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Case Study at Bank Panin Dubai Syariah: The Effects of Inflation, BI Rate, and Margin Rate on the Growth of Mudharabah Deposits

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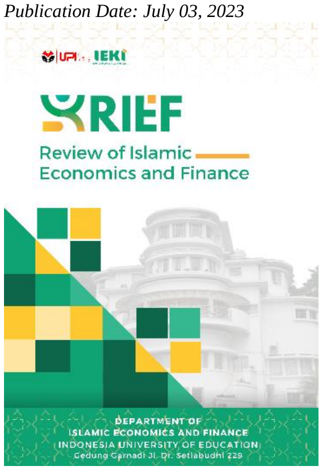

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Abstract

Purpose *– This study examines how the inflation, BI rate, and margin rate affect the short- and long-term growth of mudharabah deposits at Panin Dubai Syariah Bank.*

Methodology *- The analysis method used was the Error Correlation Model (ECM), utilizing monthly data from the to 2019-2022 periods. Data were acquired from the BPS and the financial reports published by OJK.*

Findings *– Inflation (X1), BI Rate (X2), and margin rate (X3) were found to have a significant positive long-term effect on the growth of mudharabah deposits at Bank Panin Dubai Syariah. Meanwhile, the three had no effect on mudharabah deposit levels in the short term, either partially or simultaneously. The results of this study show that the performance of Panin Dubai Syariah Bank as a finance institution in collecting public funds is stable in the short-term depending on the variables studied. However, banks are experiencing instability in the long term.*

Keywords: *Islamic bank, margin, Inflation, Interest rate.*

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1. INTRODUCTION

According to Pefindo (an Indonesian rating agency), PT Panin Dubai Syariah Bank is a bank with steady prospects. In 2021, the bank reported a net loss of IDR 818.11 billion. The net profit of PT Panin Dubai Syariah Bank Tbk. (PNBS), however, increased significantly in the first quarter of 2022. It was noted that Bank Panin Dubai Syariah's net profit increased to IDR 35.74 billion, or 1,605.06% (yoy), from the preceding IDR 2.1 billion. In 2021, Panin Dubai Syariah Bank recorded a total third-party fund of IDR 8.66 trillion, a rise of 10.50%, with the largest composition of DPK supported by *mudharabah* deposits, and a liquidity level of 81.15% and profitability of 6.81%. According to Bank Indonesia criteria, Panin Dubai Syariah Bank is seen as being quite healthy and stable based on the data presented in Table 1.

Table 1. Composition of Third-Party Funds (DPK) at Panin Dubai Syariah Bank Tbk.

Third Party Fund	**2019**	**2020**	**2021**
Giro	0,21	1,03	1,25
Saving	0,46	0,55	0,71
Deposit	8,05	6,17	6,70
Total	**8,7**	**7,75**	**8,66**

Source: OJK (in trillion rupiah)

With a proportion of 92.3%, *mudharabah* deposits at Panin Dubai Syariah Bank were the largest donors, followed by savings and current account products. Research on the expansion of *mudharabah* deposits at Bank Panin Dubai Syariah, as seen from its role as a fundraising institution, is based on this. (Warjiyo, 2017) claims that a number of variables, including macro variables like inflation and interest rates, can have an impact on the growth rate of banking deposits both traditionally and sharia. As an Islamic bank, Panin Dubai Syariah Bank is responsible with raising money for the general public, much like in banking generally. Activities related to money or fundraising are frequent names for this task. Islamic banks generally accept money from the public in the form of demand deposits, savings accounts, and good time deposits from individual clients, much like conventional banks do. When it comes to third party funds (DPK), institutions like Islamic banking may experience issues as a result of rising inflation. The quantity of *mudharabah* deposits and the margin rate are subject to uncertainties due to high inflation (Ningsih & Ambarsari, 2020). Further research and analysis are therefore required to determine how inflation influences the increase of *mudharabah* deposits at Panin Dubai Syariah Bank based on this one case situation.

Islamic banks often do not apply the idea of interest to each of their transactions, instead focusing on the outcomes or ratios specified in the transaction contract. However, in reality, Islamic banks continue to use the BI Rate as an auxiliary benchmark for calculating ratios or margin (Sudarwanto, 2013). Additionally, the margin percentage will be modified in accordance with the transaction contract that is being used. The reference interest rate (BI Rate) can have an impact on sharia banking investment products such *mudharabah* deposits, which are used as a benchmark for determining margin margins. The objective is to continue to conduct business with conventional and sharia banking organizations while maintaining a competitive edge. This is predicated on the fact that Islamic banks face interest rate risk, particularly given the significantly higher interest rates offered by conventional banks. Banks will be subject to displacement risk, which is the possibility that consumers could relocate their money if real margin rates are lower than standard bank interest rates (Darwis, 2017).

The margin rate, in addition to inflation and the BI Rate, affects the growth rate of *mudharabah* deposits in Islamic banks (Nurhidayah & Amaliyah, 2021). Margin, according to (Hery, 2021) is the distribution of business outcomes made by the parties carrying out the agreement, namely between mudharib as fund managers, or Sharia Banks, and shahibul maal parties (investors or clients). Prospective clients or investors want to share profits in order to make money. The inflation rate and reference interest rate set by Bank Indonesia have an impact on the margin ratio determined by Islamic banking (Rahmatika & Widiatmoko, 2022).

The urge of this research is that Bank Panin Dubai Syariah was claimed to be an Islamic bank that has stable prospects according to Pefindo, but its profitability is not stable, especially during the 2019-2022 time period. Another reason is that Panin Dubai Syaria Bank still has a smaller reach compared to other Islamic banks (Annisa, 2020). One of the instruments used to examine is the Mudharabah Deposit, the largest compotition of the DPK at Bank Panin Dubai Syariah. The urgency is that when the growth of deposits is known with inflation, BI Rate, and margin rate instruments, it can be an option for the public to put their funds in Bank Panin Dubai Syariah, and for Bank Panin Dubai Syariah, by knowing the growth of deposits through relevant and dynamic macro variables, such as inflation and BI rate, to develop a better fundraising strategy.

2. LITERATURE REVIEW

A bank is a type of financial institution that serves as an intermediary, transferring money from parties with extra cash to others that need it. In order to conduct its business operations during these intermediation activities, the Bank needs to be able to collect money from the general public. A support for Third Party Funds (DPK), which are separated into certain posts to create money for the bank, is fundraising, also known as funding. Unlike conventional banks, sharia commercial banks in Indonesia apply the contract principle in all of their activities, which gives them a different operating flow (Andhari et al., 2022). Wadiah (deposit) contracts and *mudharabah* contracts are the types of contracts utilized for this fundraising effort. A *mudharabah* contract is an arrangement in which two or more parties with capital (shahibul maal) work together with the managing party (mudharib) and share profits (see: https://ojk.go.id/id/kanal/syariah/tentang-syariah/pages/konsep-operasional-PBS.aspx).
Mudharabah deposits are the largest DPK supporting product at Bank Panin Dubai Syariah; in 2021, when Panin Dubai Syariah Bank suffered a loss, *mudharabah* deposits continued to be the largest DPK supporting product in comparison to others, such as current accounts and savings; and in the first quarter of 2022, when the bank recorded an increase in net profit after suffering losses, deposit products still achieved the highest value compared to other financial instruments. Based on this, it is possible to gauge how the general public feels about Panin Dubai Syariah Bank as a fundraising organization. Inflation, the BI Rate, and profit-share rates are a few of the macroeconomic and internal aspects that may be seen from the volume of *mudharabah* deposits in each time period (Rahma, 2018).

2.1 *Mudharabah* Deposito

According to fiqh, *mudharabah* is described as a trip for business purposes. It signifies the capital manager (mudharib) accepts the capital owner's (shahibul maal) capital as payment

(Afifah et al., 2013). A *mudharabah* contract is, technically speaking, an agreement between the customer, who serves as the shahibul maal, and the bank, who serves as the mudharib, or vice versa, to conduct a successful and legal business. According to the predetermined ratio, the gains from their utilization are divided (Muhamad, 2018). Deposits made under a *mudharabah* contract are known as *mudharabah* deposits, in which the depositor (shahibul maal) entrusts the bank (mudharib) with the management of his money in exchange for a predetermined margin ratio. The characteristics of Islamic banking are quite similar to those of the real-world economy, and theoretically, changes in the state of the national economy will have a significant impact on how Islamic banking develops. Changes in macro factors including inflation, deposit interest rates, and margin on deposits could have an effect (see: https://www.djkn.kemenkeu.go.id/kpknl-banjarmasin/baca-artikel/14769/Pemulihan-Perekonomian-Indonesia-Setelah-Kontraksi-Akibat-Pandemi-Covid-19.html). *Mudharabah* deposits, also known as *mudharabah* investment deposits, are a type of investment made through third parties (people or legal entities), where withdrawals are only allowed within a specific timeframe, typically with a monthly or annual tenor. For the usage of the money in a specific ratio (ratio or proportion), this incentive is delivered in the form of margin in accordance with sharia rules (Iskandar & Firdaus, 2014).

2.2 Factors Affecting the Development of *Mudharabah* Deposits

The most popular financing option among Panin Dubai Syariah Bank customers is *mudharabah* deposits. Due to the public's decreased interest in investing their money in Bank Panin Dubai Syariah, the increase of *mudharabah* deposits has fluctuated and been unstable over the past two years, specifically in 2020–2021, when the economy tends to be unpredictable as a result of COVID–19. This suggests that current economic trends may potentially have an impact on a bank's capacity to raise capital. The inflation rate is the best indicator of how COVID-19 has affected the economy. In addition, BPS had the biggest inflation spike since the COVID-19 pandemic in 2022. Banks use inflation as a benchmark when setting interest rates since it can be utilized as a tool for monetary policy. The bank will change interest rates in response to growing inflation to slow its pace. Additionally, Islamic banks made changes to margin rates based on margins drawn from the BI interest rate (BI Rate) after this. The objective is to maintain competition with traditional banks and draw clients who will deposit money in the bank. The following factors were looked at in order to determine their impact on the rise in *mudharabah* deposits at Panin Dubai Syariah Bank between 2019 and 2022:

2.3 Inflation

Murni (2013) defines inflation as an increase in the general level of prices. The level of demand rises along with the price of commodities, which raises the amount of money in circulation and causes fluctuations in the value of the currency, which causes it to depreciate. A macroeconomic tool called inflation directly affects banks' ability to raise capital. Because of the declining worth of money, people have a tendency to withdraw their money when inflation is high (Chapra, 2000). Banks will thereby collect less money from the government. Numerous studies on the variables influencing *mudharabah* formations have produced contradictory findings. According to research by (Umuri et al., 2019), inflation fosters the expansion of *mudharabah* reserves. The study (Ningsih & Ambarsari, 2020) on the impact of inflation and margin on *mudharabah* deposits also reveals that these factors have a favorable impact on these deposits (Tumewang et al., 2019).

2.4 BI Rate

Islamic banks only utilize the margin of the reference interest rate to establish the level of margin for customers; the level of margin for consumers is afterwards mutually agreed upon through a contract, keeping it in compliance with sharia principles. This idea is undoubtedly distinct from the use of interest. This is the reason for the study gap, according to which the BI Rate as an investment product of Islamic banking has no impact on the amount of deposit savings (Maryati, 2015). With a 92.3% composition, *mudharabah* deposits are the main source of third-party funds (DPK) at Bank Panin Dubai Syariah. the utilization of funds obtained from consumers requires every DPK collected by a bank to pay fees or interest rates in conventional terms. In order to avoid errors when calculating how much of the cost of funds must be paid by the bank, bank management must also be able to track the movement of the expenses of the funds gathered (Rivai et al., 2007). Accordingly, if DPK increases, the cost of funds will also increase in accordance with the tenets of the cost of funds theory, which has a linear relationship with the collection of TPF. Because fundraising efforts essentially do not clash with sharia principles itself, this idea is applied to both conventional banking and sharia banking. The fisher effect idea predicts that as inflation rises, interest rates will follow suit. In Indonesia, the monetary authority will implement contractionary monetary policies in response to rising inflation rates by raising the SBI interest rate or the BI Rate (Warjiyo, 2017). The Bank Indonesia, the country's central bank, established the BI Rate as a benchmark for monetary policy choices. The basic objective of monetary policy, according to (Rivai et al., 2007) in his book, is to maintain a low and steady inflation rate. Establishing the benchmark interest rate is one strategy. Interest rates are typically employed as a motivator to encourage individuals to deposit their money in banks. Margin is used by Islamic banks instead of the interest principle in their daily operations. By subtracting the margin from the reference interest rate, Islamic banks calculate the margin ratio using the BI Rate as a reference. The objective is to continue to be competitive with traditional banking firms. Later, the investor (*Shahibul maal*) and the capital manager/bank (mudharib) will also agree upon the decided margin within the transaction contract. The BI Rate has an impact on the volume of *mudharabah* transactions, according to (Umuri et al., 2019). Muazaroh & Septiarini's research discovered that the BI Rate has a mixed impact on *mudharabah* deposits. This is consistent with the fact that Islamic banks continue to determine margins and margin ratios using the BI Rate as a benchmark (Dewi & Sudarsono, 2021).

2.5 Margin Rate

It is well known that Islamic banks operate under the same margin system or premise. Islam places a high value on margin since it is supported by the Quran, specifically verse 29 of Surah An-Nisa, hadiths from Abu Hurairah and Ibn Abbas regarding the giving of money in *mudharabah*, and the Ijma 'ulama. Margin is a collaboration between two or more persons to carry out a joint business that was agreed upon at the initial agreement (contract), according to law. The *mudharabah* contract, which is the basis of the commercial cooperation between *Shahibul Maal* and *Mudharib*, is the production sharing agreement that is most frequently employed. In the banking sector, *mudharib*, or the bank, manages capital, while *shahibul maal*, or owners of capital, are consumers. Depending on the type of contract being executed, the margin in each Sharia banking product transaction has a variable percentage. In line with sharia principles relating to the distribution of company outcomes must be set from the beginning of the agreement (contract), margin is a feature of Islamic banks that has been made public (Subakti &

Jannah, 2022). According to a mutual agreement, the amount of margin between the two parties is decided, and each party must be willing (*An-Tarodhin*) without any form of force (Muazaroh & Septiarini, 2021). The major point of reference for clients who will put their money into Islamic banks in order to make money is margin.

2.6 Research Framework

Figure 1 illustrates the research framework.

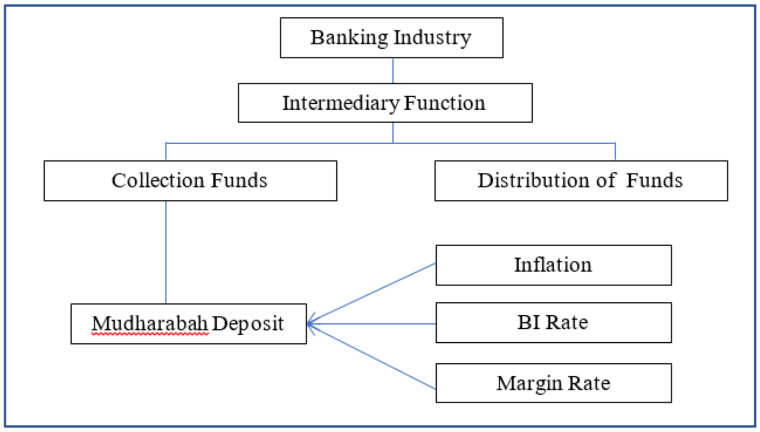

Figure 1. Framework

2.7 Hypothesis

On the basis of the phenomena, problems, and theories gleaned from previous research or a review of the literature, it is possible to formulate a hypothesis that is believed to influence the development of *mudharabah* deposits at Bank Panin Dubai Syariah. The argument in the hypothesis is bolstered by prior research and book-based statements. This hypothesis will be used to conclude the study by providing an explanation of the empirically testable variables. How inflation, the BI Rate, and the profit-sharing rate influence the fluctuating development of *mudharabah* deposits from 2019 to 2022 at Bank Panin Dubai Syariah constitutes the formulation of the research problem. This study aims to examine the impact of inflation, the BI Rate, and the margin rate on the long- and short-term growth of *mudharabah* deposits.

3. METHODOLOGY

This study employs a quantitative methodology and uses secondary data monthly time series from 2019 to 2022. This period was based on the period of economic turmoil in Indonesia, namely, before the pandemic until after the pandemic. Thus, this research examines the growth of mudharabah deposits using macro variables at Panin Dubai Syariah Bank based on the time period. Data was obtained from the websites of the Financial Services Authority (OJK), Bank Indonesia (BI), and the Central Statistics Agency (BPS) based on the company's published balance sheet and income statement. This study employs a quantitative methodology and uses secondary data monthly time series from 2019 to 2022 obtained from the official websites of the Financial Services Authority (OJK), Bank Indonesia (BI), and the Central Statistics Agency (BPS) based on the balance sheet and income statement published by the company each month using data processing software in the form of EViews 12. This study focuses on PT Panin Dubai Syariah Bank Tbk. Multiple linear regression as a model to examine the relationship or influence of the independent variable on the dependent variable with the Error Correlation Model (ECM) approach is used in processed secondary data as the estimation model because it is believed that this approach has suitable analysis results to overcome time series data problems through data stationarity and can predict the influence of variables over the long and short term. The ECM paradigm stipulates that the data must be stationary and cointegrated (Basuki, Agus Tri, 2015).

The ECM method is the best method in analyzing time series data because of its ability to minimize autocorrelation and other time series data problems (Elisha, 2015). In addition, the ECM method is also effective in preventing spurious regression in time series data, so the ECM method is the best model that can be used (Buhaerah, 2017). This method is also one of the research gaps from previous studies. The cointegration test is derived from a residual by applying the Ordinary Least Squares equation to the independent variable versus the dependent variable. With a significant negative coefficient, the residual value must satisfy the cointegration requirements. Equation (1) using the Ordinary Least Squares model is as follows:

$$Y_t = X1_t + X2_t + X3_t + \varepsilon_t \quad \text{(1)}$$

Y_t	: *Mudharabah* Deposit
$X1_t$	: Inflation
$X2_t$	: BI Rate
$X3_t$	: Margin Rate
ε	: Error
t	: Time

If the data meets the cointegration requirements, then ECM testing is carried out with the formula:

$$\Delta Y_t = \beta_0 + \beta_1 \Delta x_t + \beta_t EC_t + \varepsilon_t \quad \text{(2)}$$
$$EC_t = Y_{t-1} - \beta_0 - \beta_1 x_{t-1} \quad \text{(3)}$$
$$DY_t = \beta + DX1_t + DX2_t + DX3_t + ECT(-1) + \varepsilon_{t-1} \quad \text{(4)}$$

There were multiple phases comprise the Error Correction Model's testing implementation. The initial stage is to perform a stationary test to determine whether or not the data is stationary. The cointegration test is the second stage in assessing the equilibrium of variables' long-term relationships. The time series data was cointegrated if the sediment from the regression level is stationary. The third test is the short-term regression test, which is useful for examined the short-term effects of independent variables on the dependent variable. The fourth stage is to analyze time series data using the classical assumption test to generated BLUE data. Fifth, the long-term regression test can be used to examine the influence of the independent variable on the dependent variable over time.

4. RESULTS AND DISCUSSION

4.1 Stationarity Test and Cointegration Test

According to the stationary test results that all independent variables significance at the 1st difference degree with the optimum lag test is 9. While using the Angle Granger-Augmented

Dickey-Fuller (EG-ADF) test, the two variables cointegration is determined. The implementation of the EG-ADF cointegration test procedure involves two stages. In the first stage, the OLS regression model is estimated.

Table 2. Cointegration Test

	t-statistic	Sig.
Augmented Dickey-Fuller test statistic	-4.277.198	0.00158

Based on the probability value of ECT being 0.05 and negative in Table 2, it can be concluded that ECT is stationary at the degree level. Therefore, inflation, BI Rate, profit sharing rate, and mudharabah deposits are cointegrated, and all variables have a long-term and short-term equilibrium relationship.

4.2 Error Correlation Model (ECM) Test

This investigation employs the Error Correction Model (ECM) technique to analyse its data. Disequilibrium serves as an adjustment to the long-term model. The dependent variable in this study is the long-term estimation model of *mudharabah* deposits. The independent variables are inflation (X1), the BI Rate (X2), and the margin rate (X3). The estimation model can therefore be expressed as follows:

$$Y_t = \beta_0 + \beta_1 X_t + \beta_2 X_t + \beta_3 X_t + \varepsilon_t$$

Table 3. Estimation results of the effect of inflation, BI rate, and profit sharing rate on *Mudharabah* deposits in the long term.

Variable	Coefficient of Regression	t-stat.	Sig.
Constants	7457390	1.787.708	0.0000
X1	408898.2	5.332.501	0.0000
X2	-754314,3	-4.274.239	0.0000
X3	341680.0	3.057.643	0.0001
F Prob.			0.000014
R Squared			0.573172

$$Y_t = \beta_0 + \beta_1 X_t + \beta_2 X_t + \beta_3 X_t + \varepsilon_t$$
$$Y_t = 408898.2X1_t - 754314{,}3X2_t + 341680.0X3_t + \varepsilon_t$$

According to the estimation results presented in Table 3, the probability value of all independent variables is 0.0000 0.05, indicating that the three variables have a significant positive effect on the *mudharabah* deposit variable over the long term. Probability (F-Statistic) = 0.000014, which indicates that inflation, BI Rate, and profit-sharing rate all influence *mudharabah* deposits simultaneously. The long-term R2 value of 0.573172 (57.3%) indicates that 57.3% of the *mudharabah* deposit variable is affected by the inflation, BI Rate, and profit-sharing rate variables. The remaining 42.7% is explained by variables outside the scope of the model.

Table 4. Estimation results of the effect of inflation, BI rate, and profit-sharing rate on *Mudharabah* deposits in the short term.

Variable	Coefficient of Regression	t-stat.	Sig.
Constants	51180.90	0.797826	0.4295
D(X1)	41033.58	0.214117	0.8315
D(X2)	-40980,87	-0,143161	0.8868
D(X3)	161928.1	0.964948	0.3401
ECT(-1)	-0,403062	-3.361.368	0.0017
F Prob.			0.021170
R Squared			0.235443

$$\Delta Y_t = \beta + \beta_1 \Delta x_t + \beta_2 \Delta x_t + \beta_3 \Delta x_t + \beta_4 ECT(-1) + \varepsilon_t$$
$$D(Y)_t = \beta + \beta_1 D(X1)_t + \beta_2 D(X2)_t + \beta_3 D(X3)_t + \beta_4 ECT(-1) + \varepsilon_t$$
$$D(Y)_t = 51180.90 + 41033.58 - 40980{,}87 + 161928.1 - 0{,}403062$$

According to the estimation results presented in Table 4, the short-term ECM results yield an ECT (-1) value of 0.0017, which is statistically significant at a confidence level of 0.05 or 5%; consequently, the ECM model used in this study is deemed valid. The probability value (F-statistic) of 0.021170 indicates that inflation, BI Rate, and profit sharing rate effect mudharabah deposits simultaneously. The probability of the three variables is less than 0.05, so it can be concluded that inflation, BI Rate, and profit sharing rate have no influence on mudharabah deposits in the short term. In the short term, it is 0.235443, indicating that only 23% of mudharabah deposits are concurrently affected by inflation, BI rate, and profit sharing rate.

4.3 Discussion

Long-term *mudharabah* deposit growth is affected by inflation, the BI rate, and the profit sharing rate, as determined by the analysis. The three variables have no effect on the development of *mudharabah* deposits at Bank Panin Dubai Syariah in the short term. Where it is known, based on the results of the conducted delayed optimum test, that the short-term period is less than nine months and the long-term period is calculated using nine months or more. This is substantiated by the following comparative data on the growth of *mudharabah* deposits with maturities of one month, three months, and one year or annually, as shown in Figure 2.

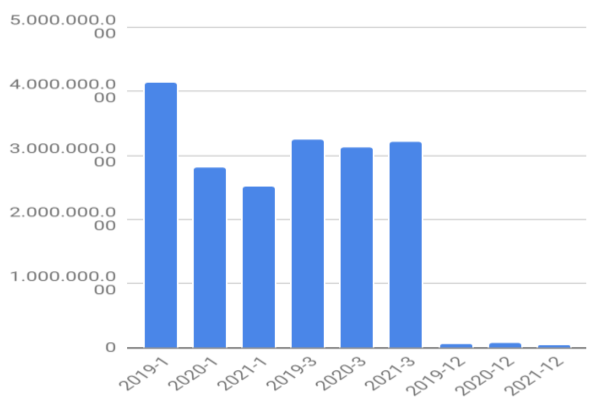

Figure 2. Comparison Chart of Time Deposits by Tenor

The lesser period, specifically tenors of less than one year, is more appealing to consumers than annual tenors. The policy allows deposits to be withdrawn in excess of the maturity date without incurring a penalty fee. This may indicate that the short-term level of public confidence in Panin Dubai Syariah Bank's ability to raise funds is greater than its long-term level. Each variable and its impact on the development of *mudharabah* deposits at Bank Panin Dubai Syariah are described below.

4.3.1 The Effect of Inflation on *Mudharabah* Deposit Growth

The inflation variable has a significant positive effect on the long-term development of mudharabah deposits, according to the test results. This demonstrates that inflation as a macro variable serves as a guide for prospective consumers deciding whether to deposit or withdraw funds from a bank. In his book, (Chapra, 2000) states that when inflation rises, a company's production costs will freeze. To reduce the company's gross, operational, and net profit values. The decline in corporate profits led to a decrease in dividends paid to investors, which in turn led to a decline in the development of investment products such as bank deposits due to a decline in the public's interest in long-term bank fund-raising (Fuadi, 2020). In this instance, Panin Dubai Syariah Bank must modify the policies established by the central bank for regulating the inflation rate in order to maintain a positive public image as a reputable fundraising institution. Research supports this (Cochrane, 2011). Inflation can harm long-term deposit investments because inflation uncertainty can lead to unfavorable changes in interest rates. In the case of this study, however, there were several periods of deflation in Indonesia during which public interest in investing in Panin Dubai Syariah Bank declined. This is due to the response of Bank Indonesia's monetary policy to the expansionary money policy in which a decline in inflation is not accompanied by a reduction in the margin rate of Islamic institutions (Bordo & Landon-lane, 2013), or in this case, Bank Panin Dubai Syariah. Moreover, in deflationary conditions, the BI Rate tends to decrease or even become negative, which affects the system of determining margin margins for Islamic banks (Farida et al., 2018). As a result, the public's desire to place deposits at Panin Dubai Syariah Bank may decrease, but the results of this study will still have a positive and significant impact. On the other hand, the inflation variable has no effect on the growth of mudharabah deposits over the short term, so based on the inflation rate, the growth of mudharabah deposits over the short term is more stable. This indicates that Panin Dubai Syariah Bank remains competent as a fundraising institution in the near future, as the development of mudharabah deposits exhibits a more stable trajectory and is not affected by the monthly economic symptoms of inflation.

4.3.2 The Effect of BI Rate on *Mudharabah* Time Deposit Growth

On the basis of the data and estimation experiments conducted, it has been determined that the BI rate has a significant positive effect on the development of *mudharabah* deposits. Barno Sudarwanto, a practitioner of Islamic financial institutions, stated that the BI Rate is used as a reference for determining profit-sharing margins so that Islamic banks can continue to compete with conventional banks and has an indirect impact on Islamic banking's fund-raising activities. This statement is consistent with the findings of Umuri et al.,(2019) and Muazaroh & Septiarini, (2021), who found that BI Rate partially affects *mudharabah* deposits at Islamic commercial banks. Panin Dubai Syariah Bank and other Islamic banks use BI Rate as a benchmark to determine the margin rate that will be offered to customers. Nevertheless, the margins taken from this interest rate will vary from bank to bank according to their respective policies. This is intended to maintain Islamic institutions' competitiveness in the financial industry. In addition, the objective is to continue to entice consumers to retain their funds in the bank as deposits. Because if the BI rate rises, the public's interest in depositing funds in conventional banks will increase because the interest offered is higher than the margin rate of Islamic banks, or what is known as displacement risk (Darwis, 2017). Long-term growth of *mudharabah* deposits at Panin Dubai Syariah Bank tends to be less stable than short-term growth, which is not influenced by fluctuations in the BI rate. The BI Rate has no effect on the development of mudharabah deposits over the short term. As a result of the fact that banks cannot alter their policies in a brief period of time and require adjustments from BI, they are unable to make sudden policy changes (Pratiwi & Suprayogi, 2017). In addition, the movement of the benchmark interest rate tends to be more stable over the short term than over the long term. In order to alter the margin rate determined by Panin Dubai Syariah Bank for a longer-term outlook.

4.3.3 The Effect of Margin Rate on *Mudharabah* Time Deposit Growth

The test results and data estimation of the variable margin rate's effect on the development of *mudharabah* deposits have a long-term impact but no short-term impact. This can be explained by economic motives, specifically the pursuit of profits. Prior to making deposits, prospective clients will consider the margin rate offered by Panin Dubai Syariah Bank. In the first quarter of 2022, Panin Dubai Syariah Bank deposits increased by 0.24 percent on a monthly basis, while the margin rate increased by 0.63 percent during the same period. Long-term fluctuations in the profit-sharing rate between 2019 and 2022 had an effect on the unstable growth of Panin Dubai Syariah Bank *mudharabah* deposits. This test's outcomes are consistent with previous research (Muazaroh & Septiarini, 2021). The quantity of profit distribution depends on Islamic institutions' business performance. Whether a customer is interested in retaining their money at the bank will depend on the high and low margin rates the bank offers to its customers (Juliana et al., 2022). Profit sharing is also contingent upon the bank and customer adjusting the amount of funds raised in accordance with their agreement. Consequently, the quantity of profit sharing received by the customer and the bank as manager will differ based on the ratio agreed upon at the time the contract is executed.

5. CONCLUSION

In contrast to previous studies that only focused on one time period, this study has two conclusions in the long term and short term so that the results obtained are more accurate than those of previous studies. The study found that there was a significant relationship between inflation, BI Rate, and Margin Rate and the growth of Mudharaba Deposits. Long-term trends in the development of *mudharabah* deposits suggest that Panin Dubai Syariah Bank tends to encounter instability in its ability to raise public funds. Inflation, the BI Rate, and the margin rate have no effect on the growth of *mudharabah* deposits over the short term. Based on the examined variables, this is indicative of Bank Panin Dubai Syariah's stability in raising public funds. Panin Dubai Syariah Bank tends to be more stable and unaffected by short-term economic phenomena because banks cannot respond promptly to policy changes from BI related to short-term economic phenomena. Based on the occurrence of inflation and changes in the BI Rate, the determination of the margin adopted has been modified to account for expected future changes.

Thus, the development and acquisition of deposits at Panin Dubai Syariah Bank are viewed as more prospective compared to the long term.

Panin Dubai Syariah Bank can implement strategies to maintain the stability of mudharabah deposit growth in the long term. The lack of infrastructure owned by Bank Panin Dubai Syariah is one of the shortcomings. Bank Panin Dubai Syariah can innovate in the form of digitizing systems such as e-deposits and simplifying the process in order to increase the level of public confidence to raise funds at Panin Dubai Syariah Bank. Thus, not only able to compete with other Islamic banks but Bank Panin Dubai Syariah can also compete with conventional banking in general with an increase in deposit growth as the largest Third Party Fund (DPK) composition.

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