

Comparison of Risk and Return on Trading and Profit Sharing Based Financing Contract in Indonesian Islamic Bank

Authors : Fatin Fadhilah Hasib, Puji Sucia Sukmaningrum, Imron Mawardi, Achsanah Hendratmi

Abstract : Murabaha is the most popular contract by the Islamic banks in Indonesia, since there is opinion stating that the risk level of mudharaba and musyaraka are higher and the return is uncertain. This research aims to analyze the difference of return, risk, and variation coefficient between profit sharing-based and trading-based financing in Islamic bank. This research uses quantitative approach using Wilcoxon signed rank test with data sampled from 13 Indonesian Islamic banks, collected from their quarterly financial reports from 2011 to 2015. The result shows the significant difference in return, while risk and variation coefficient are almost same. From the analysis, it can be concluded that profit sharing-based financing is less desirable not because of its risk. Trading-based financing is more desirable than the profit sharing because of its return.

Keywords : financing, Islamic bank, return, risk

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