variable significantly affects the dependent variable.

1. Variable X1 has a t-Statistic value of -4.409357 with a value of Pro. (Significance) of 0.0003 (<0.05), it is concluded that variable X1 has a significant effect on variable Y.
2. The X2 variable has a t-Statistic value of -2.453791 with a Prob. (Significance) value of 0.0234 (<0.05), it is concluded that the X2 variable has a significant effect on the Y variable.
3. The X3 variable has a t-Statistic value of 1.721591 with a Prob. (Significance) value of 0.1006 (>0.05), it is concluded that the X3 variable has no significant effect on the Y variable.

F Test (Simultaneous)

Table 4.8: F Test (Simultaneous)

R-squared	0.644523	Mean dependent var	5.088333
Adjusted R-squared	0.591201	S.D. dependent var	1.082672
S.E. of regression	0.692232	Akaike info criterion	2.253222
Sum squared resid	9.583716	Schwarz criterion	2.449564
Log likelihood	-23.03866	Hanna-Quinn criter	2.305312
F-statistic	12.08746	Durbin-Watson stat	1.728105
Prob (F-statistic)	0.000098		

Source: Data processed E-views 12 (2024)

The purpose of the f test is to see whether the independent variable and the dependent variable have a significant effect at the same time.

It is known that the F-Statistic value is 12.08746 with a Prob. (F-statistic) value of 0.000098 (<0.5), so it is concluded that the independent variable has a significant effect simultaneously on the dependent variable.

Test Coefficient of Determination (R2)

Table 4.9: Test Coefficient of Determination (R2)

R-squared	0.644523	Mean dependent var	5.088333
Adjusted R-squared	0.591201	S.D. dependent var	1.082672
S.E. of regression	0.692232	Akaike info criterion	2.253222
Sum squared resid	9.583716	Schwarz criterion	2.449564
Log likelihood	-23.03866	Hanna-Quinn criter	2.305312
F-statistic	12.08746	Durbin-Watson stat	1.728105
Prob (F-statistic)	0.000098		

Source: Data processed E-views 12 (2024)

The R2 test aims to test how much influence the independent variable has on the dependent variable.

It is known that the Adjusted R Square value is 0.644, it is concluded that the contribution of the influence of the independent variable on the dependent variable simultaneously is 64.4% and the remaining 35.6% is influenced by other variables outside this study.

The Effect of Isthishna Financing on Profitability (ROA)

Based on the statistics, it is known that the value of isthishna (X1) has a significant negative effect on profitability, because a significant value of 0.0003 <0.05 is obtained for the isthishna variable based on the partial findings of the t test. Furthermore, since the coefficient of the isthishna variable is negative (-0.000332), H0 is rejected and H1 is accepted.

ishtishna is a contract for the sale and purchase of ordered goods in which the specifications and price are initially agreed upon, but payment and delivery of the goods can be made in stages or deferred. This flexibility can be a risk for Islamic banks, especially if the prices of raw materials and other components fluctuate. In ishtishna financing, Islamic banks often involve third parties, such as contractors or suppliers, to produce or provide goods ordered by customers. Coordinating and monitoring these third parties can increase operating costs and reduce profitability. This could have a negative impact on ROA. This is in line with research (Sarasi *et al.*, 2020) and (Saharuddin & Nisra, 2023) there is a negative influence between profitability (ROA) and profit sharing financing.

Effect of Mudharabah Financing on Profitability (ROA)

Based on statistics, it is known that the value of mudharabah (X2) has no significant effect on ROA, because a significant value of 0.0234 <0.05 is observed for the mudharabah variable based on the findings of the partial t test. H0 is rejected and H2 is accepted because the coefficient of mudharabah variable is negative, which is -0.014611. Thus, it can be said that the profitability (ROA) of Islamic Commercial Banks is negatively affected by the mudharabah variable. The return on assets of Islamic Commercial Banks is generally negatively affected by the financing offered to the public through mudharabah financing. In this case, the margin that the bank receives from each transaction does not significantly increase its profit. This shows that ROA is negatively affected by mudharabah financing. High Risk: Mudarabah financing has a high risk compared to other types of financing. In mudharabah, Islamic banks act as capital owners (shahibul maal) and hand over their capital to customers (mudharib) to manage. If Mudarib's business suffers a loss, the Islamic bank will bear the loss thus reducing the bank's profitability. Monitoring costs: Islamic banks have to incur higher costs to monitor and supervise the operations of the mudharib. This is done to reduce risk and ensure funds are used appropriately. High monitoring costs can affect bank profitability. This is in line with research (Puteri, 2014) and (Dharma & Pristianda, 2018) mudharabah has a negative and insignificant effect on Profitability (ROA) of Islamic Commercial Banks in Indonesia.

The Effect of Ijarah Financing on Profitability (ROA)

Based on the statistical value of ijarah (X3) has no significant effect on profitability, because 0.1006> 0.05. H0 is accepted and H3 is rejected because the coefficient of the ijarah variable is also positive at 0.000191. So the profitability of Islamic Commercial Banks (ROA) is not influenced by the ijarah variable. In ijarah financing, the asset owner (musta'jir) receives rent from the party providing the financing (muajjir) so that the worker can spend his income. A reliable source of income by using the assets of the leaseholder obtained from financing. Although stable income has little effect on profitability (ROA). However, this can help the business become more profitable and generate more income. This is in line with research (Amalia & Fidiana, 2016) and (Faradilla *et al.*, 2017) showing that ijarah variables have no effect on profitability (ROA). Because the size of ijarah financing has no effect on ROA profitability.

5. CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on the results and discussion, it is concluded that isthisna has a negative effect on profitability (ROA), mudharabah has a negative effect on profitability (ROA), ijarah has no effect on profitability (ROA). Simultaneously, the independent variables consisting of isthisna and mudharabah negatively affect the profitability (ROA) of Islamic Commercial Banks in Indonesia, then ijarah has no effect on the ROA profitability of Islamic Commercial Banks in Indonesia.

Recommendation

Islamic Commercial Banks in Indonesia need to improve the way they manage isthisna, mudharbah, and ijarah financing so that the resulting financing can be more effective and able to obtain margins (profits) from these financing, so as to increase ROA profitability.

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