

## THE EFFECT OF GDP, EXCHANGE RATE, AND INTEREST RATE ON PROFIT-SHARING INCOME OF MUDHARABAH FINANCING AT ISLAMIC BANKS

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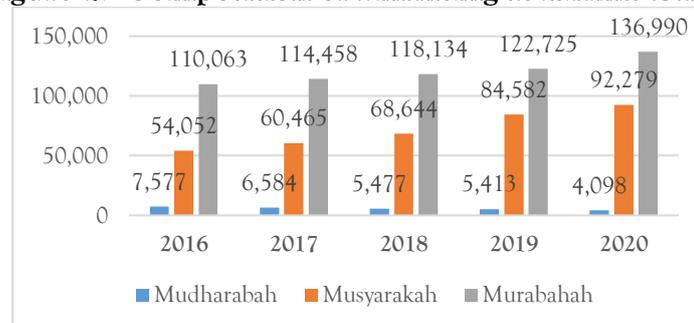
**Abstract:** This study aims to explain the influence of macroeconomic factors such as gross domestic product (GDP), exchange rates, and interest rates (BI Rate) on revenue sharing from mudharabah financing at Islamic Banks in Indonesia for 2016-2020. The sample selection in this study used purposive sampling with 9 selected samples from the total population of 14 Islamic Banks in Indonesia. The data used in this study are secondary data obtained from annual reports published by each Islamic Bank in the 2016-2020 period. The analytical method used in this research is panel data regression using EVIEWS 10 software and obtained the fixed effect model as the best estimation model. Based on the study's results, partially gross domestic product (GDP) and interest rates (BI Rate) have no significant effect on revenue sharing for mudharabah financing. In contrast, the exchange rate negatively and significantly impacts revenue sharing for mudharabah financing. In addition, simultaneously, the results of gross domestic product (GDP), exchange rates, and interest rates (BI Rate) significantly affect revenue sharing for mudharabah financing.

**Keywords:** gross domestic product, interest rates, exchange rates, BI - rate, mudharabah profit sharing.

### 1. INTRODUCTION

Islamic Bank, as an intermediation institution, distributes financing products, one of which is mudharabah financing. In its implementation, mudharabah financing is not a superior product in Islamic Banks in Indonesia, so that it can explain why Islamic banks have not implemented the actual core business as shown in the following figure:

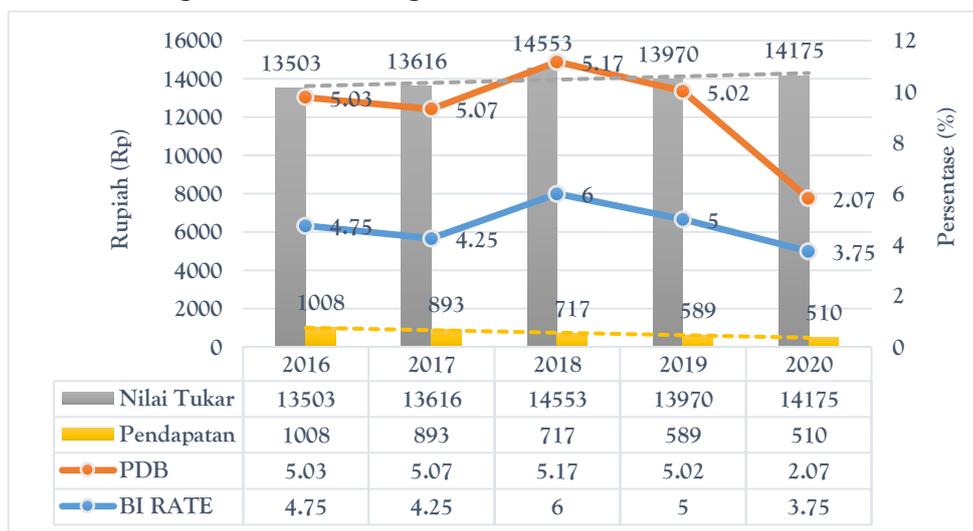
**Figure 1. Composition of Financing at Islamic Banks**



Source: OJK

Figure. 1 explains that the composition of mudharabah financing is much lower than other contracts and tends to decrease yearly. A similar situation occurs in Malaysia, Bahrain, Bangladesh, the United Arab Emirates, Jordan, and Turkey, with financing channeled by Islamic banks to these countries predominantly using murabahah contracts (Hadi, 2011). Finally, the composition of mudharabah financing causes the level of profit-sharing income from mudharabah financing obtained by banks to decrease. The decrease in profit-sharing income from mudharabah financing can be caused because mudharabah financing uses the principle of profit and loss sharing, where when there is a decrease in profit or even a loss (loss), Islamic Banks will get a small income and even have to bear losses from the financing distributed so that will reduce revenue sharing from mudharabah financing (Hadi, 2011). The loss will be borne if it arises from external factors, not internal factors such as negligence or misappropriation on the part of the capital manager (mudharib). According to Athanasoglou, (2005), external factors are not directly related to bank management, these factors will indirectly affect the economy and further affect the performance of financial institutions, which involve macroeconomic factors. This opinion is supported by Hossain, (2016) explaining that inflation, interest rates, actual exchange rates, and real output growth can affect the development of the Islamic financial sector. It was also stated by Büyükbaşaran et al., (2022) that the effects of macroeconomic shocks could affect the expansion of Islamic Banking credit. Then according to Kassim, (2016), Islamic financing has made an essential contribution to the real economy by effectively carrying out the role of financial intermediation in collecting and channeling funds to investment activities.

**Figure 2. Profit Sharing Income of Islamic Commercial Bank Mudharabah Financing, GDP, Exchange Rate, and Interest Rate (BI Rate)**



Source: OJK, Bank Indonesia, and BPS

Based on Figure. 2, Macroeconomic factors such as GDP, exchange rates, and interest rates (BI Rate) experience fluctuating changes every year, which are different from the revenue sharing of mudharabah financing, which decreases every year. As in 2017, the level of GDP increased, which indicates that the ability of people's purchasing power has increased. This is in line with the decline in the BI Rate so that the rupiah exchange rate

against the USD also weakens, which causes terms of pricing mudharabah financing should be cheaper than the previous year. With these conditions, the demand for mudharabah financing should increase, which causes an increase in revenue sharing of mudharabah financing. Profit-sharing income in mudharabah financing is still declining, and the condition continues to gradually occur during the 2016-2020 period, which causes a gap between theory and existing factual conditions.

According to Nahar & Sarker (2016), *gross domestic product* has a significant influence on Islamic financing in 48 countries. Meanwhile, according to Purnomo & Santoso (2015) explained that gross domestic product has no influence on margin financing at Islamic commercial banks in Indonesia. According to Bulkis (2019) explained that the value of profit has a positive and significant effect on the margin income of Islamic Banks. Meanwhile, according to Nahar & Sarker (2016) in their research explained, *exchange rates* negatively affect Islamic financing in 48 countries. According to Purnomo & Santoso (2015), interest rates have a significant effect on profit-sharing financing at Islamic Banks in Indonesia. Meanwhile, according to Nahar & Sarker (2016), *interest rate* as a macroeconomic factor negatively affects Islamic financing in 48 countries.

With this gap, researchers are interested in researching the revenue sharing of mudharabah financing at Islamic Commercial Banks, which is associated with macroeconomic factors such as GDP, exchange rates, and interest rates (BI Rate). In addition, another thing behind this study is the difference in results from previous research (research gap). Furthermore, this study has contained novelty elements where the variable of income sharing of mudharabah financing associated with macroeconomic variables still needs to be studied, so it becomes urgent to do this research.

Based on these problems, the formulation of the problem in this study is: (1) How does the gross domestic product (GDP) affect revenue sharing of mudharabah financing; (2) How the exchange rate affects the revenue sharing of mudharabah financing; (3) How the interest rate (BI Rate) affects the profit sharing income of mudharabah financing.

## 2. LITERATURE REVIEW

### 2.1. Gross Domestic Product (GDP)

Gross Domestic Product is a method a country uses to see national economic activity by measuring production volume and the market value of final goods and services the country has produced. In addition, GDP can also be used as a picture of a country's economy over time to compare economic conditions at a time. (Sukirno, 2004)

Gross domestic product as the total income of the people is considered to influence the demand for mudharabah financing. If a country's gross domestic product increases, it will improve people's welfare, thereby encouraging real economic growth in line with the increasing number of people's savings in banks. On the other hand, debtors can meet financing obligations provided by banks. Therefore, the increase in the gross domestic product is undoubtedly expected to impact the increasing demand for mudharabah financing. In addition, if there is an increase in demand for mudharabah financing, the profit-sharing income from mudharabah financing will also increase. However, if the gross domestic product decreases, people will reduce saving or investment activities, affecting

Islamic Banking operations, especially in the distribution and revenue sharing of mudharabah financing. This is reinforced by research conducted by Nahar & Sarker (2016) which states gross *domestic products* have a significant influence on Islamic financing in 48 countries. Also stated by Asriani, (2017) stated that gross domestic product has a positive effect on mudharabah financing at Islamic commercial banks in Indonesia. Therefore, the following hypothesis was formulated:

H<sub>1</sub>: Gross Domestic Product (GDP) has a significant effect on revenue sharing of *mudharabah* financing at Islamic Banks in the 2016-2020 period.

## 2. 2. Exchange rate

According to Sukirno, (2004), The exchange rate is the price or value of a country's currency relative to the value of another country's currency. It can be defined as the amount of domestic currency required to exchange one unit of foreign currency. If the demand for the currency decreases, the lower the currency's value, the exchange rate can be determined on the free market and vice versa. In terms of the money supply, the less the currency supply, the higher the value of the currency, and vice versa. The more the currency supply, the lower the value of the currency.

If the exchange rate decreases, it will cause the price of imported goods, such as capital goods, raw materials, and consumer goods, to become more expensive, impacting the price level of domestic goods and services. Therefore, a decrease in the exchange rate of a country's money can cause a decrease in people's purchasing power, especially those related to imported commodities. With this condition, it is believed that it will impact the price level of financing products from Islamic Banks such as mudharabah financing. If the exchange rate weakens, this will result in the pricing of mudharabah financing products will become more expensive. The more expensive pricing is because mudharabah financing is a type of productive financing distributed by Islamic Banks in the real sector, so Islamic Banks must adjust the pricing level to the real sector's conditions. The more expensive the pricing level, the higher the risk that will be borne by Islamic Banks so that Islamic Banks take action to reduce the composition of mudhaarabah financing, which can impact the bank's declining revenue-sharing income. This opinion is reinforced by Nahar & Sarker (2016) in their research explaining that the Exchange Rate negatively affects Islamic financing in 48 countries. Also stated by Hossain, (2016) explained that exchange rates can affect the implications of Islamic Banking and financing. Then according to Putri, (2020) explained that the Exchange Rate has a significant and negative influence on Islamic Bank financing in Indonesia. Therefore, the following hypothesis was formulated:

H<sub>2</sub>: The exchange rate has a significant effect on the profit sharing income of *mudharabah* financing at Islamic Banks in the 2016-2020 period.

## 2. 3. Interest Rate (*BI Rate*)

Interest rate is a number of prices that must be paid by borrowers of funds (debtors) to parties who lend funds (creditors) within a certain period of time Sukirno, (2004). Bank

Indonesia as the central bank in order to set the benchmark interest rate, issues BI Rate policy. The BI Rate can affect deeper aspects of national banking activities, including affecting the level of problematic financing, interbank fund movements, banking intermediation functions, allowance costs for the elimination of productive assets, even to the level of revenue generation of a bank.

According to Syahbudi, (2018), Islamic banks in Indonesia still apply pricing or profit sharing based on the interest rate (BI Rate). This is because Islamic Banking does not yet have its reference for setting pricing levels or profit sharing, so Islamic Banks still use the interest rate (BI Rate) as one indicator to determine pricing and profit-sharing levels in channeling financing, especially mudharabah financing. Therefore, changes in interest rates will affect the level of profit-sharing income of mudharabah financing (Hossain, 2016). This is reinforced by Purnomo & Santoso, (2015) the interest rate (BI Rate) as a macroeconomic factor has a significant effect on profit sharing financing at Islamic Banks in Indonesia. This opinion is reinforced by Hafizh et al., (2020) the interest rate (BI Rate) has a significant effect on mudharabah financing at Islamic Banks in Indonesia.

H<sub>3</sub>: The interest rate (*BI Rate*) has a significant effect on profit sharing income for *mudharabah* financing at Islamic Commercial Banks in the 2016-2020 period.

#### 2. 4. Revenue Sharing of Mudharabah Financing

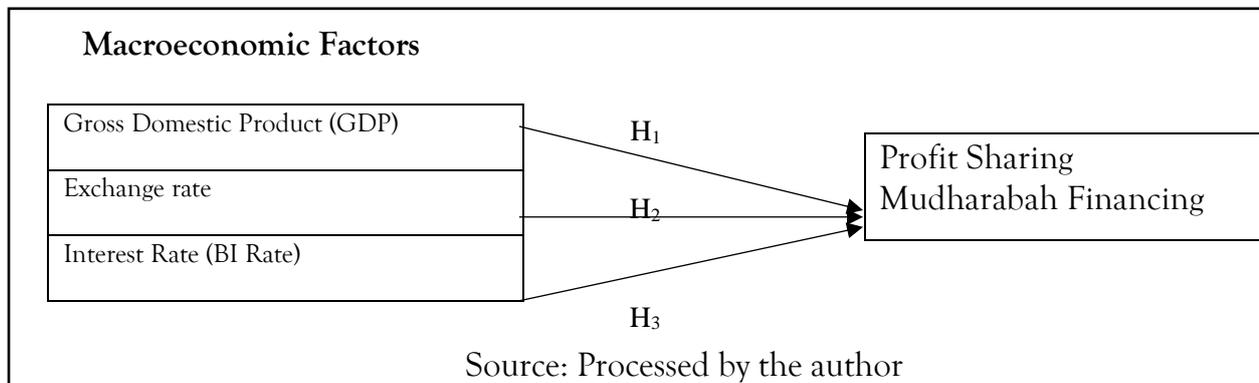
Mudharabah profit-sharing income is the payment of returns from the capital manager (mudharib) to Islamic Banks as capital owners (shahibul maal) in the form of profit sharing, the amount of which is obtained from the amount of income obtained by the capital manager (mudharib) where the income will be distributed according to the profit sharing ratio that has been mutually agreed upon in the mudharabah contract agreement. If the mudharib earns a significant income, the distribution of profit sharing distributed to the bank will also be significant, but if the income obtained is small, the distribution of profit sharing distributed to the bank is small, and if the business carried out suffers a loss, the loss will be borne by the bank as long as the loss is not an act of negligence/fraud by the mudharib (Purnomo & Santoso, 2015).

The recognition of profit-sharing income from financing with a mudharabah contract in Islamic Banking is regulated in the PSAK 105: Mudharabah Accounting. This regulation is applied to institutions/organizations/entities that carry out mudharabah transactions both as fund owners (shahibul maal) and fund managers (mudharib), where the regulation regulates the recognition, measurement, presentation, and disclosure of mudharabah transactions. The distribution of business results in mudharabah transactions can be done in two ways: based on the principle of profit sharing or revenue sharing. Profit sharing is a method of calculating profit sharing based on the net result of total revenue after deducting the expenses or costs incurred to obtain the income. At the same time, revenue sharing is a method of calculating profit sharing based on the total of all revenues before deducting the expenses or costs incurred to obtain these revenues (Indonesian Institute of Accountants, 2015). According to Fatwa DSN-MUI Number: 15/DSN-MUI/IX/2000, the distribution of business results should use the principle of revenue sharing. This is assessed in terms of benefit (al-ashlah), based on which Islamic

Banks in Indonesia currently use the principle of revenue sharing in recognition of revenue sharing from mudharabah financing.

Based on the theories and hypotheses above, the framework of this study is as follows:

**Figure 2. Frame of Mind**



### 3. RESEARCH METHODS

The population in this study is 14 (fourteen) Islamic Commercial Banks taken during the period 2016-2020. Sample determination in this study used purposive sampling with the following criteria:

1. Islamic bank that are officially registered and operating during the period 2016-2020.
2. Islamic bank has a mudharabah contract financing product.
3. Islamic bank regularly publishes annual financial reports in 2016, 2017, 2018, 2019, and 2020.
4. The annual report published by the Islamic bank must contain profit sharing information on mudharabah financing.

Based on these criteria, a total of 9 (nine) Islamic Commercial Banks were obtained. This type of data in this study uses panel data taken through literature studies and internet research sourced from official websites.

After the data was collected, the author then analyzed the panel data regression method using EVIEWS 10 software. The panel data estimation method can be done through three approaches, namely the *common effect model (CEM)*, *fixed effect model (FEM)*, and *random effect model (REM)*. Furthermore, the best model selection test was carried out using the chow test, hausman test, and lagrange multiplier test.

After obtaining the best model, classical assumption tests such as normality, multicollinearity, heteroscedasticity, and autocorrelation tests can be carried out which aim to obtain a research model that meets the BLUE (*Best Linear Unbiased Estimator*) concept. Furthermore, it will be continued with hypothesis analysis using the *f* test (simultaneous), the coefficient of determination test ( $R^2$ ), and the *t* test (partial) and then continued interpretation of the results of the hypothesis analysis.

## 4. RESULTS AND DISCUSSION

The data obtained will be estimated using the panel data regression method, but it is necessary to select the best model before estimating the model. For choosing the best model among all three models, the Chow test and Hausman test were carried out to obtain the best model. Then after obtaining the regression model, panel data will be tested for classical assumptions and parameter estimation tests.

### 4.1. Panel Data Model Selection Test

#### 4.1.1 Chow Test

Table 1. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	24.756563	(8,33)	0.0000
Cross-section Chi-square	87.576184	8	0.0000

Source: Data processed with EVIEWS 10

The Chow test is a test used to select the best model between the *common effect model (CEM)* and the *fixed effect model (FEM)*. Based on Tabel. 1 obtained prob value  $0.00 < 0.05$  rejected  $H_0$  so that a *fixed effect model (FEM)* can be obtained as the selected model. Therefore, it is necessary to do a Hausman test to choose the best model between the *fixed effect model (FEM)* and the *random effect model (REM)*.

#### 4.2.2 Hausman Test

Table 2. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.000000	3	1.0000

\* Cross-section test variance is invalid. Hausman statistic set to zero.

Source: Data processed with EVIEWS 10

The Hausman test is a test used to select the best model between the *fixed effect model (FEM)* and the *random effect model (REM)*. Based on Tabel. 2 Hausman test results obtained prob value.  $1.00 > 0.05$  and the statement "*Cross-section test variance is invalid. Hausman statistic set to zero.*" According to econometrists, the Hausman test that has been carried out is invalid, this is because the research data does not meet the requirements for a random effect. With these conditions, the EVIEWS program rejects the existence of the Hausman test. Therefore, it can be concluded that the *fixed effect model (FEM)* is the selected model and does not need to perform the Lagrange Multiplier Test (Nachrowi Djalal & Usman, 2013).

Table 3. Fixed Effect Model (FEM) Regression Estimation Results

Variable	Coefficient	t-Statistic	Prob.	Result
GDP	2.760036	0.408620	0.6855	H <sub>1</sub> rejected
ER	(4.147315)	(2.604086)	0.0137	H <sub>2</sub> accepted
BIRATE	6.224478	0.569448	0.5729	H <sub>3</sub> rejected
C	6.171095	2.840977	0.0076	
R-squared	0.861782	Mean dependent var		7.991242
Adjusted R-squared	0.815710	S.D. dependent var		9.203211
S.E. of regression	3.950807	Akaike info criterion		51.86060
Sum squared resid	5.150929	Schwarz criterion		52.34237
Log likelihood	(1.15486)	Hannan-Quinn criter.		52.04020
F-statistic	18.70489	Durbin-Watson stat		0.986169
Prob(F-statistic)	0.000000			

Source: Data processed with EVIEWS 10

Therefore, it can be concluded that theselected panel data regression estimation is the *fixed effect model (FEM)* as listed in the Table. 3 thus producing the regression equation as follows:

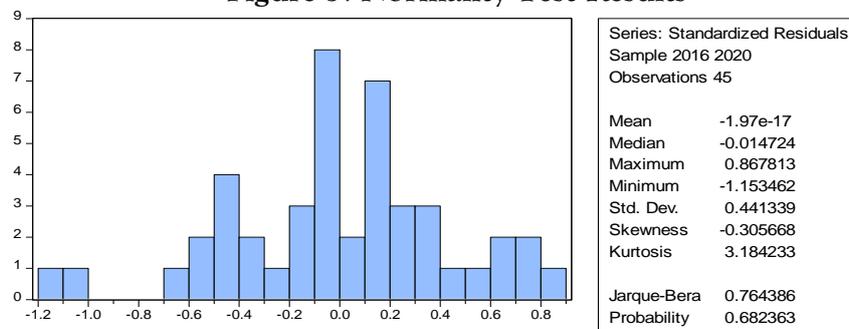
$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 D_{1i} + \beta_4 D_{2i} + \dots + e_{it}$$

$$Y_{it} = 6.171095 + 2.760036GDP_{it} + (4.147315)ER_{it} + 6.224478BIRATE_{it} + e_{it}$$

## 4.2. Classical Assumption Test

### 4.2.1 Normality Test

Figure 3. Normality Test Results



Source: Data processed with EVIEWS 10

Based on Figure. 3 obtained normality test results with probability values higher than significance levels ( $0.0682363 > 0.05$ ) with Jarque-Bera values (J-B) smaller than 2 so that  $H_0$  is accepted and it can be concluded that the data is normally distributed.

### 4.2.2 Multicollinearity Test

Table 4. Multicollinearity Test Results

	PDB	ER	BIRATE
GDP	1.000000	0.056750	0.682872
ER	0.056750	1.000000	0.208184
BIRATE	0.682872	0.208184	1.000000

Source: Data processed with EVIEWS 10

Based on the Table. 4 The results of the multicollinearity test conducted obtained a correlation value between independent variables  $< 0.85$ , this indicates that  $H_0$  is accepted so it can be concluded that the data does not contain symptoms of multicollinearity.

#### 4.2.3 Heteroscedasticity Test

**Table 5. Heteroscedasticity Test Results**

Variable	Coefficient	t-Statistic	Prob.	Keputusan
GDP	0.035941	0.477859	0.6359	$H_0$ accepted
ER	(9.756461)	(0.550149)	0.5859	$H_0$ accepted
BIRATE	(0.009803)	(0.080536)	0.9363	$H_0$ accepted
C	2.330447	0.963484	0.3423	

Source: Data processed with EVIEWS 10

Based on the Table. 5 heteroscedasticity test results using the Glejser test show that the variables GDP, Exchange Rate, and BI Rate do not occur heteroscedasticity, this is evidenced by the probability that the three variables are greater than 0.05 then  $H_0$  is accepted. Thus, it can be concluded that this research data is free from heteroscedasticity problems.

#### 4.2.4 Autocorrelation Test

**Table 6. Autocorrelation Test Results**

F-statistic	1.319203	Prob. F(2,38)	0.2793
Obs*R-squared	2.856654	Prob. Chi-Square(2)	0.2397

Source: Data processed with EVIEWS 10

Based on Table. 6 obtained the results of the autocorrelation test of Chi Squares probability values of  $0.2397 > 0.05$ . This indicates that  $H_0$  is accepted and it can be concluded that the data in this study does not occur autocorrelation problems.

#### 4.3. Coefficient of Determination

**Table 7. Coefficient of Determination**

R-squared	0.861782	Mean dependent var	7.991242
Adjusted R-squared	0.815710	S.D. dependent var	9.203211
S.E. of regression	3.950807	Akaike info criterion	51.86060
Sum squared resid	5.150929	Schwarz criterion	52.34237
Log likelihood	(1.15486)	Hannan-Quinn criter.	52.04020
F-statistic	18.70489	Durbin-Watson stat	0.986169
Prob(F-statistic)	0.000000		

Source: Data processed with EVIEWS 10

Based on Tabel. 7 obtained an R-squared value of 0.861782. This explains that of the three independent variables, namely gross domestic product, exchange rate, and interest rate, it has a proportion of 86.17% of the dependent variable of the influence of mudharabah financing results. While the remaining 13.83% was influenced by other variables that were not contained in this study.

#### 4.4. Test the hypothesis

##### 4.4.1 Partial Test (T Test)

Table 8. Partial Test

Variable	Coefficient	t-Statistic	Prob.	Keputusan
PDB	2.760036	0.408620	0.6855	H <sub>1</sub> ditolak
ER	(4.147315)	(2.604086)	0.0137	H <sub>2</sub> diterima
BIRATE	6.224478	0.569448	0.5729	H <sub>3</sub> ditolak
C	6.171095	2.840977	0.0076	

Source: Data processed with EVIEWS 10

Based on Tabel. 8 Partial hypothesis test results were obtained as follows:

##### 1. Gross Domestic Product (GDP)

From the results of the T test, the Gross Domestic Product (GDP) produces a regression coefficient marked positive with a coefficient value of 2.760036 and a significant value of  $0.6855 > 0.05$  so that the results of H<sub>1</sub> rejected H<sub>a</sub> accepted. This shows that partially the Gross Domestic Product (GDP) does not have a significant effect on mudharabah financing revenue sharing. This can explain that the Gross Domestic Product during the 2016-2020 period did not have a significant influence on mudharabah financing revenue sharing.

##### 2. Exchange Rate (ER)

From the results of the T test, the Exchange Rate (ER) produces a regression coefficient marked negative with a coefficient value (4.147315) and a significant value of  $0.0137 < 0.05$  so that the results of H<sub>2</sub> accepted H<sub>a</sub> rejected. This shows that the partial Exchange Rate (ER) has a negative and significant effect on mudharabah financing revenue sharing. This can explain that the Exchange Rate during the 2016-2020 period had a negative and significant influence on the revenue sharing of mudharabah financing. Therefore, every increase in the Exchange Rate by 1% can result in a decrease in profit sharing income on mudharabah financing products by 4.1%.

##### 3. Interest Rate (BIRATE)

From the results of the T test, the Interest Rate (BIRATE) produces a regression coefficient marked positive with a coefficient value of 6.224478 and a significant value of  $0.5729 > 0.05$  so the results of H<sub>3</sub> rejected H<sub>a</sub> accepted. This shows that the partial Interest Rate (BIRATE) does not have a significant effect on the profit sharing income of mudharabah financing. This can explain that the Interest Rate (BI Rate) during the 2016-2020 period did not have a significant influence on mudharabah financing profit sharing income.

##### 4.4. 2 Simultaneous Tests (Test F)

**Table 8. Test F**

R-squared	0.861782	Mean dependent var	7.991242
Adjusted R-squared	0.815710	S.D. dependent var	9.203211
S.E. of regression	3.950807	Akaike info criterion	51.86060
Sum squared resid	5.150929	Schwarz criterion	52.34237
Log likelihood	(1.15486)	Hannan-Quinn criter.	52.04020
<b>F-statistic</b>	<b>18.70489</b>	Durbin-Watson stat	0.986169
Prob(F-statistic)	0.000000		

Source: Data processed with EVIEWS 10

Based on Tabel. 3 obtained the results of F-statistic values  $18.70489 > 2.83275$  F-table with probability values of  $0.00 < 0.05$ . This indicates that the variables of gross domestic product, exchange rate, and BI Rate interest rate simultaneously affect the variable income sharing of mudharabah financing.

#### 4.5. Interpretation

##### 4.5.1 The Effect of GDP on Profit-Sharing Income Of Mudharabah Financing

Based on the hypothesis test, gross domestic product results did not have a significant effect on mudharabah financing revenue sharing at Islamic Banks in Indonesia during the 2016-2020 period. The results obtained are reinforced by research Purnomo & Santoso, (2015) explaining that there is no influence of GDP on margin financing at Islamic commercial banks in Indonesia.

During the research period, data on GDP movements in 2016-2020 were still very fluctuating, with the most severe rate of decline in 2020 with the GDP level only around 2.07%, down far compared to 2019 with a GDP level of 5.02%, but the GDP level for three consecutive years starting from 2016-2018 increased with the highest GDP level in 2018 of 5.17%. The unstable GDP movement does not seem to have a significant effect on mudharabah financing revenue sharing, this can be explained in the data on the level of mudharabah financing revenue sharing has decreased for 5 consecutive years. Therefore, the GDP variable proved to have no effect on revenue sharing of mudharabah financing at Islamic commercial banks in Indonesia during the 2016-2020 period.

##### 4.5.2 The Effect of the Exchange Rate on Profit-Sharing Income of Mudharabah Financing

Based on the hypothesis test, exchange rate results were obtained to have a negative and significant effect on mudharabah financing revenue sharing at Islamic Commercial Banks in Indonesia during the 2016-2020 period. Therefore, every increase in the Exchange Rate by 1% can result in a decrease in profit sharing income on mudharabah financing products by 4.1%. The results of this study are in accordance with Putri's research, (2020) which explains that exchange rates have a negative and significant effect on bank financing. This explains that if the exchange rate increases, the demand for Islamic Bank financing will decrease, and vice versa, if the exchange rate decreases, Islamic Bank financing will increase. This condition is caused if the rupiah exchange rate against the US dollar rises it can cause production costs, and the price of transaction objects will also increase, so that the ability of people's purchasing power will decrease, and if this

happens, the financing needs of Islamic Banks will also decrease. With the decline in demand for mudharabah financing, it will have an impact on the decline in revenue sharing income from Islamic Bank mudharabah financing.

#### 4.5.3 Effect of Interest Rate (*BI Rate*) on Profit-Sharing Income of Mudharabah Financing

Based on the hypothesis test, gross domestic product results did not have a significant effect on mudharabah financing revenue sharing at Islamic Commercial Banks in Indonesia during the 2016-2020 period. This explains that partially, the variable interest rate (*BI Rate*) does not have a significant effect on the revenue sharing of mudharabah financing at Islamic Commercial Banks in Indonesia. The results obtained are reinforced by research (Nasikin, 2018), which explains that the interest rate (*BI Rate*) does not have a significant effect on mudharabah financing.

This can be explained because Bank Indonesia's interest rate is the interest rate used as a guideline for conventional banks, while mudharabah financing applies a profit-sharing system so that changes in Bank Indonesia's interest rate do not affect the level of revenue sharing from mudharabah financing at Islamic Banks. This explanation is reinforced by data on the revenue sharing of Islamic Bank mudharabah financing which always decreases every year which is inversely proportional to interest rates that change in interest rates that increase or decrease interest rates each year.

## 5. CONCLUSION

Based on the results of the research that has been done, it is concluded that:

1. Gross domestic product (GDP) had no significant effect on revenue sharing of mudharabah financing at Islamic Commercial Banks during the study period.
2. The exchange rate partially had a negative and significant effect on the profit sharing income of mudharabah financing at Islamic Commercial Banks during the study period. Every increase in the Exchange Rate by 1% can result in a decrease in profit sharing income on mudharabah financing products at Islamic Commercial Banks by 4.1%.
3. The interest rate (*BI Rate*) partially did not have a significant effect on profit sharing income of mudharabah financing at Islamic Commercial Banks during the study period.

Based on the discussion described above, the suggestions that can be conveyed in this study are as follows:

1. It is expected that researchers can then use other macroeconomic variables to analyze new variables that can affect the profit sharing of Islamic Bank mudharabah financing. In addition, the research time span is increased up to the latest period.
2. Islamic commercial banks should be more *aware* of economic conditions that occur in Indonesia, especially on currency exchange rates. If the exchange rate

weakens, it can risk affecting the quality of mudharabah financing using imported commodities so that Islamic bank will have a high risk of experiencing bad financing or low mudharabah profit sharing income. Therefore, Islamic Banks need to formulate appropriate risk mitigation strategies in mudharabah financing products.

3. Islamic Banks should be more committed to channeling mudharabah profit-sharing financing even in conditions of a weakening exchange rate. Efforts that can be made are to conduct massive socialization of Islamic financial products, especially mudharabah financing products which aim to increase public understanding in general. Then Islamic Banks can also develop mudharabah products by increasing access to services, both distribution and information to customers.

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