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THE EFFECT OF FINANCING ON PROFITABILITY OF ISLAMIC BANKS: AN ANALYSIS BEFORE AND DURING PANDEMIC

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Abstract

The study aims to examine the effect of sharia financing on the profitability of islamic banks. Sharia financing is measured from the financing most widely used by sharia banks, namely sales and purchase financing and profit sharing financing, while profitability is measured using ROA. This study uses a quantitative method with a comparative descriptive approach. The results of the study before Covid-19 showed that sales and purchase financing had a significant positive effect and profit sharing financing had a significant negative effect on profitability. While during Covid-19, the results of the study showed that sales and purchase financing had a positive but insignificant effect and profit sharing financing did not have a negative effect on profitability. This influence can be interpreted that the more the sales and purchase financing increases, the more profitability will increase, conversely, the more the profit sharing financing increases, the profitability of sharia banks will decrease.

Keywords: profitability; sales and purchase financing; profit-sharing financing

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INTRODUCTION

The Covid-19 crisis has an impact on various aspects of life, be it health, social, economic, capital markets and so on. The spread of the Covid-19 virus, when viewed from a global trade aspect, has resulted in losses in almost all industrial sectors in the world, including industry in Indonesia. Banking Financial Institutions in Indonesia are also experiencing the impact of the spread of Covid-19, of course this also affects the profits obtained by the banking industry. According to Sobarna (2021), banks in Indonesia are divided into two types based on the method of paying interest or sharing business profits, namely banks that operate conventionally and banks that operate according to sharia principles. According to Wahyuna & Zulhamdi (2022) Islamic banks are banks that carry out business activities based on sharia principles, or Islamic legal principles regulated in the fatwa of the Indonesian Ulema Council, such as the principles of justice and balance ('adl wa tawazun), welfare (maslahah), universalism (alamiyah), and do not contain gharar, maysir, usury, zalim and objects that are forbidden.

In its development, Islamic banking is increasingly in demand by the community. Islamic banking products such as savings, deposits, and Islamic credit are increasingly available and accepted by the wider community Susanto et al. (2023). As a profit-oriented institution, Islamic banks have the main goal of making profits in order to maintain the bank's healthy condition.

As a profit-oriented institution, banks have the main goal of making profits in order to maintain the bank's healthy condition. Bank health assessment involves considering various aspects, including Capital, Assets, Management, Earnings, Liquidity and Sensitivity to Market Risk (Siregar, 2021). FItriyaningsih in Siregar (2021). said that the RGEC method has only been applied to conventional banks, while Islamic banks still use the CAMELS method. Earnings or Profitability is a bank's main goal in operating, so the low profitability of a bank is a major concern. According to Darwis et al. (2022) Profitability calculations can be measured from several aspects, namely Return on Assets (ROA), Return on Equity (ROE) and Net Profit Margin (NPM). The profitability ratio that is often used in evaluating banking productivity is the Return On Assets ratio. According to Khamisah et al. (2020) ROA is a ratio used to measure a bank's ability to generate profits relative to its total assets. ROA provides a more accurate picture of a company's profitability by showing how effectively management is utilizing assets to generate revenue. A higher ROA value indicates better company performance, because the return rate on investment is higher (Noefiansyah & Idayati, 2019). To find out the health condition of Islamic banks in Indonesia, below is the average ROA of Sharia Banks from 2017-2022.

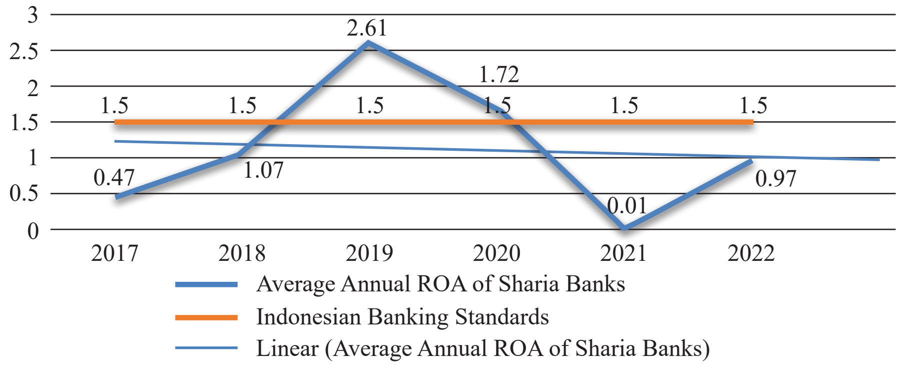

Figure 1. Average Sharia Banking ROA 2017-2022

Figure 1 shows that the average linear ROA data for sharia banking always decreases and is below Bank Indonesia standards. The average ROA value of 11 Islamic banks only reached 1.17%. During the three years before the emergence of Covid-19, the average ROA increased from 0.47% to 2.61%. However, two years during the Covid-19 crisis, ROA decreased until it reached its lowest value of 0.01% in 2021. This decrease was very significant because it placed ROA at rank 4 or below 0.25%. This shows that during this period, Islamic banks faced less than optimal performance and were vulnerable to serious negative impacts from the economic situation and financial industry. Negative impacts on the sustainability of bank operations will occur if the bank's profitability level is low, because this will reflect an unhealthy bank condition. According to Asrina et al. (2015) Islamic Banks have the potential to face problems in achieving low profit levels, which in turn can have a negative impact on the bank's health level in terms of profitability.

Stakeholders in banks may not trust banks with low profitability because they are worried about future risks. Public trust in banks as financial service providers can decrease if the bank's ROA is low, and low ROA can also increase the risk of bank bankruptcy (Nugraheni & Alam, 2014). According to Dintha & Surachim (2017), low profitability can encourage investors to withdraw their investments, which can ultimately lead to a decrease in the bank's value.

To examine this problem, it is necessary to study aspects that can contribute to bank profitability. Several factors that influence profitability include the amount of capital, the quality of credit provided and its returns, the spread of bank interest, allocation management in liquid assets, efficiency in reducing operating and non-operating costs and mobilization of public funds in obtaining cheap sources of funds (Laoli, 2019). Therefore, sharia banking continues to strive to increase its profitability by offering the best products and services, this is done in order to survive in a situation of increasingly tight competition in the sharia banking sector as well as in the conditions of the Covid-19 crisis.

The concept of intermediation refers to the role of a liaison, while intermediation refers to an intermediary for transaction actors who facilitate the trade of goods and services. Bagiartha W & Habibi (2023) explains that the function of financial intermediary banking is to collect and distribute public funds effectively and efficiently. In general, funds obtained through borrowing, namely in the form of debt, carry capital costs in the form of interest, while funds obtained through equity carry capital costs in the form of dividends. According to Zahroh (2015) capital instruments are in the form of securities that can be traded back by their owners, these instruments consist of two types, namely ownership instruments (equity) and debt instruments. Banking products used by customers such as savings and financing/credit certainly have an influence on bank profitability, this is in line with the intermediation function where banks act as intermediaries in collecting and distributing funds.

According to Chadziq (2017) Islamic banking financing has several functions, including increasing the utility of money, increasing the utility of goods, increasing money circulation, creating enthusiasm for business and maintaining economic stability.. Sharia banks allocate funds to customers through four types of financing, namely, rental contracts, profit sharing, sales and purchase, and financing with complementary contracts. Of the four types of financing, sales and purchase profit sharing financing and financing are the two main patterns in sharia bank financing.

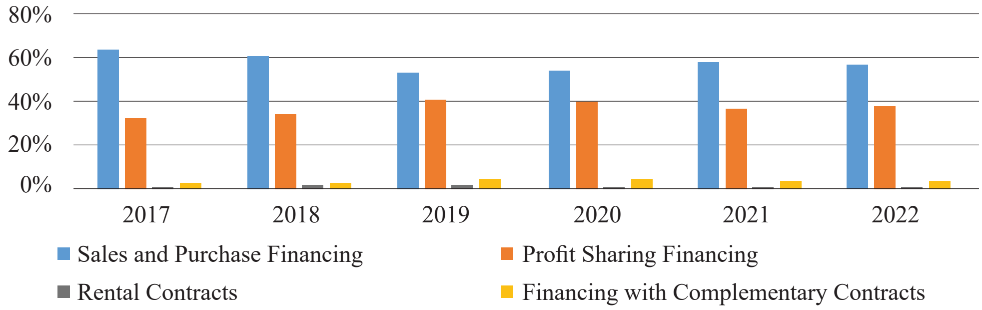

Figure 2. Amount of financing provided by 9 Sharia Banks in Indonesia for 2017-2022

Based on this problem phenomenon, this research aims to review the extent to which profit sharing financing and sales and purchase financing influence the Islamic banks profitability in Indonesia both before and during the Covid-19 crisis. According to Ikbal & Chaliddin (2022) the financing pattern in sales and purchase financing uses 3 contracts, namely murabahah, Salam, and Istishna. Meanwhile, financing with the principle of profit sharing can be carried out by Islamic banking with two types, namely mudharabah and musyarakah financing in accordance with Islamic economic provisions (Setiawan, 2022). Based on this framework, the researcher intends to express the research paradigm in Figure 3 below:

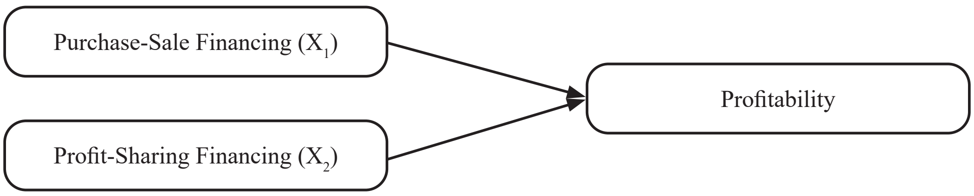

Figure 3. Thinking Framework

In this study, researchers collected a number of previous studies related to the two types of financing that are most widely distributed by Islamic banking in Indonesia. This aims to enrich the theory in research verification. Among them, according to Thufailah (2023) sales and purchase financing has a significant positive effect on profitability, while profit sharing financing and non-performing financing have a significant negative effect on profitability. Then Dukalang & Nugroho, 2022) said that Financing to Deposit Ratio (FDR) and Leasing Financing (PSM) have a negative effect on Return On Assets (ROA). Meanwhile, Sales and Purchase Financing (PJB), Profit Sharing Financing (PBH), Non-Performing Financing (NPF) have a positive effect on Return On Assets (ROA). Ahadini et al. (2021) said that Sales and Purchase Financing has a significant positive effect on profitability, profit sharing financing has a significant negative effect on profitability, financing to deposit ratio (FDR) has an insignificant positive effect on profitability, non-performing financing (NPF) has an insignificant negative effect on profitability, operational costs of operating income (BOPO) has a significant negative effect on profitability. Then Mutiah et al. (2020) said that sales and purchase financing has a positive but insignificant effect on financial performance as proxied by ROA, profit sharing financing has a negative and insignificant effect on financial performance as proxied by ROA, and problematic financing has a significant and significant effect on financial performance as proxied by ROA. Then Sarasi et al. (2020) said that sales and purchase financing and leasing have a positive effect, while profit sharing financing and Non Performing Financing (NPF) have a negative effect on profitability. Then Romadhon (2020) said that Financing to Deposit Ratio (FDR), Profit Sharing Financing and Lease Financing do not have a significant effect on profitability (ROA). Sale and purchase financing, and Non Performing Financing (NPF) have a positive and significant effect on profitability (ROA). Then Saiq et al. (2019) said that sale and purchase financing has a significant positive effect on profitability and profit sharing financing has no effect on profitability. Then Inayatillah & Subardjo (2017) said that sale and purchase financing gives positive influence to the profitability, profit sharing financing does not give any influence to the profitability, Non Performing Financing (NPF) gives negative influence to the profitability, and Financing to Deposit Ratio (FDR) gives positive influence to the profitability. Then Ogilo (2016) states that musyarakah, Ijara and murabahah have a positive effect on return on assets. Then Mufarida et al. (2022) stat that There is a significant positive effect of profit sharing financing on profitability. There is a significant positive effect of profit sharing financing on Non Performing Financing (NPF). There is a significant positive effect of sale and purchase financing on Non Performing Financing (NPF). There is a significant positive effect of sale and purchase financing on profitability. There is a significant negative effect of Non Performing Financing (NPF) on profitability. In addition, according to Muthmainnah et al. (2022) said that profit sharing financing has a significant positive effect on ROA, sales and purchase financing has a significant negative effect on ROA and NPF has a significant negative effect on ROA.

Then according to Suwarto & Ali (2021) purchase financing, profit sharing financing, FDR and NPF have a significant effect on profitability as measured by ROA. Agza stated that Murabahah, Musyarakah and Transaction Cost financing have a significant influence on the profitability (ROA) of Bank Rakyat Syariah Financing Bank. Izhar & Asutay (2007) said that earning assets to total assets shows a positive relationship with the profitability ratio. Meanwhile, according todzakiya Dzakiyah (2021) said that Financing for sales and purchase has a significant effect on ROA. While the profit sharing financing variables, Financing to Deposit Ratio and Non Performing Financing (NPF) do not have a significant effect on ROA. Setianingrum (2015) said that profit sharing financing does not affect profitability. And Boubakri et al. (2023) said that Islamic banks are more resilient to the COVID-19 crisis compared to conventional banks. Islamic banks showed more sustainable credit growth during the COVID-19 pandemic, especially in countries where regulators were more active in using macroprudential policies before the pandemic. In addition, this article also shows that sharia principles in Islamic banks can affect bank resilience during the crisis.

Some of these studies show differences in their findings and illustrate the lack of uniformity between research results. In addition, in previous studies, there has been no research that describes the financing conditions and their influence on the profitability of Islamic banks when facing an economic crisis such as the crisis due to Covid-19. Therefore, researchers are interested in filling this gap and comparing whether sales and purchase financing and profit-sharing financing affect the profitability of Islamic banking in Indonesia both before the Covid-19 crisis and during the Covid-19 crisis. Referring to the background, problems, research objectives and literature review, the researcher puts forward the following research hypothesis formulation:

H1 Sales and purchase financing has a positive effect on the profitability of Islamic banks before and during the Covid-19 crisis.

H2 Financing of Profit Sharing has a positive results on the Islamic banks profitability before and during the Covid-19 crisis.

METHOD

This research design uses a quantitative approach with a comparative research method. According to Sugiyono (2017) comparative research is research that compares the existence of one or more variables in two different samples, or at different times. The comparative method is used to analyze whether there is a difference in the influence of financing for sales and purchase and profit-sharing financing on the profitability of Islamic banks, both before and during the Covid-19 crisis.

In this study, the variables used are financing for sales and purchase, financing for profit-sharing and profitability. Financing for sales and purchase is measured from the total financing of murabahah, salam and istishna, while the variable for profit-sharing financing is measured from financing for musyarakah and mudharabah. And then the profitability ratio is measured using the Return On Assets ratio.

This study used 13 Islamic banks as the research population. The sampling technique used non-probability sampling with purposive sampling. According to Sugiyono (2017) purposive sampling is a technique for taking samples of data sources with certain considerations. So special criteria were formed in selecting Islamic banking which was formulated as a sample in the study. The first criterion is that Islamic Banking in Indonesia continuously publishes quarterly financial reports during the period from Quarter III of 2017 to Quarter IV of 2022. The second criterion is that Islamic Banking has complete financial report data according to the variables observed in the period from 2017 to 2022. The sample is defined as a part of the number and characteristics possessed by the population (Sugiyono, 2019). Based on these characteristics, a sample of 9 Islamic banks was obtained.

In this study, documentation techniques were used. Secondary data is the main data source used by applying a documentation study approach. The documentation study in this study uses company documentation in the form of collecting company financial report data. In addition, researchers also use a literature study method by utilizing books, journals, and other relevant sources to support understanding of the topic being studied.

Statistical methods are used as data analysis techniques, with the aim of gaining an understanding of the influence or influence between variables. The data analysis technique used is testing the influence through the application of panel data regression analysis. According to Madany et al. (2022) Panel data regression analysis is a combination of time series data and cross section data. The selection of regression tests in this study was applied because this study integrates time series and cross section data as a whole. And to conduct panel data regression tests, the EViews 10 software tool is used. The following is the formula used based on the variables studied:

$$ROA_{it} = \alpha + \beta_1 PJB_{it} + \beta_2 PBH_{it} + e_{it} \quad \text{..(1)}$$

Where Y is ROA, a represents the Intercept/constant, $ß_1$, $ß_2$ means for the regression coefficient, X_1 represents sales and purchase financing, X_2 represents Profit Sharing Financing, i represents Cross section (individual), t represents the time period and e stands for the Error term.

RESULTS

The subject of this research is a sharia bank company recorded in the 2023 sharia banking statistics, where the bank operates from 2017 to 2022. The research sample was obtained from each company's financial report data and/or presented on the Indonesia Stock Exchange website.

Sampling in this research was carried out using the purposive sampling method. The population of sharia banks in Indonesia is 13 sharia banks. There are 9 companies based on sampling using a purposive method that meet the criteria in this research. The total research time used was 11 bank quarterly financial reports before the Covid-19 crisis and 11 bank quarterly financial reports during the Covid-19 crisis. So the number of observations in this study is 198. The following are descriptive statistics from the research sample.

Table 1. Descriptive Statistics Before Covid-19 Crisis

	X_1 S&PF	X_2 PSF	Y_ROA
Mean	10432321	5275152.	0.005519
Median	4456035.	2522425.	0.005200
Maximum	38177853	20957910	0.041800
Minimum	262445.0	427347.0	-0.107700
Std. Dev.	11669820	5954866.	0.016465
Skewness	0.967337	1.305313	-4.093181
Kurtosis	2.484690	3.233361	27.24555
Jarque-Bera	16.53510	28.33803	2701.312
Probability	0.000257	0.000001	0.000000
Sum	1.03E+09	5.22E+08	0.546400
Sum Sq. Dev.	1.33E+16	3.48E+15	0.026568
Observations	99	99	99

Source: Data processed with Eviews 10, 2024

From Table 1, it is known that Sales and purchase financing has an average value of 10,432,321 million. The maximum value of 38,177,853 million was obtained by Bank Syariah Indonesia in Q1 2020 and the minimum value was 262,445 million by Bank Victoria Syariah Syariah in Q2 2019. The standard deviation of 11,669,820 million is higher than the average value, indicating that the Sales and purchase financing Variable is very fluctuates and has uneven data distribution.

Profit Sharing Financing has an average value of 5,275,152 million. The highest value, 20,957,910 million, was recorded by Bank Muamalat Indonesia in Q3 2017, while the lowest value, 427,347 million, was recorded by Bank Mega Syariah in the same period. The standard deviation is 5,954,866 million, which is higher than the average value, indicating that the Profit Sharing Financing variable is highly volatile and has an uneven data distribution.

Profitability, as measured by Return on Assets (ROA), has an average value of 0.005519. The maximum value, 0.041800, was achieved by Bank Syariah Bukopin in Q4 2017, and the minimum value, -0.1077, was recorded by Bank Panin Dubai Syariah in Q4 2017. The standard deviation is 0.016465, which is smaller than the average value, indicating that the fluctuations in the Profitability variable are more evenly distributed.

Table 2. Descriptive Statistics After Covid-19 Crisis

	X_1 PJB	X_2 PBH	Y ROA
Mean	13387049	9829127.	0.008804
Median	2723411.	3895174.	0.009100
Maximum	1.24E+08	71631908	0.040800
Minimum	45324.00	372824.0	-0.067200
Std. Dev.	28598854	16278787	0.013970
Skewness	2.852087	2.782560	-2.258155
Kurtosis	9.822836	9.601075	14.31155
Jarque-Bera	326.2409	307.4970	611.9360
Probability	0.000000	0.000000	0.000000
Sum	1.33E+09	9.73E+08	0.871600
Sum Sq. Dev.	8.02E+16	2.60E+16	0.019125
Observations	99	99	99

Source: Data processed with Eviews 10, 2024

From Table 2, it is known that sales and purchase financing has an average value of 13,387,049 million. The maximum value of 124,284,939 million was obtained by Bank Syariah Indonesia in Q4 2022 and the minimum value was 45,324 million by Bank Panin Dubai Syariah in Q3 2022. The standard deviation of 28,598,854 million is higher than the average value, indicating that the sales and purchase Financing Variable is very fluctuates and has uneven data distribution during times of crisis.

Then profit sharing financing has an average value of 9,829,127 million. The maximum value of 71,631,908 million was obtained by Bank Syariah Indonesia in Q4 2022 and the minimum value was 372,824 million by Bank Victoria Syariah in the Q2 2022 period. The standard deviation is 16,278,787 million which is higher than the average value, indicating the Profit Sharing Financing Variable fluctuates greatly and has uneven data distribution during the crisis.

Profitability, measured by Return on Assets (ROA), has an average value of 0.008804. The highest value of 0.040800 was recorded by Bank Mega Syariah in Q4 2021, while the lowest value was -0.067200 from Bank Panin Dubai Syariah in the same quarter. The standard deviation is 0.013970, which exceeds the average value, indicating that the profitability variable is highly volatile and exhibits an uneven data distribution during the crisis.

Table 3. Partial Testing (Statistical t Test) Before Covid-19 Crisis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.003869	0.002163	1.788458	0.0769
X_1 PJB	7.26E-10	1.86E-10	3.895718	0.0002
X_2 PBH	-1.12E-09	3.65E-10	-3.075079	0.0027

Source: Data processed with Eviews 10, 2024

Based on the results of the statistical t-test, it is evident that, first, sales and purchase financing has a significance value of t equal to 0.0002, which is less than 0.05. This indicates that partial sales and purchase financing has a significant impact on profitability. Additionally, the coefficient value of 0.000000000726 demonstrates a positive relationship between sales and purchase financing and profitability, suggesting that sales and purchase financing positively and significantly influenced profitability prior to the Covid-19 crisis.

Furthermore, profit-sharing financing has a significance value of t equal to 0.0027, also less than 0.05, indicating that partial profit-sharing financing significantly affects profitability. The coefficient value of -0.00000000112 shows a negative relationship between profit-sharing financing and profitability, indicating that profit-sharing financing had a negative and significant impact on profitability before the Covid-19 crisis.

The final analysis results are presented here, focusing on processed data rather than raw data. Only the key calculation results and statistical findings are displayed in this section.

Table 4. Partial Testing (Statistical t Test) Test After Covid-19 Crisis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.007701	0.003600	2.139014	0.0350
X_1 PJB	1.35E-10	3.43E-10	0.393254	0.6950
X_2 PBH	-7.16E-11	5.85E-10	-0.122345	0.9029

Source: Data processed with Eviews 10, 2024

The test results in Table 4 indicate that sales and purchase financing has a t-value significance of 0.6950, which is greater than 0.05. This suggests that partial sales and purchase financing does not significantly impact profitability. Additionally, the coefficient of 0.000000000135 shows a positive relationship between sales and purchase financing and profitability, indicating that sales and purchase financing has a positive but insignificant effect on profitability.

In contrast, profit-sharing financing has a t-value significance of 0.9029, also greater than 0.05, meaning that partial profit-sharing financing does not significantly affect profitability. Furthermore, the coefficient of -0.0000000000716 reveals a negative relationship between profit-sharing financing and profitability, demonstrating that profit-sharing financing has a negative and insignificant influence on profitability.

Table 5. Simultaneous Testing (F Test) and Coefficient of Determination Test Before Covid-19 Crisis

R-squared	0.138452	Mean dependent var	0.005519
Adjusted R-squared	0.120503	S.D. dependent var	0.016465
S.E. of regression	0.015441	Akaike info criterion	-5.473700
Sum squared resid	0.022890	Schwarz criterion	-5.395060
Log likelihood	273.9482	Hannan-Quinn criter.	-5.441883
F-statistic	7.713640	Durbin-Watson stat	1.517473
Prob(F-statistic)	0.000782		

Source: Data processed with Eviews 10, 2024

The Prob value (F-statistic) is 0.000782, which is less than 0.05, indicating that sales and purchase financing, along with profit-sharing financing, collectively have a significant effect on profitability in the period leading up to the Covid-19 crisis.

Additionally, the Adjusted R-Squared value is 0.120503, meaning that sales and purchase financing and profit-sharing financing together account for 12.05% of the variability in profitability, while the remaining 87.95% is attributed to other factors.

Table 6. Simultaneous Testing (F Test) and Coefficient of Determination Test Before Covid-19 Crisis

Weighted Statistics			
R-squared	0.016332	Mean dependent var	0.002874
Adjusted R-squared	-0.004161	S.D. dependent var	0.010533
S.E. of regression	0.010555	Sum squared resid	0.010695
F-statistic	0.796952	Durbin-Watson stat	1.835335
Prob(F-statistic)	0.453659		

Source: Data processed with Eviews 10, 2024

The Prob value (F-statistic) is 0.453659, which is greater than 0.05, indicating that sales and purchase financing, along with profit-sharing financing, do not significantly impact profitability when considered together.

Additionally, as shown in Table 6, the Adjusted R-Squared value is -0.004161, suggesting that sales and purchase financing and profit-sharing financing collectively account for -0.42% of the variability in profitability.

Table 7. Comparative Test of Sales and Purchase Financing Before and During the Covid-19 Crisis

Method	df	Value	Probability
Wilcoxon/Mann-Whitney		2.435793	0.0149
Wilcoxon/Mann-Whitney (tie-adj.)		2.435793	0.0149

Source: Data processed with Eviews 10, 2024

The Wilcoxon probability for sales and purchase financing is 0.0149 < 0.05, This indicates that there is a significant difference in the average sales and purchase financing before the crisis compared to during the Covid-19 crisis.

Table 8. Comparative Test of Profit Sharing Financing Before and During the Covid-19 Crisis

Method	df	Value	Probability
Wilcoxon/Mann-Whitney		2.763211	0.0057
Wilcoxon/Mann-Whitney (tie-adj.)		2.763211	0.0057

Source: Data processed with Eviews 10, 2024

The Wilcoxon probability of PBH is 0.00057 < 0.05, this indicates that there is a significant difference in the average profit-sharing financing before the crisis compared to during the Covid-19 crisis.

Table 9. Comparative Test of Profitability Before and During the Covid-19 Crisis

Method	df	Value	Probability
Wilcoxon/Mann-Whitney		1.204254	0.2285
Wilcoxon/Mann-Whitney (tie-adj.)		1.204470	0.2284

Source: Data processed with Eviews 10, 2024

The Wilcoxon probability of ROA is 0.2285 > 0.05 so it can be concluded that there is no significant difference in average ROA before and during the Covid-19 crisis, which means there is no real influence from the Covid-19 crisis in increasing the profitability of the companies studied.

DISCUSSION

Partially, the test results before the Covid-19 crisis indicated that the significance value of sales and purchase financing on profitability (ROA) was 0.0002, which is less than 0.05, with a coefficient of 0.000000000726. This demonstrates that partial sales and purchase financing has a positive and significant effect on profitability (ROA).

In contrast, the partial test results during the Covid-19 crisis showed a significance value of t at 0.6950, which is greater than 0.05, indicating that partial sales and purchase financing does not significantly influence profitability. Additionally, the coefficient of 0.000000000135 reveals a positive relationship between sales and purchase financing and profitability. This suggests that while partial sales and purchase financing has an insignificant positive effect on profitability (ROA), it implies that a higher portion of sales and purchase financing provided by Islamic banks during a crisis correlates with a higher ROA. Conversely, a lower amount of sales and purchase financing leads to a lower ROA.

The significant influence before the crisis indicates that sales and purchase financing directly impacts ROA. However, the lack of significance during the crisis suggests that sales and purchase financing does not have a direct effect on ROA.

The results of this research stating that it has a positive effect are in line with research conducted by Mutiah et al. (2020), Ahadini et al. (2021), Saiq et al. (2019), Inayatillah & Subardjo (2017), Agza & Darwanto (2017), Ogilo (2016), Azhar & Nasim (2016), Rochmanika (2012), Izhar & Asutay (2007), Romadhon (2020), Dukalang & Nugroho (2022), Dzakiyah (2021), Sarasi et al. (2020), Thufailah (2023), Suwarto & Ali (2021) which states that sales and purchase financing has a positive effect on profitability.

The significance value of profit-sharing financing on profitability (ROA) before the Covid-19 crisis was 0.0027, which is less than 0.05, with a coefficient of -0.00000000112. This indicates that partial profit-sharing financing has a negative and significant impact on profitability.

During the Covid-19 crisis, however, the partial test results revealed a significance value of 0.9029, greater than 0.05, with a coefficient of -0.0000000000716. This suggests that partial profit-sharing financing had a negative and insignificant effect on profitability.

A negative coefficient indicates that an increase in profit-sharing financing provided by Islamic banks during a crisis results in a lower ROA. The significant influence prior to the crisis shows that profit-sharing financing has a direct impact on ROA, while the lack of significance during the crisis suggests that it does not have a direct effect on ROA.

The results of this research are in line with research conducted by Mutiah et al. (2020), Ahadini et al. (2021), Saiq et al. (2019), Inayatillah & Subardjo (2017),Azhar & Nasim (2016), Setianingrum (2015), Rochmanika (2012), Haron & Azmi (2004), Dukalang & Nugroho (2022), Dzakiyah (2021), Thufailah (2023) which states that profit sharing financing has a negative effect on profitability. Based on these results, the hypothesis which states that profit sharing financing has a negative effect on profitability or H0 is accepted.

CONCLUSION

Partial research during the period before the Covid-19 crisis, the results of the study showed that sales and purchase financing had a positive and significant impact on the profitability of Islamic banks as measured by ROA. Conversely, profit sharing financing had a negative and significant impact on profitability which was also measured by ROA. While during the Covid-19 crisis, the results of the study showed that sales and purchase financing had a positive but insignificant impact on profitability, as measured by ROA, while profit sharing financing remained negative but insignificant on profitability, which was also measured by ROA.

Then simultaneously, Sales and Purchase Financing and Profit Sharing Financing together were able to explain profitability significantly by 12.05% in the period before the Covid-19 crisis, while the rest was explained by other variables which were limitations in this study. Meanwhile, during the Covid-19 crisis, Sales and Purchase Financing and Profit Sharing Financing together were unable to explain the increase or decrease in profitability. These results indicate that other variables that are not research variables may have more ability to explain the profitability of Islamic banks during the Covid-19 crisis.

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