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Analysis of Implementation of Margins with Flat Installments in Murabahah Financing on Products iB PMG Motor Vehicles in the Bank of Sumut Sharia KCP HM Yamin

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ABSTRACT

This study aims to determine the mechanism for implementing margins with flat installments in murabahah contracts and the factors that influence them on motor vehicles ib PMG products at Bank Sumut Syariah KCP HM Yamin. This study uses a descriptive qualitative approach with primary and secondary data sources. This study used data collection techniques by interviewing. The results of the research are that the mechanism for implementing margins on flat installments on murabahah contracts for iB PMG Motorized Vehicle products at Bank Sumut Syariah begins with the analysis of the treasure division by considering various costs and all that affect the financial value of Bank Sumut Syariah which is then discussed together with the DPS of the Bank. Sumut Syariah will then be presented at a joint meeting with Bank Sumut Syariah officials to agree on the provisions that have been analyzed and proposed by the treasure division. The size of Bank Sumut Syariah's margin is influenced by cost factors related to Overhead Costs, Profit Sharing of Third Party Funds (DPK), and Volume of Murabahah Financing. This study aims to determine the mechanism for implementing margins with flat installments in murabahah contracts and the factors that influence them on motor vehicles ib PMG products at Bank Sumut Syariah KCP HM Yamin. This study uses a descriptive qualitative approach with primary and secondary data sources. This study used data collection techniques by interviewing.

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INTRODUCTION

In human life, every need must be fulfilled with the encouragement of nature that cannot be avoided by humans. Efforts to fulfill every need of human life require the support of others. Therefore, there is interaction and division in realizing the field of business in society. Interaction between humans includes exchanges with each other. In Islamic banking, there is a term better known as revenue sharing/profit sharing or profit sharing. All participating products can apply Profit sharing, partial or other forms of company. Profit-sharing platforms act as partners for customers and entrepreneurs who borrow money (Ismail, 2013). DSN (National Sharia Council) has a fatwa that profit-sharing rules are the main basis for Islamic banking operations.

The H.M.Yamin Medan North Sumatra KCP Sharia Bank office has a funding service. Judging from the loan services offered by the Head of the Sharia Office of Bank Sumut H.M.Yamin Medan, Murabaha loans are one of these loan services. Murabahah financing is offered to customers who require buying and selling services using a Murabahah contract. Bank Sumut Syariah offers one product for funding, namely the iB PMG Motorized Vehicle financing product which is a funding facility aimed at meeting consumer needs that do not violate Sharia rules and applicable laws (North Sumatra, 2022).

This Murabahah service is a financial product in which the position of the bank acts as an intermediary between the customer and the developer (supplier), buys the product the customer wants from the supplier, and resells the product to the customer at the basic price plus a profit margin. Bank profits according to the contract between the customer and the bank before the sale and purchase transaction is carried out, depending on the agreement between the bank and the customer. This iB PMG Motorized Vehicle financing product is listed in a contract or agreement signed by the bank and the customer and before implementation the customer is presented with an installment table in which installments are stated the length of the installment, margin, and flat. And the amount of margin and flat has been determined by the bank, the margin is calculated against the initial debt, so that from the beginning to the end of the monthly or annual installments/installments period it will be the same. However, people are more familiar with the interest system at banks compared to the profit-sharing system at Islamic banks so there are still many people who think that Islamic banks are still the same as conventional banks. Even though these two things are very different, credit focuses more on the system like debt while financing is more in the form of cooperation between parties involved in business activities. Economic and Sharia aspects must be fulfilled by Islamic banks in carrying out funding. That is, Islamic banks must comply with Islamic law (among other things, their business fields must be lawful, without elements of maysir, gharar, or usury) when providing loans to their customers.

In its implementation, the murabahah contract is the most dominant contract used by Islamic banks compared to other financing contracts with the murabahah scheme of Islamic banks meeting customer needs in terms of procurement of goods. From the distribution of these funds, the bank obtains income in the form of a margin, which is the level of profit expected by Islamic banks expressed in the form of a certain percentage. However, in practice, there is a public perception that the Murabaha margin is said to be the same as determining the lending rate in conventional banks. There are still many people's perceptions that the margins determined by Islamic banks to customers are relatively expensive or can be said to be still high. This forms a social paradigm that is very unfavorable for the bank because it can damage the image of Islamic banking, even though in Islamic banking the margin is calculated based on the components or elements used in the determination different from conventional banks. There are still many people who do not fully understand the mechanism for setting margins so many people assume that practices in Islamic financial institutions are no different from conventional financial institutions which are already well known to the wider community.

RESEARCH METHOD

This study uses a descriptive qualitative method by illustrating facts through the results of interviews. This study interprets and analyzes data related to current conditions, attitudes, and views that emerge in society, the relationship between emerging variables, and their impact on the country. The characteristics of qualitative research usually tend to use inductive methods in analyzing conditions that occur in natural settings and the data obtained is qualitative (Tarigan, 2015).

This research focuses on the current phenomenon, namely on the analysis of the implementation of margins with flat installments in murabahah financing for motor vehicle Ib PMG products at Bank Sumut Syariah KCP HM Yamin. The research subjects were employees of Bank Sumut Syariah KCP HM Yamin who mastered his field, namely the bank's operations. The source of data used in this research is primary data, namely data collected directly from respondents obtained from interviews with Bank Sumut Syariah KCP HM Yamin as well as secondary data obtained from literature studies sourced from books, journals, and articles related to research.

The data collection technique used in this study was by interviewing informants related to the employees of Bank Sumut Syariah KCP HM. While the type of focused interview is an interview where respondents are interviewed, as well as literature obtained from books or journals related to the discussion.

Data analysis techniques, namely activities to study phenomena based on real data, find real situations to solve problems, and draw valid scientific conclusions (Susiadi, 2014). The analysis technique starts with collecting and analyzing data, data reduction, data presentation, and finally with verification/conclusion.

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RESULTS AND DISCUSSION

Mechanism of Margin Implementation with Flat Installments in the Murabahah Financing Agreement for Motorized Vehicle iB PMG Products at Bank Sumut Syariah KCP HM Yamin

In general, the determination of profit margins for Murabahah Bank Sumut Syariah refers to the margin standards set by the Asset and Liability Management Committee (ALCO) and the directors of each affected bank at the meeting. This policy implemented by Bank Sumut Syariah is due to the absence of standard rules regarding the mechanism for determining Murabaha profit margins for Islamic banks. ALCO is a banking institution whose job is to maximize profit, minimize risk and ensure adequate liquidity. The board of directors and several heads of departments are responsible for managing, strategizing, and compiling the bank's portfolio to maximize profits and maintain soundness. The results of the research on the mechanism for setting margins that the author asked the employees of Bank Sumut Syariah KCP HM Yamin:

"The determination of this profit margin originated from references given by the ALCO committee and the treasure division which had discussed in advance with the Sharia Supervisory Board (DPS). The ALCO committee consists of several boards of directors of the Sumut Syariah Bank and the treasure division assisted by DPS. From the meeting held by the ALCO Committee and several divisions at the Sumut Syariah Bank, the treasure division calculates payments in flat and annuity forms (effective), but even though the bank issues a flat margin product the bank must also convert customers who use the flat margin option to the effective margin for makes it easier for banks to calculate profits earned per month."

To determine the selling price of Murabaha financing products, banks must set a certain margin level. The setting of the margin rate is influenced by the interest rate on Indonesian bank certificates or the BI rate as a reference for the margin level. The BI rate is determined based on the meeting of the Board of Directors of Bank Indonesia. The margin level is determined based on the ALCO meeting, namely the Asset Liability Management Committee meeting. The procedure for determining the margin follows the theory (Karim, 2010). In theory, the margin level is determined by the bank based on recommendations, suggestions, and proposals from ALCO team meetings. The mechanism for determining Margin Murabaha can be explained as follows:

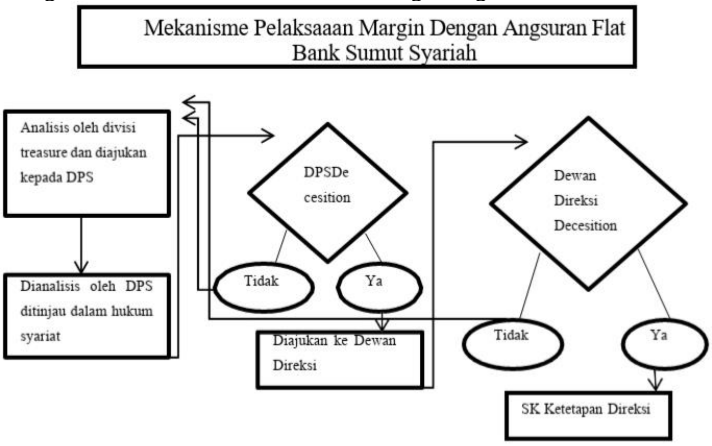

Table 1.1. Margin Execution Mechanism

Talking about public knowledge about Islamic banking, it turns out that the community does not yet know or understand Islamic bank margins so they assume that there is no difference between Islamic banks and conventional banks. "This margin-setting activity is often not known by customers who will carry out the Motorized Vehicle iB PMG contract at the North Sumatra Syariah bank, on average the customers only know the amount of the price to be paid without knowing the amount of the profit margin obtained by the Sumut Syariah bank, this is of course it is not contrary to religious law because in essence the sale and purchase of an item does not have to mention the profit earned by the seller, but the seller only needs to mention the selling price of the item offered to the buyer clearly and agreed upon by both parties. Likewise with Bank Sumut Sharia, because in essence what is sold by the Sumut Syariah bank is the selling price of an item not the selling price of money" (Harsono, 2022).

Based on the results of interviews with researchers with employees of the North Sumatra Sharia KCP Bank HM Yamin, Mr. (Ading, 2022) stated that "At Bank North Sumatra Sharia Murabaha financing, the installments are flat with fixed margins until repayment. So, Murabaha financing at Bank Sumut Syariah from start to finish has not changed and is not affected by interest rates.

Setting margins that refer to interest rates is a step that is not justified and is not by Sharia principles. In practice, Islamic banks set high margin levels to anticipate rising market interest rates so that Islamic banks do not experience losses when market interest rates rise. If market interest rates decline, the level of murabahah margins for Islamic banks will remain high, even higher than conventional banks. This is related to the murabahah financing system and is different from the interest rate system found in conventional bank lending systems. If the conventional interest rate system can fluctuate depending on the market, interest rates, and economic conditions, then in Islamic banks the margin specified at the beginning of the loan contract may not change even if market interest rates increase and are valid until the end of repayment of the customer's debt to the bank. The price agreed upon at the beginning of the contract must be fixed, as well as the ownership remains with the seller until the delivery of the goods is carried out (El-Diwany, 2005). High margins in Islamic banks are meant to anticipate rising interest rates in the market. This prevents Islamic banks from experiencing losses when interest rates rise sharply. However, if market interest rates remain stable or decrease, Islamic banking margins are higher than conventional bank interest rates (Veithzal, 2010).

Factors Affecting the Implementation of Margins with Flat Installments in the Murabahah Financing Agreement for Motorized Vehicle iB PMG Products at Bank Sumut Syariah KCP HM Yamin

Islamic bank margin is one way for Islamic banks to gain profits in doing business with additional capital received from third parties and share the results with investors. The level of margin is greatly influenced by several factors previously analyzed by the treasure division. Based on the results of interviews with researchers about the factors that influence the determination of margins, the writer asked the employees of Bank Sumut Syariah KCP HM Yamin: "In determining the murabahah margin, there are several influencing factors, namely overhead costs, third party funds, and financing volume. Overhead costs are operational costs that must be borne by the bank in carrying out each of its activities, such as general and administrative costs, employee salary costs, maintenance costs, and other costs. Furthermore, third-party funds (DPK) are profit-sharing ratios from funds deposited with the bank in the form of savings, time deposits, and demand deposits. Then the volume of financing, where the size of the desired profit level (profit target) is one of the bank's references in determining the size of the Murabaha profit margin. (Ading, 2022).

a. Overhead Costs

Each bank sets a different percentage of overhead costs because it depends on the policies of each bank in determining overhead costs. The level or level of a bank depends on the efficiency and ability of each bank in controlling the use of costs to manage its productive assets. Several studies conducted in Indonesia using objects in the form of Islamic banks found that overhead costs have an impact on Murabaha margin income, as was the case in research (Isnaliana, 2015) and (Dewi, 2011) it is said that overhead costs affect Murabaha margin income. (Karim, 2010) and stated that overhead can be used as a reference in determining Murabaha profit margins. This is also supported by a statement in his book (Muhammad, 2004) that overhead costs can affect margins. As the direct costs associated with the purchase of consumer goods. (Triana, 2019) says overhead costs have a positive impact on margin income from Murabaha. The author argues that in practice Islamic commercial banks and Islamic entities try to cover bank operating costs, including overhead costs such as employee salaries, depreciation, compensation, amortization, and so on.

b. Profit Sharing of Third Party Funds (DPK)

With more third-party funds, banks will be able to raise more funds, which will allow banks to earn higher profits than before. Most of the funding and income of Islamic banks come from Murabaha contracts, the development of third-party funds will also increase Murabaha income. Islamic commercial banks and Islamic units consider the costs of demand deposits and savings bonuses, especially for the results of deposits, in determining murabahah margin income (Antonio, 2001) states that the profit sharing of DPK will be calculated. The greater the percentage of profits issued to pay off debt, the greater the profit margin that can be achieved. In this study, the results of the research show that the profit sharing of DPK affects the margin income of the Murabahah. This is also supported by research (Rahma, 2016) which shows that profit sharing financed by third parties has a significant positive effect on murabahah profit margins.

c. Financing Volume

This large amount of funds allows banks to offer low margins to their customers to bring these products to the masses, allowing banks to grow their customer base and increase bank revenue and profits from Murabaha funding. The amount of Murabaha loans has a significant and positive effect on murabahah margin income. The amount of murabahah financing is not only influential but also a factor that dominates the acquisition of murabahah margins. This is based on the distribution of funds in the form of murabahah financing that generates Murabaha profits or income (Yusuf, et al. 2013). A study conducted by (Setyaji, 2018) also shows that the loan amount has a significant positive impact on murabahah profit margins. The increased volume of Murabaha funding has enabled banks to reduce their Murabahah margin levels to increase public interest. This is also by research conducted (Nihayati, 2015) which says the amount of funding has a significant

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positive effect on murabahah profit margins. The higher the financing amount, the higher the profit margin of Murabahah.

CONCLUSION

1. The mechanism for applying a flat margin for the Murabahah contract for PMG iB Motorized Vehicle products at Bank Sumut Syariah begins with an analysis of financial allocations, taking into account various costs and all that affect the financial value of Bank Sumut Syariah, discussed together with the DPS of Bank Sumut Syariah. After that, the DPS of Sumut Syariah approved the provisions presented in a meeting with Bank Sumut Syariah officials and analyzed and presented by the treasure division.
2. Factors that affect the size of the margin of Bank Sumut Syariah: Overhead Costs, Overhead includes employee costs, general and administrative costs, depreciation of fixed assets, electricity and water bills, office equipment costs, and other costs related to banking operations. Second, Third Party Funds (DPK), which is part of the profit sharing provided by banks to depositors from the results of operating third-party funds, the amount of which is very dependent on the level of bank profits, such as savings, time deposits, and demand deposits. Third, the volume of Murabaha, depending on the financing ceiling, Volume of Murabaha Financing is part of the agreement determined by the bank for a Murabahah Contract, so an increase in the Volume of Financing provided by Islamic banks can affect the margin received from the bank.

Suggestion

Based on the results of this study, the following suggestions can be conveyed:

1. Make calculations that are relatively lower than traditional banks, calculations that are not related to interest rates, and avoid public perceptions of Islamic banks in general.
2. Suggestions to researchers are that margins with flat installments are not only used for motorized vehicle products, but can also be applied to financing home ownership, shop houses, and office houses.

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