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DETERMINANTS OF MUDHARABAH DEPOSITS IN ISLAMIC RURAL BANKS IN INDONESIA: EVIDENCE FROM THE 2020–2024 PERIOD

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Abstract

This study aims to analyze the determinants of mudharabah deposits at Sharia People's Economic Banks (BPRS) in Indonesia for the 2020–2024 period. The variables used include the Islamic Rate of Return, conventional bank deposit interest rates, inflation, and the money supply, with monthly secondary data for four tenors—one month, three months, six months, and twelve months. The analytical method used is the Autoregressive Distributed Lag (ARDL) for the one-month, three-month, and twelve-month tenors, and the Error Correction Model (ECM) for the six-month tenor. The results show that the influence of the four variables is heterogeneous—differing in direction and significance depending on the tenor and time horizon of the analysis. Simultaneously, all four variables have a significant effect in the long term but are insignificant in the short term. Among the four variables, the money supply is the most dominant and consistent factor influencing mudharabah deposits across all tenors in the long term, while the influence of the other variables is selective for certain tenors and time horizons. This finding implies that customer decisions in placing funds cannot be explained by a single factor, but are influenced by a combination of internal factors of Islamic banking and macroeconomic conditions that work differently in each tenor segment.

Keywords: *Mudharabah Deposit, Islamic Rate of Return, Deposit Interest Rate, Inflation, Money Supply, BPRS*

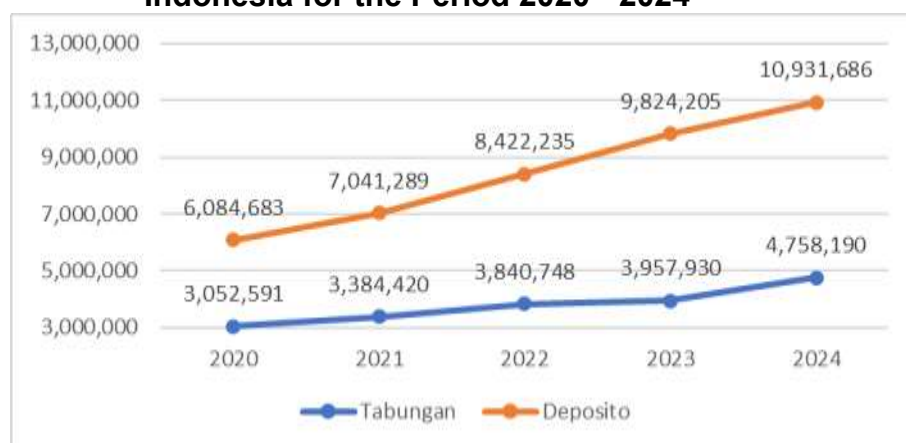
1. Introduction

The development of the Islamic banking system in Indonesia is inseparable from the dynamics of economic reform and the desire to create a financial system aligned with Islamic principles. Through Law No. 10 of 1998 and Law No. 21 of 2008, the Indonesian government officially regulated the existence of an Islamic banking system

that operates alongside the conventional system within a dual banking system (Abdul et al., 2022) .

One key entity in this system is the Sharia People's Economic Bank (BPRS), which serves small and medium-sized businesses in various regions. The primary fundraising product at BPRS is mudharabah deposits, which are operated based on a profit-sharing principle rather than an interest-based system. In the 2020–2024 period, the BPRS industry demonstrated positive growth, reflected in increasing assets, financing, and third-party funds. According to data from the Financial Services Authority (2024), mudharabah deposits, a primary source of third-party funds, increased from IDR 6.08 trillion in 2020 to IDR 10.93 trillion in 2024, with the largest contribution coming from twelve-month deposits. This growth demonstrates increasing public trust in BPRS and emphasizes the importance of mudharabah deposits in maintaining liquidity and the sustainability of BPRS's intermediation function.

Figure 1.1 1
of Mudharabah Deposits and Savings at Sharia People's Banks (BPRS) in
Indonesia for the Period 2020 - 2024



Source: Financial Services Authority (Data processed, 2026)

Despite their growth, BPRS continue to face competition from other financial institutions, particularly in collecting public funds. Changes in the Islamic Rate of Return, conventional deposit interest rates, inflation, and the money supply can influence public investment decisions. This situation has the potential to create Displaced Commercial Risk (DCR) if BPRS profit-sharing rates are deemed less competitive than other investment alternatives (Damayanti et al., 2024). Widarjono et al. (2022) also show that changes in conventional deposit interest rates affect the volume of mudharabah deposits in Islamic banking in Indonesia.

On the other hand, macroeconomic factors such as inflation and the money supply also influence people's ability and decisions to invest their funds. Fluctuating inflation during the 2020–2024 period—from 2.04% in 2020 to a peak of 4.21% in 2022, then declining to 2.3% in 2024—creates uncertainty that can impact customer behavior. Meanwhile, the money supply has consistently increased from IDR 6,520 trillion in 2020 to IDR 8,978 trillion in 2024.

Research on the determinants of mudharabah deposits continues to show mixed results. Azani C and Fadhlia (2023) and Damayanti et al. (2024) reported a positive effect on the Islamic Rate of Return, but no effect according to Lestari et al. (2023) and Susanti and Zamzami (2025). Similar differences were also found for deposit interest rates, inflation, and the money supply. Furthermore, most previous studies analyzed mudharabah deposits in aggregate without differentiating characteristics based on deposit tenor, and predominantly used Islamic commercial banks (BPR) as the object. Consequently, there is limited research explaining whether the determinants of mudharabah deposits operate differently across deposit tenors at BPRs.

This study has three main contributions. First, it analyzes the determinants of mudharabah deposits separately based on tenors of one, three, six, and twelve months, thus identifying differences in responses across each tenor, a phenomenon that has not been widely explored in previous research. Second, it uses the concept of Displaced Commercial Risk (DCR) as an interpretive framework to explain the dynamics of mudharabah deposit accumulation in Islamic rural banks (BPRS), broadening the application of a concept previously used more extensively in Islamic commercial banks. Third, the study uses data from 2020–2024, encompassing the COVID-19 pandemic, economic recovery, and inflation normalization, providing a more comprehensive picture of mudharabah deposit behavior across various economic conditions.

2. Literature review

2.1 Theory of Demand for Money

The theory of the demand for money serves as the primary foundation for explaining customer behavior in placing funds in mudharabah deposits. This theory can be viewed from three complementary perspectives. Irving Fisher, through his Quantity Theory of Money, explained that an increase in the money supply without a corresponding increase in output will drive up prices and reduce purchasing power, thereby influencing consumption and savings decisions (Setyo et al., 2024). John Maynard Keynes developed a theory of the demand for money based on three motives: transaction, precautionary, and speculative. The precautionary motive explains people's tendency to increase savings when facing economic uncertainty, while the speculative motive explains people's response to changes in rates of return (Effendi & Apridar, 2024). Milton Friedman viewed money as a form of asset, where the demand for money is determined by comparing the rates of return of various alternative assets (Putri et al., 2024).

From the perspective of the theory of demand for money, the decision to place funds in mudharabah deposits is influenced by considerations of the rate of return, opportunity costs, stability of the value of money, and the liquidity conditions of the economy (Rahmita et al., 2023).

2.2 Sharia People's Economic Bank

According to Fauzi et al. (2024), the Sharia People's Economic Bank (BPRS) is a financial institution that operates under the supervision of monetary authorities by

implementing Islamic sharia principles, namely rejecting the practice of interest and focusing on community service at the village and sub-district levels.

2.3 Mudharabah Deposit

Mudharabah deposits are investment instruments based on the mudharabah contract, where the customer, as the capital owner, entrusts funds to the bank as the mudharib (manager), with profits shared according to an agreed-upon ratio. Withdrawals can only be made within the agreed-upon timeframe (Dewi et al., 2022). Unlike conventional fixed-interest deposits, mudharabah deposit returns depend on the bank's actual business performance, thus fluctuating and sharing risk proportionally between both parties (Afifah et al., 2013).

2.4 Islamic Rate of Return

According to Othman & Hasan (2023), the Islamic Rate of Return is a concept that describes the level of investment profit based on Islamic sharia principles, which reject all forms of giving or receiving interest (riba) and prohibit investments that are speculative or inconsistent with Islamic ethics. This concept is the basis of the Islamic financial system, where profits are obtained through a profit-sharing mechanism for real business, rather than through the determination of fixed returns as in the conventional system.

2.5 Deposit Interest Rate

According to Situmeang et al. (2021), deposit interest rates are the rewards banks offer customers for funds deposited for a specific period of time, which will be returned at a later date. Like interest rates on other types of savings, the interest rate on deposits is influenced by various interrelated factors, including the relationship between savings and loans managed by the bank.

2.6 Inflation

According to Tndelilin (2010) in Katmas & Indarningsih (2022), inflation is an economic condition characterized by a general increase in the price of goods or when demand exceeds the supply of goods, resulting in a decrease in the purchasing power of a currency. The inflation rate is measured as the percentage increase in the price index over time. The Consumer Price Index (CPI) is a measuring tool used to determine the price of a specific group of goods.

2.7 Money Supply

According to Mariska et al. (2025), the money supply is the total value of cash and savings circulating in the economy during a given period. This concept includes currency (paper money and coins), demand deposits (such as checks and checking accounts), and quasi-money, namely time deposits, savings, and foreign exchange.

2.8 Hypothesis

Based on previous theories and research, the research hypothesis is as follows:

1. Islamic Rate of Return on Mudharabah Deposits

According to profit-sharing theory, an increase in the rate of return will increase public interest in investing their funds in mudharabah deposits, because the higher the profit-sharing rate, the greater the profits received by customers (Anuar et al., 2014). In the Islamic banking system, the profit-sharing rate reflects the

performance of bank management in managing investment funds. When the rate of return increases, it indicates that the bank's fund management is generating substantial profits, thus increasing the portion of profits received by customers. This condition fosters customer trust and loyalty towards the bank, which ultimately impacts increased fundraising through mudharabah deposit instruments (Widarjono et al., 2022) .

H1: The Islamic Rate of Return has a positive effect on BPRS Mudharabah Deposits.

2. Deposit Interest Rates on Mudharabah Deposits

If the interest rates at conventional banks are higher than the profit-sharing rates offered by Islamic banks, Islamic bank customers are likely to switch to conventional banks. Conversely, if the profit-sharing rates at Islamic banks are more attractive than conventional deposit rates, conventional bank customers are likely to switch to Islamic banks. Therefore, when conventional deposit interest rates increase, the number of mudharabah deposits in Islamic banks tends to decrease. However, when conventional interest rates decrease, mudharabah deposits have the potential to increase (Zucchelli, 2022) .

H2: Deposit interest rates have a negative effect on BPRS Mudharabah deposits.

3. Inflation on Mudharabah Deposits

According to Irving Fisher, inflation can discourage people from saving because the real value of money decreases as prices of goods and services rise. Under these conditions, it can be assumed that as inflation increases, the amount of funds held in mudharabah deposits will decrease (Athief et al., 2024) .

H3: Inflation has a significant effect on BPRS Mudharabah Deposits.

4. Amount of Money in Circulation against Mudharabah Deposits

According to Keynesian theory, the relationship between the money supply and mudharabah deposits can be explained through the concept that the money multiplier is influenced by economic activity. For example, for some reason, total demand increases, resulting in improved output, employment, and income. This increase in income will increase the demand for money, which in turn will push interest rates up. One factor influencing the money multiplier is t . If interest rates increase, people tend to prefer time deposits over checking accounts, resulting in a higher t value. Changes in t will affect the money supply (Maya et al., 2020) .

H4: The amount of money in circulation has a positive effect on BPRS Mudharabah Deposits.

5. Islamic Rate of Return, Deposit Interest Rates, Inflation and Money Supply on Mudharabah Deposits

H5: Islamic Rate of Return, Deposit Interest Rate, Inflation, and Money Supply simultaneously influence BPRS Mudharabah Deposits.

3. Research methods

The models used are the Autoregressive Distributed Lag (ARDL) and the Error Correction Model (ECM). Model selection is based on the results of the stationarity test using Augmented Dickey-Fuller (ADF). The ARDL model is used for one-,



three-, and twelve-month tenors because the research variables have a mixed degree of integration, namely stationary at level $I(0)$ and first difference $I(1)$, and is suitable for relatively small sample sizes and is able to estimate short-term and long-term relationships simultaneously. Meanwhile, the ECM is used for the six-month tenor because all variables are stationary at $I(1)$ and are proven to have a cointegration relationship based on the Johansen test.

The optimum lag is determined based on the lowest Akaike Information Criterion (AIC) value to obtain the most efficient model specification. Next, a Bounds Test is performed on the ARDL model and a Johansen cointegration test on the ECM model to confirm the existence of long-term relationships between variables. Estimation is continued with an analysis of long-term and short-term relationships using the Error Correction Term (ECT). To ensure model validity, classical assumption tests are performed, including tests for normality, autocorrelation, heteroscedasticity, and multicollinearity, as well as model stability tests using CUSUM and CUSUM of Squares (CUSUMSQ). Hypothesis testing is performed using the t-test, F-test, and coefficient of determination (R^2).

4. Research Results and Discussion

4.1 Research result

1. Descriptive Analysis

Table 1 Descriptive Test Results

Tenor	Mudharabah Deposit		Islamic Rate of Return		Deposit Interest Rate		Inflation		Money Supply	
	Mean	Elementary School	Mean	Elementary School	Mean	Elementary School	Mean	Elementary School	Mean	Elementary School
1 month	13,480	0.318	7,169	0.703	4,157	0.884	2,758	1,330	22,772	0.120
3 months	13,688	0.185	7,501	0.622	4,491	1,006				
6 months	13,812	0.235	8,540	0.909	4,789	1,018				
12 months	15,300	0.263	11,327	1,003	5,131	1,012				

Table 1 shows that all variables have standard deviation values smaller than their *mean*, indicating that the data is consistent and does not show extreme fluctuations between observation periods during 2020-2024.

In variable Y, namely Mudharabah Deposits, it shows a pattern of increasing *mean* as the tenor increases, from 13,481(Ln) in the 1-month tenor to 15,301(Ln) in the 12-month tenor, reflecting that the volume of BPRS mudharabah deposits is dominated by fund placements in long-term tenors.



For variable X1, the *Islamic Rate of Return*, the *mean* value increases with increasing tenor – from 7.17% for a 1-month tenor to 11.33% for a 12-month tenor – reflecting the general characteristics of term deposit instruments, where the longer the tenor, the higher the yield offered. The standard deviation of the IRR also increases with the length of the tenor (0.703 for a 1-month tenor to 1.004 for a 12-month tenor), indicating that yield variations tend to be greater for longer tenors.

In variable X2, the Deposit Interest Rate, the *mean* increased from 4.16% for a 1-month tenor to 5.13% for a 12-month tenor, in line with *the time value of money principle*, where funds placed longer receive greater interest compensation. However, for each tenor, the *mean Islamic Rate of Return* was consistently above *the mean* Deposit Interest Rate, indicating that BPRS yields were, on average, more competitive than deposit interest rates throughout the study period.

In the X3 variable, namely Inflation and X4 variable, namely the Money Supply, the value is the same in all tenors because both variables are national macroeconomic variables that are not differentiated based on the deposit tenor. Inflation shows a *mean* of 2.76% with a standard deviation of 1.33 while the Money Supply shows a *mean* of 22.77 (Ln) with a standard deviation of 0.12. The standard deviation value of the money supply is much smaller than inflation, indicating that the growth of economic liquidity during the study period is more stable and consistent compared to the movement of inflation which is relatively more fluctuating.

2. Stationarity Test

Table 2. Stationarity Test Results

Variables	1 month tenor	3 month tenor	6 month tenor	12-month tenor
Mudharabah Deposit	I(1)	I(1)	I(1)	I(1)
<i>Islamic Rate of Return</i>	I(0)	I(0)	I(1)	I(0)
Deposit Interest Rate	I(1)	I(1)	I(1)	I(1)
Inflation	I(1)	I(1)	I(1)	I(1)
Money Supply	I(1)	I(1)	I(1)	I(1)
Model	ARDL	ARDL	ECM	ARDL

Tenors of one, three, and twelve months produce a mixture of I(0) and I(1), so the ARDL model is used. The tenor is six months for all variables I(1) so that the ECM is used.

3. Optimal Lag Test

The optimum lag was determined using the *Akaike Information Criterion* (AIC) of two candidate models for each tenor. The selected models were ARDL (3,1,0,0,0) for the one-month tenor, ARDL (1,2,4,0,0) for the 3-month tenor, and ARDL (1,0,0,0,0) for

the twelve-month tenor, each of which produced the lowest AIC value compared to the alternative models.

4. Cointegration Test

Table 3 Cointegration Test Results

Tenor	Method	F-Statistic/Trace Statistic	Critical Value (5%)	Conclusion
1 month	Bounds Test	6,414	3.49	Cointegrated
3 months	Bounds Test	12,447	3.49	Cointegrated
6 months	Johansen Test	77,019	69,818	Cointegrated
12 months	Bounds Test	27,335	3.49	Cointegrated

Cointegration on the ECM tenor was confirmed through *the Johansen Test* with a trace statistic of $77.02 > 69.81$. Cointegration on the ARDL tenor was confirmed through *the Bounds Test* with an F-statistic of 6.41 (1-month tenor, 12.45 (3-month tenor), and 27.34 (12-month tenor) – all exceeding *the upper bound / critical value* of 3.49 at the 5% level.

5. Classical Assumption Test

Table 4 Results of the Classical Assumption Test

	1 month	3 months	6 months	12 Months
Normality	0.872	0.219	0.467	0.212
Multicollinearity	<10	<10	<10	<10
Autocorrelation	2,086	2,013	2,160	2,137
Heteroscedasticity	0.577	0.078	0.174	0.102

The results of the classical assumption test in Table 4 show that all models for the four tenors meet the assumptions of normality, are free from autocorrelation, free from multicollinearity, and free from heteroscedasticity, so that the model is suitable for further interpretation.

6. Stability Test

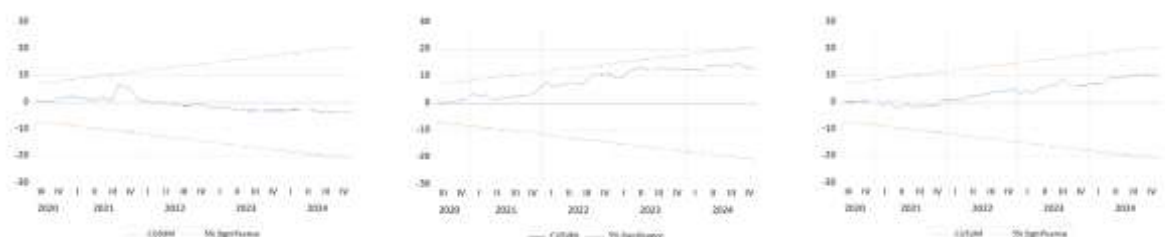


Figure 1. Stability Test Results for one, three, and twelve month tenors

The CUSUM stability test shows that the CUSUM statistical line is within the critical limits at the 5% significance level for all models (tenor, one, three, and twelve months), indicating that the model parameters are stable throughout the study period.

7. Multiple Linear Regression Analysis and T-Test

Table 5. Results of Multiple Regression Test and Long-Term T-Test

Variables	1 month tenor	3 month tenor	6 month tenor	12-month tenor
Constant	-29,418 (14,263)	-22,847 (3,417)	-27,374 (2,493)	-39,242 ** (6,335)
Islamic Rate of Return	-0.026 ** (0.077)	-0.005 (0.022)	-0.011 (0.017)	-0.727 ** (0.030)
Deposit Interest Rate	-0.123 (0.051)	0.620 *** (0.108)	0.056 *** (0.010)	0.303 (0.556)
Inflation	-0.089 (0.051)	0.031 *** (0.011)	0.005 (0.010)	0.054 (0.040)
Money Supply	1,926 *** (0.611)	1,584 *** (0.144)	1,800 *** (0.105)	2,424 *** (0.254)

Table 6 shows the results of the T-test on long-term estimates. For the one-month tenor, *the Islamic Rate of Return* shows a coefficient of -0.026 (not significant), the Deposit Interest Rate has a negative and significant effect with a coefficient of -0.0123, inflation shows a coefficient of -0.089 (not significant), and the Money Supply has a positive and significant effect with a coefficient of 1.926. These results produce the following equation:

$$DM_1month_t = -29.41829 - 0.026832$$

For a 3-month tenor, *the Islamic Rate of Return* shows a coefficient of -0.005 (not significant), the Deposit Interest Rate has a positive and significant effect with a coefficient of 0.620, Inflation has a positive and significant effect with a coefficient of 0.031, and the Money Supply has a positive and significant effect with a coefficient of 1.584. These results produce the following equation:

$$DM_3month_t = -22.8476 - 0.0054 X1_IRR_3month_t + 0.6200$$

In the 6-month tenor, *the Islamic Rate of Return* shows a coefficient of -0.011 (not significant), the Deposit Interest Rate has a positive and significant effect with a coefficient of 0.056, Inflation shows a coefficient of 0.005, and the Money Supply has a positive and significant effect with a coefficient of 1.800. These results produce the following equation:

$$DM_6month_t = -27.3742845376 - 0.0117706256526_X1_IRR_6month_t + 0.0563441763719_X2_SBD_6month_t + 0.00539778436646_X3_Inflation_t + 1.80053518811_X4_JUB_t + et$$

For the 12-month tenor, *the Islamic Rate of Return* has a negative and significant effect with a coefficient of -0.727 (not significant), the Deposit Interest Rate shows a coefficient of 0.303, Inflation shows a coefficient of 0.054, and the Money Supply has a positive and significant effect with a coefficient of 2.424. These results produce the following equation:

$$DM_12month_t = -39.4521 - 0.0727$$

Table 6. Results of Multiple Regression Test and Short-Term T-Test

Variables	1 month tenor	3 month tenor	6 month tenor	12-month tenor
Constant	0.025 (0.021)	0.006 (0.006)	0.002 (0.008)	0.015 (0.008)
D (<i>Islamic Rate of Return</i>)	0.021 (0.035)	0.033 ** (0.014)	-0.001 (0.015)	0.006 (0.010)
D(Deposit Interest Rate)	0.135 (0.604)	0.167 ** (0.074)	-0.021 (0.056)	-0.515 (0.458)
D(Inflation)	0.029 (0.048)	0.026 (0.014)	0.001 (0.022)	0.006 (0.018)
D(Amount of Money in Circulation)	-0.788 (1,541)	0.730 (0.470)	1,238 ** (0.495)	0.590 (0.463)
ECT(-1) *	-1,350 *** (0.206)	-1,162 *** (0.120)	-0.417 *** (0.114)	-1,413 *** (0.113)

Table 6 shows the results of partial tests on short-term estimates. *The Islamic Rate of Return* and Deposit Interest Rates have a positive and significant effect on Mudharaab Deposits only for the three-month tenor. The Money Supply has a positive and significant effect only for the six-month tenor. Inflation has no significant effect on all tenors in the short term. The ECT(-1) value is negative and significant for all tenors ($p < 0.01$), indicating the existence of a valid error correction mechanism towards long-term equilibrium.

The short-term equations for each tenor are as follows:

One month tenor

$$\begin{aligned}
 D(Y_1) = & 0.0255815360826 + 0.0323443246506 \cdot D(Y_1(-1)) - \\
 & 0.0873150520528 \cdot D(Y_1(-2)) - 0.282516520085 \cdot D(Y_1(-3)) + \\
 & 0.0240017856253 \cdot D(X1_1) - 0.0698640591874 \cdot D(X1_1(-1)) + \\
 & 0.146744899348 \cdot D(X2_1) + 0.0429560968651 \cdot D(X3) - 0.771964673492 \cdot D(X4) - \\
 & 1.350804 \cdot \text{CointEq}(-1)
 \end{aligned}$$

Three-month tenor

$$\begin{aligned}
 D(Y_3) = & 0.00686410907761 - 0.12736429367 \cdot D(Y_3(-1)) - \\
 & 0.00219812385702 \cdot D(X1_3) + 0.0361572734525 \cdot D(X2_3) + \\
 & 0.460207912507 \cdot D(X2_3(-1)) - 1.05382609377 \cdot D(X2_3(-2)) - \\
 & 0.286580304249 \cdot D(X2_3(-3)) + 1.34059090608 \cdot D(X2_3(-4)) + \\
 & 0.0204330320987 \cdot D(X3) + 0.483970598519 \cdot D(X4) - 1.162449 \cdot \text{CointEq}(-1)
 \end{aligned}$$

Six-month tenor

$$D(Y_6) = 0.00289599191119 - 0.00135939063425 \cdot D(X1_6) - 0.021932016863 \cdot D(X2_6) + 0.00125711400829 \cdot D(X3) + 1.23864349649 \cdot D(X4) - 0.417229343782 \cdot ECT(-1)$$

Twelve month tenor

$$D(Y_{12}) = 0.015413387546 - 0.406235052958 \cdot D(Y_{12}(-1)) + 0.0063572008039 \cdot D(X1_{12}) - 0.496660187762 \cdot D(X2_{12}) + 0.0330428301336 \cdot D(X3) + 0.603487234461 \cdot D(X4) - 1.413801 \cdot CointEq(-1)$$

8. F Test and Coefficient of Determination

Table 7. Results of the F Test and the Coefficient of Determination

Tenor	F-statistic	Prob.	Adjusted R^2	Conclusion
1 month	41.02	0.0000	80.46%	Simultaneous effect
3 months	269.92	0.0000	95.83%	Simultaneous effect
6 months	132.53	0.0000	89.46%	Simultaneous effect
12 months	208.03	0.0000	96.00%	Simultaneous effect

Table 7 shows that the Prob. (F-statistic) value for all four tenors is 0.0000, which is smaller than the 5% significance level ($0.0000 < 0.05$). These results indicate that *the Islamic Rate of Return*, Deposit Interest Rate, Inflation, and Money Supply simultaneously have a significant effect on Mudharabah Deposits for tenors of one, three, six, and twelve months.

Furthermore, the Adjusted R-squared value in Table 7 shows that the four independent variables explain 80.45% of the variation in Mudharabah Deposits for the one-month tenor, 95.83% for the three-month tenor, 89.46% for the six-month tenor, and 96% for the twelve-month tenor. The remainder is explained by variables outside this research model.

4.2 Discussion

1. Islamic Rate of Return on Mudharabah Deposits.

The lack of IRR impact on long-term tenors of one, three, and six months reflects that customer decisions are not solely based on the amount of return. From an operational perspective, BPRS (School Rural Bank) cannot flexibly adjust the IRR because it depends on the performance of MSME financing, which has unstable cash flow (Lestari et al., 2023). As long as the IRR trend was increasing throughout the study period, customers were not motivated to respond to periodic fluctuations, resulting in a significant change in deposit volume. These results align with Susanti & Zamzami (2025) and Linda (2022).

The negative impact of IRR on long-term twelve-month tenors is related to the replacement effect and information asymmetry. According to Rosly & Zaini (2008) in Umam et al. (2021), increasing IRR on long-term tenors tends to

be interpreted by some customers as a signal of increased exposure to BPRS financing risk, given that Profit and Loss Sharing products carry an inherent risk of potential capital depreciation. Data for the 2020–2024 period confirms this pattern—twelve-month tenor deposits grew steadily even as IRR tended to decline. These results align with research conducted by Pramita & Nisa (2024).

In the short term, IRR has a positive effect only on three-month tenors because this tenor represents the balance between liquidity flexibility and expected returns, so an increase in IRR is immediately perceived as a positive signal. This aligns with research conducted by Azani C & Fadhlia (2023) and Yulissetyawati et al. (2025) .

The economic implication is that increasing the profit-sharing ratio for short tenors is not necessarily an effective tool for increasing mudharabah deposit collection. Therefore, BPRS cannot simply rely on strategies to increase the Islamic Rate of Return. They also need to strengthen service quality, transparency in fund management, and build customer loyalty as non-financial factors influencing fund placement decisions.

2. Deposit Interest Rates on Mudharabah Deposits

The negative impact on long-term one-month tenors confirms the presence of Displaced Commercial Risk—customers with low switching costs move funds to conventional banks when interest rates rise. Economically, these results indicate that customer sensitivity to interest rate changes varies by tenor. Customers with one-month tenors find it easier to reallocate funds due to their high flexibility, while those with three- and six-month tenors are more influenced by the ability of BPRSs to maintain competitive profit-sharing ratios. Therefore, BPRS fundraising strategies should be tailored to the characteristics of each tenor and should not use a uniform approach. This is in line with research conducted by Widarjono et al. (2022) , Arzam & Katjina (2022) , and Umam et al. (2021) .

Conversely, the positive impact on three- and six-month tenors reflects the ability of BPRS to adaptively adjust profit-sharing ratios following market signals. Interest rate increases act as a catalyst for BPRS to increase yield competitiveness, and customers respond positively. This is in line with research conducted by Susanti & Zamzami (2025) and Supriyadi & Manzilah (2024) . The lack of impact on twelve-month tenors is due to contractual mechanisms that interrupt the transmission of interest rate signals during the same period, while in short-term tenors, one and six months are influenced by the dominance of liquidity motives and high relative switching costs, respectively. This is in line with research conducted by Jannah et al. (2020) and Doktoralina & Nisha (2020)

3. Inflation on Mudharabah Deposits

The positive effect only on the long-term three-month tenor is in line with Keynes' precautionary motive—inflation encourages customers to invest in safe instruments with a medium horizon (Safitri & Kurnia, 2022) . This is in line with research by Lestari et al. (2023) , Virdausa et al. (2023) , and Islami (2018) .



The lack of effect on other tenors and horizons is due to fluctuating inflation patterns without a consistent trend during 2020–2024, the characteristics of BPRS customers who are dominated by MSMEs who are not responsive to inflation as a signal for portfolio reallocation, and the dominance of the money supply variable that absorbs liquidity variations (Rifqi & Sulastiningsih, 2025). In line with research conducted by Aprizal (2021) and Nurhidayah & Amaliyah (2021), this condition is partially inconsistent with Irving Fisher's theoretical predictions, indicating that the consumption-savings mechanism predicted by classical theory does not fully apply to the BPRS segment. The economic implications of these results indicate that price stability is not a primary factor influencing BPRS mudharabah deposit collection decisions. The predominantly MSME nature of BPRS customers means that investment decisions are more driven by liquidity needs and business conditions than by changes in inflation rates.

4. Amount of Money in Circulation against Mudharabah Deposits

The consistent positive influence across long-term tenors makes the money supply the most dominant determinant in this study. An increase in the money supply reflects a greater availability of funds in the community, providing a broader capacity to allocate funds to savings instruments (Maya et al., 2020). This is in line with research conducted by Cahya Rosyadah et al., (2020), Sanjaya (2021), and Jamilah & Sriyana (2019). The lack of short-term impact on tenors of one, three, and twelve months is due to the time lag of monetary transmission—the impact of the money supply is only detected after passing through longer transmission channels such as changes in household income and adjustments in yields (Romadhan et al., 2024). This is in line with research conducted by Wahyu & Segaf (2022). These findings indicate that the community's ability to invest funds is more determined by the availability of liquidity than changes in returns or inflation. Thus, monetary policies that affect public liquidity have the potential to have a greater impact on the accumulation of mudharabah deposits than changes in profit-sharing rates alone.

5. Islamic Rate of Return, Deposit Interest Rate, Inflation, and Money Supply Together on Mudharabah Deposits

The four variables collectively significantly influence BPRS mudharabah deposits across all tenors in the long term, with an Adjusted R^2 ranging from 80.46% to 96.00%. However, they are not significant simultaneously in the short term, indicating that changes in macroeconomic and banking variables require time to accumulate before forming statistically detectable patterns of fund placement behavior.

5. Conclusion and Suggestions

5.1 Conclusion

This study analyzes the determinants of mudharabah deposits at Islamic rural banks (BPRS) in Indonesia for the 2020–2024 period across four tenors using the



ARDL and ECM methods. Simultaneously, all four variables have a significant effect in the long term but are insignificant in the short term.

Partially, the effects are heterogeneous: the Islamic Rate of Return has no effect on long-term tenors of one, three, and six months, has a negative effect on long-term tenors of twelve months, and has a positive effect on short-term three-month tenors. The deposit interest rate has a negative effect on long-term tenors of one month, a positive effect on long-term tenors of three and six months, and short-term three-month tenors, and has no effect on other tenor-horizon combinations. Inflation only has a positive effect on long-term three-month tenors. The money supply has a positive effect on all long-term tenors and short-term six-month tenors, making it the most dominant and consistent variable.

Differences in yields across tenors indicate that the characteristics of mudharabah deposits are not homogeneous. The one-month tenor is dominated by liquidity motives, making it more sensitive to interest rate changes. The three-month tenor strikes the best balance between flexibility and profitability, making it more responsive to changes in the Islamic Rate of Return and inflation. Meanwhile, the six- and twelve-month tenors are more influenced by long-term investment considerations, contractual commitments, and risk expectations, resulting in a slower response to changes in macroeconomic variables. These findings suggest that BPRS fundraising policies should consider the characteristics of each tenor, rather than adopting a uniform strategy.

This study has several limitations. First, the study uses monthly aggregate data, thus not being able to describe individual customer behavior in selecting mudharabah deposit tenors. Second, the variables used are limited to macroeconomic and banking factors, thus not including internal factors of BPRS (School Based Banks) such as service quality, Islamic financial literacy, or the level of non-performing financing, which could potentially influence investment decisions. Third, the study period is limited to 2020–2024, so the results represent conditions during the pandemic, economic recovery, and inflation normalization. Therefore, interpretation of the results must take into account the characteristics of the study period.

5.2 Suggestion

Based on the research results, BPRS are advised to implement fundraising strategies tailored to the characteristics of each mudharabah deposit tenor, considering the heterogeneous nature of its determinants. The three-month tenor can be a superior product because it is the tenor most responsive to changes in the Islamic Rate of Return, deposit interest rates, inflation, and the money supply. In addition, BPRS need to maintain the competitiveness of profit-sharing ratios, increase transparency in fund management, strengthen service quality and customer loyalty, and utilize periods of increasing money supply as momentum to increase fundraising. From the regulatory perspective, the Financial Services Authority (OJK) and Bank Indonesia are expected to continue supporting the development of the BPRS industry through policies that encourage flexibility in yield management, diversification of sharia instruments, and maintain macroeconomic stability. Further research is recommended



to use primary data, add internal BPRS variables and customer characteristics, and conduct comparative analysis across regions to gain a more comprehensive understanding of the determinants of mudharabah deposits.

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