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The Effect Of Liquidity And Third Party Funds On Financing Of Sharia Banking In Indonesia (Years 2009-2015)

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Abstract: C*urrently, financing in sharia banks with a profit-sharing principle does not occupy a major portion namely about the liquidity aspect with Financing to Deposit Ratio (FDR) indicator and Funds raising of Third Party on the financing growth with principle of profit-sharing on sharia Banking in Indonesia. Quantitative research is begun with determining hypothesis, analysis model, variables identification, operational definition, secondary data collection based on population and sample, and doing analysis. The liquidity aspects will significantly affect the financing growth with principle of profit-sharing or in other words the results of this research support the theory in which liquidity aspects will affect the financing growth with principle of profit-sharing. So to increase financing growth with principle of profit-sharing on sharia banks the management of sharia banks always need to innovate product and can explore a wealth of varied financial schemes and also can show the differences with conventional banking.*

Keywords: *liquidity, profit-sharing, Financing to Deposit Ratio (FDR)*

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I. Introduction

The phenomenon in some sharia financial institutions in Indonesia generally indicates that the rate of development of sharia banking is currently considered sluggish even the economic of sharia can be said practically stagnant. This is evidenced from the market segment of sharia banking that barely moved in the range of 5 percent. That number is far behind neighboring Malaysia, which reached 20-25 percent farther again it turns out there are some problems with regard to the development of Sharia banking products that tend to be stagnant, identified the problems found are still about innovation and product positioning that are still low and the operation of its services are still fairly yet efficient, supposedly sharia banks can play a role perfectly in supporting the economic activities of community at large with a variety of superior products according to the needs of society.

The contract of sharia banks that is the main and most important agreed upon by the scholars is an agreement with a profit sharing with the principle of Mudharabah (trustee profit sharing) and musyarakah (joint venture profit sharing). The principle is al-ghunm bil-ghum or al kharaj bil-daman, which means that no part of the benefits without taking part in the risk or for any benefit of real economy there should be cost of real economy. From these there are two kinds of contracts in this category namely Musyarakah (Joint Venture Profit Sharing), and Mudharabah (trustee profit sharing). But the practice of sharia banks have not fully used the principle of profit-sharing because there is still the principle of buying-selling and leasing, thus in fact Islamic banks have the space for a broader product compared to conventional banks.

With regard to this background, it is deemed necessary to research the strategic factors affecting the development and growth of financing based on the principle of profit sharing so as to help to mater in principle on fundamental issues in the development of sharia banking.

On this occasion the author is interested in taking the subject of research that is PT Bank Jabar Banten Sharia with the consideration of the banking institution is the first sharia banks among the BPD (Regional Development Bank) throughout Indonesia which spin off from its parent bank is BJB Bank, which has grown from local bank to National banks, based on the results of preliminary research conducted by the author is the composition of financing based on the principle of profit sharing is mudharabah and musyarakah contributes just under thirty percent of all financing disbursed.

So briefly the background of problem in this research is that in sharia banks the condition should (das sollen), which becomes the majority and the priority is financing of profit-sharing principle, while in reality (dassein), according to a preliminary study, it turns out financing of profit-sharing principle does not occupy a major portion, in this case the research that will be done by the author is researching with approach the banking economic financial study that is the effect of liquidity aspect with financing on Deposit Ratio (FDR) indicator and raising of Third Party Funds DPK to the financing growth with principle of profit-sharing on Sharia banks in Indonesia.

1.1 Problem Formulation of Research

This is a complete and detailed questions about the scope of issues that will be studied based on the identification of problems and restrictions on the problem. The problems of this study can be formulated with the following questions is how and how much the effect of liquidity aspects on the financing growth with principle of profit-sharing, how and how much the effect of Third party funds raising on the financing growth with principle of profit-sharing, and How and how much the effect of liquidity aspect and Third Party Funds raising together on the financing growth with principle of profit-sharing.

1.2 Research Goals

From the above description, researcher has goals of problems being faced, the goals of the research are to know how the effect of liquidity aspect partially on the financing growth with principle of profit-sharing, to find out how the effect of Third party funds raising partially on the financing growth with principle of profit-sharing, and to know the effect of Liquidity Aspect and Third Party Funds raising simultaneously on the financing growth with principle of profit-sharing.

1.3 Framework of Thought

In general, internal constraints faced by banks include the limitation of liquidity aspect and or source of funds for expansion. Sharia banking with the principle of profit-sharing that is made the difference with conventional banks. So that the conditions and the phenomenon can be described in a research framework as listed in the following pages:

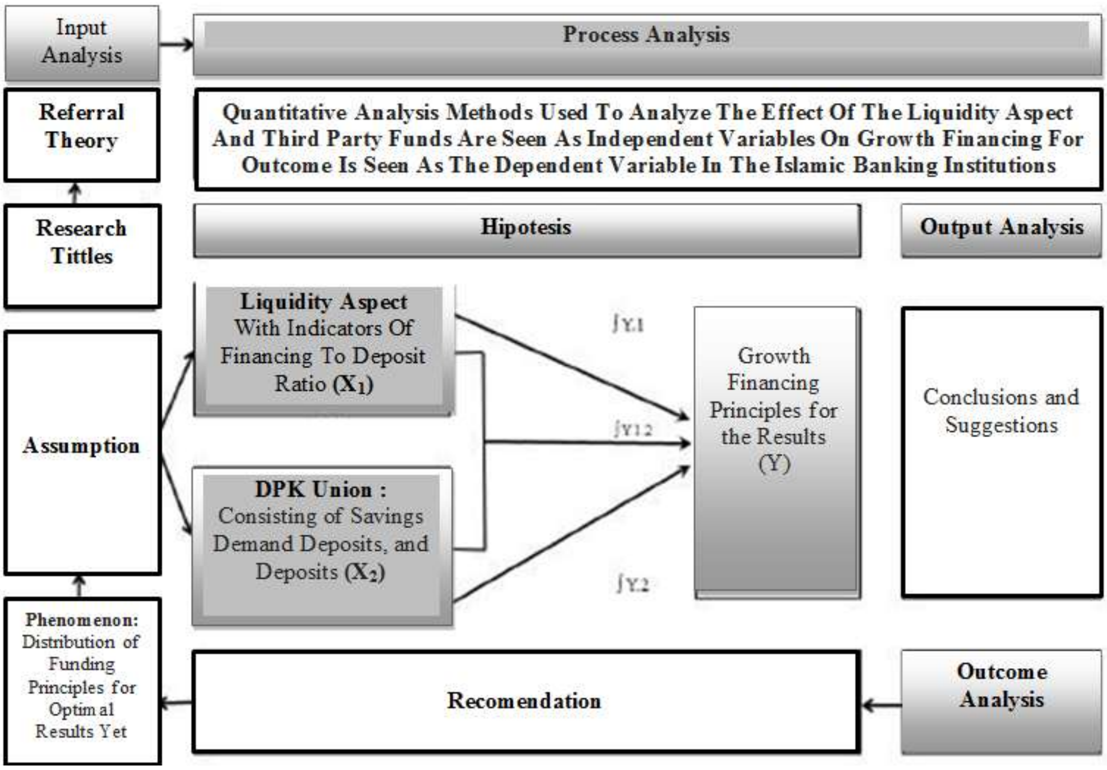

Figure 1. Framework of research thought

Based on the framework of thought research above, the paradigm of this research can be described as follows:

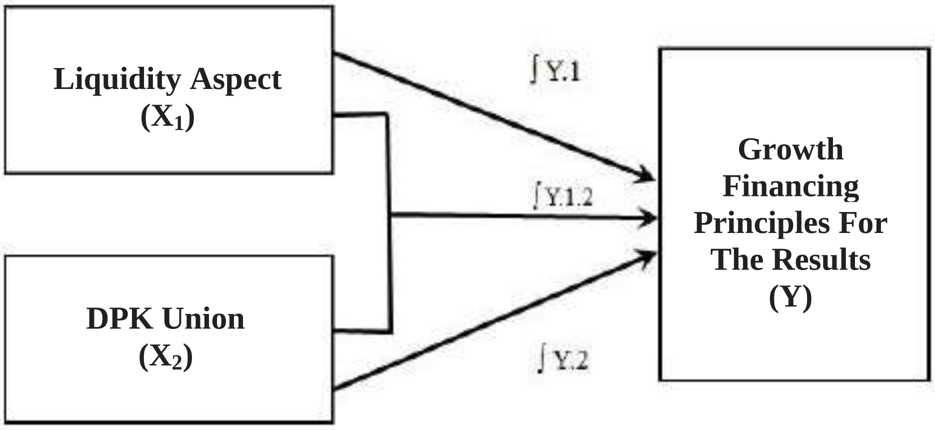

Figure 2. Paradigm of Research

II. Theoretical Basis

2.1 Sharia Banking

Sharia Banking is anything that concerns Sharia Bank and Sharia Business Unit, covering institutional, business activity, and manner and process ing conducting its business activity. Bank is a business entity that collects funds from the community in the form of savings and distributes it to the community in the form of credit and or other form in order to improve the living standards of the people while Sharia Bank is a Bank conducting its business activities based on Sharia Principles and by type consisting of Sharia Commercial Bank and Sharia People Financing Bank. Sharia Bank is a Sharia Bank which in its activities provides services in the payment traffic. While Sharia Bank is a Sharia Bank which in its activities does not provide services in the payment traffic.

Sharia bank is a financial institution whose function is to collect funds as well as channeling funds to the public, with systems and mechanisms of business activities based on Islamic law as regulated in the Qur'an and Hadith. Islamic Bank is an intermediary and financial services provider working on the basis of Islamic ethics and value systems, especially those free of interest(riba), free from speculative non-productive activities such as gambling (maysir), free from unclear and dubious matters (Gharar), based on justice principles, and only finance halal business activities. Sharia Principle is the principle of Islamic law in banking activities based on fatwas issued by institutions that have authority in the establishment of fatwa in the field of sharia, while the understanding of the contract is a written agreement between Sharia Bank or UUS and other parties that contain the rights and obligations for each party In accordance with Sharia Principles.

Sharia bank as an intermediary institution between the investors who invest their funds in the bank and then the Islamic banks to channel funds to other parties who need funds. Investors who place their funds will be rewarded from the bank in the form of profit sharing or other forms authorized in Islamic sharia. Islamic banks channel funds to parties in need in general in the contract of sale and purchase and business cooperation. The rewards earned in profit margin, profit sharing, and other forms are in accordance with Islamic sharia.

Sharia banks with conventional banks have similarities in some respects, particularly in terms of technical receipts of money, transfer mechanisms, computer technology used, general terms of obtaining financing such as identity cards (KTP), Taxpayer Identification Number (NPWP), Proposals, Financial statements, and so forth. But of course there are some fundamental differences between the two. These differences include legal aspects, organizational structure, financed business, and work environment:

1. Akad and Aspects Legality, in sharia bank, akad is done has worldly and ukhrawi consequences because akad done under Islamic law. Each contract in sharia banking, whether in the case of goods, transactions, or other provisions, must comply with the terms of the contract, such as the following:
   a. Rukun: Seller, Buyer, Item, Price, Akad / Ijab Kabul.
   b. Terms: for example, goods and services must be halal so that transactions on goods and services that are forbidden to be null and void by sharia law.
2. Settlement Institution Dispute, if in sharia banking there is difference or dispute between bank and its client, both sides can not finish it in judiciary, but finish it according to syariah material law and procedure. (National Arbitration Board: Institution governing material law and or based on sharia principles in Indonesia),
3. Organizational Structure Sharia banks may have the same structure as conventional banks, for example in the case of commissioners and directors, but the very differentiating element between sharia banks and conventional banks is the necessity of the Sharia Supervisory Board in charge of overseeing the operations of banks and their products to suit With syariah lines.
4. Business and Businesses financed, in sharia banking a financing will not be approved before it is ensured some basic points, such as whether the object of financing halal or haram or causing harm to the community.

5. Work environment and Corporate Culture, a sharia bank should have a working environment in line with sharia. Among others in terms of ethics (amanah and shiddiq), how to dress and behavior, akhlakul karimah in the face of customers or colleagues, skill full and professional, able to do tasks team-work where the information evenly throughout the functional organization, And punishment required principles of justice in accordance with sharia.
6. Conventional bank credit philosophy is different from the financing of sharia bank. Lending is only for profit for banks, while financing is an agent function because it obtains a mandate from the owner of capital (mudharib) to manage its funds as a mandate that must be run well.
7. Credit is an activity of channeling funds for a certain period of time which will be returned along with excess value that has been determined at the beginning of the contract and interest-based, so that the product disbursement of funds in conventional banks is single although it can be in the form of working capital loans, investment loans, Vehicle loans, or farming credit which is essentially a loan. Sharia bank financing can be in the form of sale and purchase transactions, lease purchase, share capital, or share the proceeds so that the bank obtains margin, rental income, profit sharing, or service fee (ujrah). The difference indicates that the product of conventional bank funding only uses credit agreement, while syariah bank consists of various contracts so it needs to be formulated to be in accordance with generally accepted terms, such as investment credit, working capital, consumer and commercial.

The diversity of types of contracts used by sharia banks in the distribution of funds is not including loans or loans, but better known as financing according to best practice of sharia banking industry. Based on data from Bank Indonesia, the sharia banking industry as of June 2015 has total assets of Rp. 273,494 Trillion with 4.61% market share, consisting of 12 sharia banks, 22 Sharia business units owned by conventional commercial banks and 162 BPRS, by 2016 it is estimated that sharia banking industry will still grow with a high growth rate. The development of sharia banking must also be supported by adequate human resources both in quality and quantity. However, the existing reality shows that there are still many human resources that have been involved in sharia institutions have no academic or practical experience in Islamic Banking. Of course, this condition significantly affects the productivity and professionalism of sharia banking itself.

2.2 Liquidity

Liquidity is the ability of bank management to provide sufficient funds to meet its obligations at any time. In this obligation, including unpredictable withdrawal as commitment loan or other unpredictable withdrawals. Some authors give a sense of liquidity include Joseph E. Burns, bank liquidity related to the ability of a bank to collect a certain amount of funds with certain cost and within a certain period.

Liquidity Management Theory about the management of banking liquidity relative almost as old as banking knowledge. There are four theories of banking liquidity known, as follows:

a. Commercial Loan Theory

This theory assumes that banks can only provide loans with short-term trade letters which can be liquefied by itself (self-liquidating). This theory is also known as productive theory of credit, or often called real bills doctrine that was introduced since the 18^{th} century. In principle, this theory focuses on the assets side of the balance of banks in meeting the liquidity needs of banks.

b. Shiftability Theory

This theory assumes that the liquidity of a bank depends on the ability of bank to transfer its assets to another person at a price that can be predicted. Therefore, if the banks need liquidity at a time, then the need can be met by collecting the borrower or debtor.

c. Anticipated Income Theory

It is also called the theory of expected income. This theory concludes that at all right for a bank to lend long-term loans and loans not to trade. This theory states that the banks should be able to provide long-term credits which the repayment, the installments of prime loan plus interest, can be expected and scheduled payments in the future in accordance with a predetermined time period.

2.3 The Raising of Third Party Funds

Bank funds obtained from the community in the form of gyro, savings and deposits. Sharia banks can attract third party funds or public funds in the form:

1. Deposit savings (wadi'ah) that is guaranteed the safety and the return (guaranteed deposit) but without obtaining a retaine or profit.
2. Capital participation of sharing the profit and sharing the risk (non guaranteed account) for public investment (general investment account/mudarabah mutlaqah) in which the bank will pay a share of the

profits in proportion with the portfolio funded with the capital.

3. Special Investment (special investment account/mudarabah muqayyadah) in which the bank acts as investment manager to acquire fee. So the banks do not follow to invest while investors fully take the risk on the investment.

2.4 Financing of Profit-Sharing Principles

Financing is one of the main tasks of sharia banks, namely providing facilities for funds provision to meet the needs of parties who need financing either for commercial or non-commercial, or distribute the financing to the community. Distribution of financing is one of the main business of Sharia banks that is the main income source of Sharia banks. Definition of financing itself is the provision of funds or a bill equivalent form:

1. Transaction for profit-sharing in the form of mudharabah and musyarakah
2. Transaction for tenancy in the form of Ijarah or lease-purchase in the form of Ijarah muntahiya bittamlik.
3. Transaction for buying and selling in the form of receivables of murabahah, salam and istishna.
4. Transaction for lending and borrowing in the form of receivables of qardh.
5. Transaction for leasing services in the form of Ijarah for multiservice transaction.

III. Research Methodology

The research approach used in this study is a quantitative approach, which aims to test the hypothesis, with the measured data and producing results that can be generalized. The first step in conducting quantitative research is begun by determining the hypothesis, the next step to create a model of analysis, identification of variables, operational definitions, secondary data collection based on population and research sample, and doing analysis.

$$Y = f(\boldsymbol{X_1}, \boldsymbol{X_2}, \boldsymbol{X_3})$$

The form of regression equation can be formulated as follows:

$$Y = \ddagger + \boldsymbol{b_1 X_1} + \boldsymbol{b_2\ X_2} + e$$

Keterangan:
Information:
Y = Endogenous variables (net asset value of mutual fund of sharia shares)

a	= Constant
$\boldsymbol{b_1\ b_2}$	= Regression coefficient of each exogenously variables
$\boldsymbol{X_1}$	= Variable of liquidity
$\boldsymbol{X_2}$	= Variable of Third Party Funds
Y	= Variable of Financing
e	= Coefficient of a disturbance (error)

From analysis model of linear regression used, there are some classical assumptions that can be used to estimate the result in order to there are no irregularities so as to provide information in accordance with the available data. The classical assumption is, multicollinearity test, autocorrelation test, heteroscedasticity test, and normality test.

IV. Results and Discussion Research

Description of the research describes the results of research until the data analysis through correlation and regression analysis by first performing test requirements analysis such as data must homogeneity, normality, linearity, and for data in the form of time series does not occur autokorelasi. Model estimation is done simultaneously with classical assumption test (multicollinearity, autocorrelation, heteroscedasticity and normality). So the resulting output from data processing can be used for classical assumption test and model feasibility test. Classic assumption test after simplified there are 4, namely multicollinearity, autocorrelation, heteroskedastisitas and normality. In SPSS application it can be noted on:

1. Multicolinearity using VIF and Tolerance.
2. Autocorrelation using Durbin-Watson.
3. Heteroscedasticity using Scatter Plot ZPRED and ZRESID.
4. Normalities using Normal PP-Plot.

4.1 Multicolinearity Test

The results of multicolinierity test, can be seen in Coefficientsa Table which two VIF value for DPK variable and FDR are the same, namely 4,055 while its Tolerance 0,247. Because the VIF value of the two variables near the numbers 2, no larger than 10 or 5 (lots of Experts which requires no more than 10, but there is also that requires no more than 5), it can be said that multicolinierity less likely to happen in both the independent variables. Under the terms of classical assumption of linear regression with OLS, the good linear regression model is that is free from any multicollinearity.

4.2 Autocorrelation test

Data used to estimate a linear regression model is time series data so it is necessary to test the assumptions that is free from autocorrelation. The results of autocorrelation test, can be seen in Table of Summaryb Model in last column. Durbin- Watson 1.988, Durbin-Watson value stated in SPSS output is called DW count. This number will be compared with the criteria for acceptance or rejection that will be made with dL and dU value determined based on the number of independent variables in the regression model (k) and the number of samples (n). dL and dU value can be seen in Table of DW with a significance level (error) 5% (α = 0,05).

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,485[a]	,236	,198	45,29029	1,988

a. Predictors: (Constant), FDR,DPK

b. Dependent Variable:PBH

Table 1. Auto Correlation Test

The number of samples (after transformation) is n = 44, Table Durbin- Watson shows that the value of dL = 1,42257 and the value of dU = 1,61196 so that it can be determined the criteria whether occur or not autocorrelation as shown in the following discussion, on the research is conducted multiple linear regression test with two independent variables and one dependent variable with a total sample of 44, the result of Durbin Watson Count d = 1,988 then the value of T = 44, k = 3. then we calculate the value first (4 - d) = 2,0120. How to determine or criteria for autocorrelation testing are as follows:

1. Positive Autocorrelation Detection:
   a. If d <dL then there is a positive autocorrelation,
   The calculation result is 1,988 <1.42257 => wrong
   b. If d> dU there is no positive autocorrelation, The calculation result is 1,988> 1,61196 => true
   c. If dL <d <dU then the test is inconclusive or can not be concluded.
   The calculation result is 1.25357 <1,988 <1,61196 => wrong

2. Negative Autocorrelation Detection:
   a. If (4 - d) <dL then there is a negative autocorrelation, The calculation result is 2.0120 <1.42257 => false
   b. If (4 - d)> dU there is no negative autocorrelation,
   The calculation result is 2.0120> 1.42812 => true
   c. If dL <(4 - d) <dU then the test is inconclusive or can not be concluded.
   The calculation result is 1.25357 <1.958 <1.42812 => false

It can be concluded that the regression analysis there are no positive autocorrelation and nor is there a negative autocorrelation so it can be concluded that there is absolutely no autocorrelation.

4.3 Heteroskidastity Test

Heteroskidastity testing is done by making Scatterplot (plot distribution) between the residuals and the predicted value of dependent variable that has been standardized. The results of heteroskidastity test can be seen in Scatterplot Figure, as in picture below:

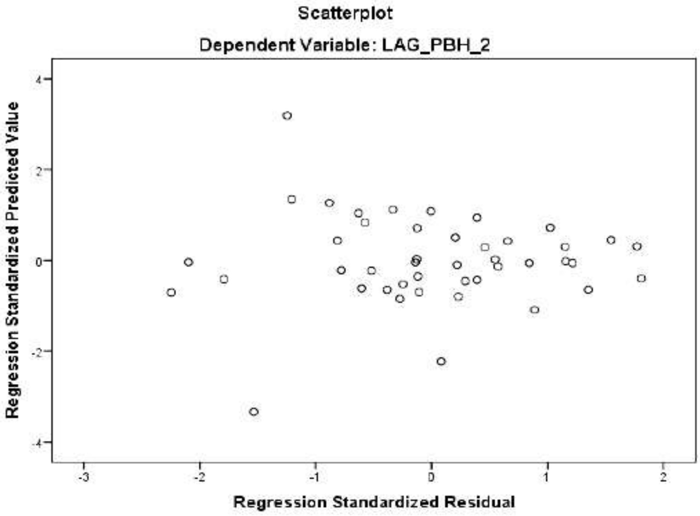

Figure 3. The Results of Heteroskidastity Test

From the figure above shows that the distribution dot does not form a pattern/a certain plot, so that it can be concluded it does not occur heteroskedastisity or in other words going homoskedastisity. Classical assumptions about heteroscedasticity in this model are met, i.e. free from heteroscedasticity.

4.4 Normality Test

Need to be reminded that the normality assumption that is referred to in classical assumptions with OLS approach is (data) residual formed linear regression model is normally distributed and not the independent variable or the dependent variable. Criteria for a (data) residual is normally distributed or not to approach Normal P-P Plot can be done by looking at the distribution of dots in the image. When the distribution of those points approach or is dense on a straight line (diagonal) it is said that (data) residual is normally distributed, but if the distribution of those dots away from the line then it is not normally distributed.

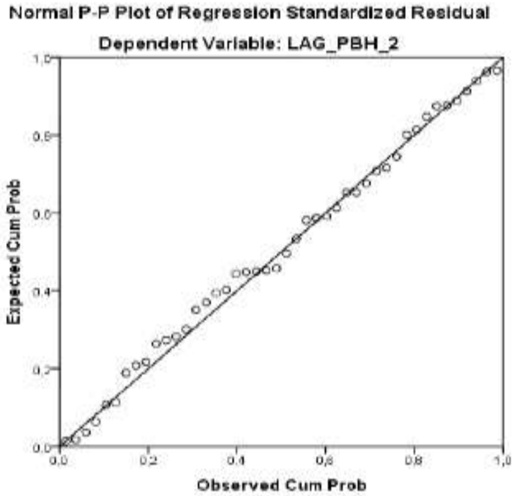

Figure 4. The result of normality test

Points distribution of the image of Normal P-P Plot above is dense relatively and approach a straight line, so it can be concluded that (data) residual is normally distributed. These results are in line with the classical assumptions of linear regression with OLS approach.

4.5 Interpretation and Discussion of Hypothesis Testing Results

Doing interpretation of the analysis of research result that is doing interpretation of hypothesis testing. Although the results of statistical analysis itself is a conclusion, but not sufficient without interpretation linked with the problem formulation. Interpretation and hypotheses testing are outlined as follows:

1. The Effect of Liquidity aspect on The Financing Growth of Profit-Sharing

Based on the table above that the effect of rate between the variable aspect of liquidity (FDR) or X1 on the financing growth with principle of profit-sharing calculated by the correlation coefficient is 0,484 or (rx1Y = 0,484). This indicates a strong influence among the aspects of liquidity to the financing growth with principle of profit-sharing. While significant levels of correlation coefficient of one side (one-tailed) of the output (measured of probability) produce numbers of 0,001. Because the probability is far below 0,01 or 0,05, then the effect of liquidity aspects on the financing growth with profit-sharing is significant.

From the results of research at Bank BJB Syariah can be concluded that the liquidity aspect will have a significant effect on the financing growth with principle of profit-sharing or in other words the results of this research support the theory that liquidity aspects will affect the financing growth with principle of profit-sharing.

2. The Effect of Third Party funds raising on the Financing Growth with principle of Profit-sharing

Based on the table that the influence between third party funds raising or X2 to the financing growth with principle of profit-sharing calculated by the correlation coefficient is 0,519 or (rx2Y = 0,519). This shows that the strong influence among Third party funds raising the financing growth with principle of profit-sharing. While the significant levels of correlation coefficient of one side (one-tailed) of the output (measured of probability) gives the figure of 0,000 or 0. Because the probability is far below 0,01 or 0,05, then the effect of liquidity aspects on the financing growth with principle of profit-sharing is significant.

So that DPK becomes the largest source of funds and the most relied upon by banks, whether sharia banks or conventional banks. The increasing of DPK compiled by the bank can make the bank more aggressive to distribute the financing and credit to productive sector. Where the increase can be seen from the percentage of growth in DPK.

3. The Effect of Liquidity Aspect and Third Party funds raising Simultaneously on The Financing Growth with principle of Profit-sharing

Based on the table analysis is R Square that is 0,236 (squaring the correlation coefficient is 0,485 or $0{,}485^2$). R Square can be called the coefficient terminated which in this case means 23,6% is contribution of liquidity aspect variable and third party funds raising to the financing growth with principle of profit-sharing while the remaining 76,40% can be explained by other causes, R square revolves around the numbers from 0 to 1, with a record the smaller number of R square, the weaker of relation the two or more variables. So, Liquidity Aspect and Third Party funds raising Simultaneously to the financing growth with principle of profit-sharing amounted to 23,6%.

Fund raising or also called funding is a fund withdrawal or collection activities from the community in the form of deposits and investments based on sharia principles. With regard to fundraising activities, Sharia principles are differentiated between deposits that do not provide rewards for deposits earned in return. Savings funds or savings that do not provide benefits to customers are intended only as a way to save or deposit money. While deposits for investment purposes will get rewarded from the bank. In general, depositors in the bank are risk averse (risk aversion), therefore the safety factor is the main factor. If the liquidity condition of the bank is smooth then the customer will not hesitate to save the funds at the bank. However, if there is a problem with liquidity then the depositors will withdraw their funds even though they are not due. Thus, Liquidity Aspects and Third-Party Funds Influence Simultaneously Against Growth of Revenue Financing.

From the research that has been done at the Bank BJB Syariah shows that liquidity aspects and third party funds raising will simultaneously have a significant effect on the financing growth with principle of profit-sharing, this research results support or reinforce the theory of preliminary stating that liquidity aspect and third party funds raising can make the bank more aggressive to distribute funding.

V. Conclusions And Recommendations

5.1 Conclusions

Based on the results of research and as an effort to answer the research problem that has been presented in the previous chapter can be drawn some conclusions as follows:

1. The effect of Liquidity Aspects on the financing growth with principle of profit-sharing significantly affect on the growth-financing of profit-sharing principle. The magnitude of the effect of liquidity aspect variable is 0,484 while the contribution of variable x1 to Y by 24% and the remaining 76% is determined by other variables. This information gives the explanation that the variable of liquidity aspect gives quite strong effect on the growth-finance of profit-sharing principle. The results of this

study inform that the liquidity aspects managed by the bank at a certain level or category will be able to influence the growth of financing the profit-sharing principle. That the financing of the profit-sharing principle which is channeled over a considerable length of time, even more than 3 (three years), then requires the support of a strong aspect of bank liquidity.

2. Deposits of Third Party affects on the financing growth with principle of profit-sharing, the magnitude of the effect of Third party funds raising variable is 0,519 while the x2 variable contribution to Y for 26,91% and the remaining 73.09% is determined by other variables. This information provides information that the Third Party Funds pooling variable exerts a considerable influence on the growth of the profit sharing fund. The results of this Research inform that the third party fund raising aspect managed by the bank at a certain level or category will be able to influence the growth of the profit sharing. Or in other words that the ability of fundraising from this society greatly affect the growth of each bank in terms of distribution of funds or financing. The more DPK collected will be the greater the level of financing that will be distributed to the community.
3. The magnitude of the effect between variables of liquidity aspect and third party funds raising on the financing growth with principle of profit-sharing is relatively strong. Contributions together (simultaneously) of X1 and X2 variables to $Y = R^2 \times 100\%$ or 23,6% while the remaining 76,40% is determined by other variables. Then on the ups and downs increased of profit-sharing principle can be predicted by the regression equation Y = -1,715 + 0,174X1 + 5,17X2.

5.2 Suggestions

From the research conclusions above, for increased the financing growth with principle of profit-sharing in Sharia banks are advised as follows:

1. Management of sharia bank always keep in the level of health first of liquidity aspect in accordance with the regulations of Bank Indonesia or Financial Services Authority with regard to sharia market development opportunities and owner party or shareholders of sharia bank that should pay attention to policy in making or pay dividends of profit to be considered to be additional capital that will strengthen bank liquidity.
2. Management of sharia bank always make efforts to increase Third party funds raising especially retail funds that are low cost and settles in the long term and at the same time reduce dependence on the short-term corporate depositors but demanded in return for high profit-sharing.
3. The management of sharia banks always need to innovate products and can explore a wealth of varied financial schemes and also can show the differences with conventional banking, as well as manage the waqf funds, so Socialization, Education, and Innovation products can be a major concern.

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