

Analysis of the Effect of Mortgage Income, Gold Price and Inflation Rate on Rahn Financial Distribution With Return on Assets as Intervening Variable

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Abstract— The this research purpose was to identify the effect of Mortgage Income, gold price, and inflation rate on Rahn financial distribution and the indirect effect with ROA as intervening variable on Sharia Mortgage in Indonesia for 2014-2016 period. This study was designed as quantitative research. The samples were 36 monthly statement of Sharia Mortgages in Indonesia for 2014-2016 period. Analysis method used was path analysis. The research result suggests that partially Mortgage's income and gold prices have a positive and significant effect on ROA, while inflation rates have a negative and significant effect on ROA. Mortgage Income, gold price and ROA have a positive and significant effect on Rahn financial distribution, but the inflation rate has a negative and insignificant effect on Rahn financial distribution. In addition, mortgage income, gold price, and inflation rate have an effect on Rahn financial distribution through ROA as intervening variable.

Keywords— *Mortgage Income, Gold Price, Inflation Rate, ROA, Financial Distribution.*

I. INTRODUCTION

Sharia Mortgage becomes part of financial system as an order in economy of a country with a main role mainly to provide services in financial sector. Sharia Mortgages were part of non-banking financial institutions that were not allowed to collect deposits funds directly from public. These were only authorized to provide loans to public or customers [1].

Determination of mortgage loans will be affected by internal and external conditions [2] [3]. The internal factors were how the company can manage the company assets, 5C factors (character, capacity, capital, collateral, and condition of economy) of credit management, and mortgage income. The external factors were the economic conditions such as inflation rates and level of gold prices [4].

Islamic Mortgages as financial intermediary institutions were expected to show better performance than interest-based Mortgages. One indicator to assess the performance of financial institutions was the level of profitability and [5]. The profitability was measured by Return on Assets (ROA). ROA focuses on company's ability to get earnings in company's operations. Greater ROA shows better financial performance. The previous research about the effect of each variable and used multiple regression analysis in research method, while this study uses path analysis [2] [6] [7]. The

this study purpose was to determine the effect of Mortgage income, gold prices and inflation rate directly on Rahn financial distribution and its indirect effect through the variable return on assets (ROA) as an intervening variable.

Income was an increase or decrease in assets during a certain period obtained from a halal (kosher) investment, trade, services or other activities with a purpose to get profit [8]. The gold price was affected by law of demand and supply. Like other items, more demand for gold will increase the price. Lower demand for gold will decrease the gold price. While the offer applies to law, smaller offer can increase the price. The greater gold supply can decrease the price [9]. Inflation was a condition where the goods prices generally increase for a long time continuously. The price value has increased from previous times and applies everywhere and in a long time span [9].

Return on assets (ROA) or often translated into Indonesia language as an economic profitability was the company ability to use all of its activities to generate profit after tax. This ratio was important for management to evaluate the effectiveness and efficiency of company management to manage all company activities. Greater ROA means more efficient company activities, or in other words the same amount of activity can create greater profits, and vice versa, as shown in formulation below [10].

$$ROA = \frac{\text{Earning after taxes}}{\text{Total assets}}$$

Financing was funding provided by a party to another party to support the planned investment, either alone or institution. In other words, financing was the funding spent to support planned investments [11]. The financing was not separated from internal and external factors. The financing was strongly affected by these two factors [12]. The internal factors are bank fees, operation costs, and other internal conditions. The external factors include national income, money supply, inflation, foreign exchange rates, and others.

II. METHODOLOGY

This was a quantitative research based on positivism philosophy to examine a particular population or sample. The sampling technique was generally random, data was collected by research instruments. Quantitative / statistical analysis was used to test the hypothesis [13]. This study

population were all Mortgages financial reports in Indonesia for 2014-2016 period. The samples are 36 monthly financial statements of Mortgage Sharia in Indonesia for 2014-2016 period. Data is analyzed by path analysis method.

III. RESULT AND DISCUSSION

The research results were shown in figure 1 below.

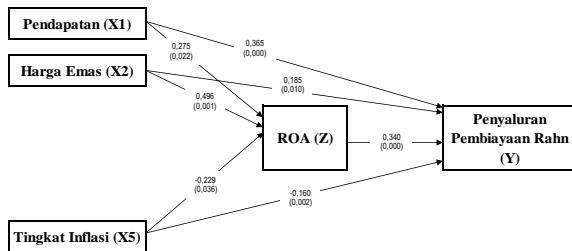


Figure 1. The Model of Path Analysis Results

A. The Effect of Mortgage Income, Gold Prices and Inflation Levels on ROA

The effect of mortgage income, gold prices and inflation levels on ROA were shown in table 1 below.

Table 1. The Effect of X₁, X₂, X₃ on Z

Independent Variables	Standardized Coefficient Beta	T	Sign
Constanta	-6.313	-5.710	0.000
Mortgage Income (X ₁)	0.275	2.402	0.022
Gold Price (X ₂)	0.496	3.720	0.001
Inflation Rate (X ₃)	-0.229	-2.191	0.036
Dependent Variable = Return On Asset R = 0.941 R Square (R²) = 0. 885 Se = 1.106 F count = 82.486 Sig. F = 0.000			

Source: Data processed (2018)

The Mortgage income variable has a significant and positive effect on ROA. The higher mortgage income of Sharia Mortgage will increase the ROA. This means that greater company's income will enlarge the profitability of company because the company with large income shows the low small expenditure. This result was consistent with previous studies that income has a positive effect on profitability (ROA) [14].

Gold prices have a significant and positive effect on ROA. Higher the gold price at Sharia Mortgage will increase the ROA. This study result was consistent with logic that gold price affect to increase the profitability of Sharia Mortgages because the gold price was a major factor to assess the mortgage goods to get funding.

The inflation rate has a negative and significant effect on ROA. This was because the Mortgage customers were middle to low class society. They do not see the inflation change.

B. Effect of Mortgage Income, Gold Prices, Inflation Levels and ROA on Rahn financial distribution

The effect of mortgage income, gold prices and inflation levels and ROA on Rahn financial distribution were shown in table 2 below.

Table 2. The Effect of X₁, X₂, X₃ and Z on Y

Independent Variables	Standardized Coefficient Beta	T	Sign
Constanta	7.491	12.580	0.000
Mortgage Income (X ₁)	0.365	6.927	.000
Gold Price (X ₂)	0.185	2.741	.010
Inflation Rate (X ₃)	-0.160	-3.373	.002
Return on Asset (Z)	0.340	4.542	.000
Dependent Variable= Rahn Financial Distribution R = 0.990 R Square (R²) = 0.980 Se = 0.595 F count = 382,355 Sig. F = 0.000			

Source: Data processed, (2018)

The mortgage income variable has a significant and positive effect on Rahn financial distribution. It means that more mortgage income will enlarge the amount of Rahn financial distribution. The gold price has a significant and positive effect on Rahn financial distribution. It means that gold prices change can affect the Rahn financial distribution. This supports the previous research that gold price have a positive and significant effect on Rahn financial distribution [15] [2].

The inflation rate has a negative and significant effect on Rahn financial distribution. Inflation was an external economic factor of company. Higher inflation will decrease the lending because the users of PT Mortgage credit comes from middle and low class who need fast funds [2]. The loans were generally used for sudden purposes.

ROA has a significant and positive effect on Rahn financial distribution. This was consistent with theory that higher level of company profitability reflected in ROA ratio will increase the funding distribution. This supports the earlier research that variable ROA has a significant effect on financing [7].

C. The Effect of Mortgage Income, Gold Prices, and Inflation Rate on Rahn Financial Distribution Through ROA

Figure 1 shows that mortgage income has an indirect and positive effect on Rahn financial distribution through ROA. ROA can mediate the effect of mortgage income on Rahn financial distribution. It means that ROA can strengthen the relationship between mortgage income and Rahn financial distribution. It can be concluded that higher the ROA of Sharia Mortgages will affect the mortgage income relationship to Rahn financial distribution. Gold prices have an indirect and positive effect on Rahn financial distribution through ROA. The ROA can mediate

the effect of gold prices on Rahn financial distribution. It means that ROA can strengthen the relationship between the gold price and Rahn financial distribution. It can be concluded that higher the ROA of sharia Mortgage will affect the relationship of gold prices to Rahn financial distribution.

The inflation rate has an indirect and negative effect on Rahn financial distribution through ROA. The ROA can mediate the effect of inflation rate on Rahn financial distribution. It means that ROA can strengthen the relationship between the inflation rate and Rahn financial distribution. It can be concluded that higher the ROA of Sharia Mortgage will affect the relationship of inflation rate to Rahn financial distribution

IV. CONCLUSION

The mortgage income and gold prices have a significant and positive effect on return on assets (ROA) while the inflation rate has a significant and negative effect on return on assets (ROA). Mortgage income, gold prices and return on assets (ROA) have a significant and positive effect on Rahn financial distribution while the inflation rate has a significant and negative effect on Rahn financial distribution. The mortgage income and gold prices have a significant and positive effect on Rahn financial distribution through return on assets (ROA) while the inflation rate has a significant and negative effect on Rahn financial distribution through return on assets (ROA).

The Sharia Mortgages in Indonesia should pay attention to mortgage income, gold prices and inflation rates in Rahn financing distribute because these variables can affect the Rahn financial distribution of Sharia Mortgages in Indonesia for 2014-2016 period. The future researchers should extend the period of research and other variables that might affect the Rahn financial distribution such as number of customers, money supply and others to produce more accurate research.

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