EFFECT OF PROFIT SHARING, INFLATION AND GROSS DOMESTIC PRODUCT (GDP) TO THE THIRD PARTY FUNDS OF ISLAMIC BANKING IN INDONESIA

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ABSTRACT

As an financial institution, bank is so depend on the ownership of funds. That funds not only from the bank itself as capital inclusion, but also from the customers of bank who give their funds as capital inclusion. The funds from the customers is called with The Tird Party Funds. Now, The tird party funds is to be main source for the banking to receive many of funds for their performance supporting. In the collecting process of the tird party funds, there are factors that effected capital measurement. Internal factors of bank to be points affected, like the profit sharing measurement. External factors are also to be points affected, such as conditional of financial in the nation that indicated by inflation, Gross Domestic Product (GDP), and etc. This research aim to know about effect of profit sharing, inflation, and gross domestic product to the tird party funds of islamic banking in Indonesia during 2011-2015. The results of this research showed that Profit Sharing has no effect on deposit growth during 2008-2015 period with a supporting reason by Farizi and Riduwan (2016) in their research that the motivating factor to get high returns do not become the main basis in choosing Islamic banks, but rather to conformity with sharia and proves that the results did not affect the growth of islamic banks' fund, because the religious is a major factor to be the reason customers keep their funds in islamic banks (characters of islamic banks' customers are emotional customers or non profit oriented); Inflation is significantly effect on growth in deposits in Islamic banking during the 2008-2015 period; Gross Domestic Product (GDP) effect on islamic banks' deposits during the 2008-2015 period.

Keywords: The tird party funds, profit sharing, inflation, Gross Domestic Product (GDP), Islamic Banking

INTRODUCTION

A lot of laws of islamic financial activity in Indonesia has impacted to growth of islamic banking industry to be mature and move faster than before, these laws such as law No.21 of 2008 about Islamic Banking; law No.19 of 2008 about State Islamic Securities (*Sukuk*); law No.42 of 2009 about revision of law No.8 of 1983 about Islamic Banking. Because of that, assets of islamic banking in Indonesia on the last five years is growing on the average of 65% per year. Beside that, amount of islamic bank increase from five to eleven of islamic bank on the period less than two years (2009-2010). At June of 2015, islamic banking industry consists of 12 of islamic bank, 22 of conventional's islamic business unit and 162 of islamic public's credit bank with total assets Rp 273,494 trillion with 4,61% of market share. For the DKI Jakarta area, total assets, the financing, and the third party funds (of islamic bank and islamic business unit) each Rp 201,397 trillion; Rp 85,410 trillion; Rp 110,509 trillion (*www.ojk.go.id*).

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As an financial institution, bank is so depend on the ownership of funds. That funds not only from the bank itself as capital inclusion, but also from the customers of bank who give their funds as capital inclusion or entrusted. The funds from the customers is called with The Tird Party Funds. Now, The tird party funds is to be main source for the banking (not only conventional banking but also islamic banking) to receive many of funds for their performance supporting. Based on statistics of islamic banking that issued by *Otoritas Jasa Keuangan Indonesia (OJK)* is known that contribution of tird party funds is increase from 2012 to 2014, that is from 76,8% to 80% (OJK, 2015).

Volume of the tird party funds can be indicator of level trust of public to the bank. When the volume of the tird party funds is higher than before, it says that public believe to the bank, more and more. Otherwise, when the volume of the tird party funds is lower than before, level trust from public to the bank is lower (Taswan, 2010:11 in Wulandari, 2013). That statement represent the important of the tird party funds for the bank as one of capital resource. Because of that, the bank is required in order to have capability to collect the tird party funds. But, in collecting the tird party funds, there are factors that effected capital measurement. Internal factors of bank to be points affected, such as interest rate; profit sharing measurement. External factors are also to be points affected, such as conditional of financial in the nation, Gross Domestic Product (GDP), income per capita, inflation, exchange rate, and etc.

Anisah (2013) in her research says that degree of profit sharing has a positive correlation to the amount of deposit capital in islamic bank. Farizi and Riduwan (2016) in their journal say that degree of interest rate sigfinicantly effect to the amount of *mudharabah* deposit in Bank Rakyat Indonesia Syariah. But, degree of profit sharing is not effect to the *mudharabah* deposit in Bank Rakyat Indonesia Syariah.

Beside that factors above, other factors, like the external factors which has no dirrect correlation with the islamic bank, but that factors can affect the growth of islamic bank. As mentioned above, that factors such as income per capita, inflation, customers behaviour, exchange rate and etc.

Inflation has a pressure for the islamic bank, especially for determination the profit sharing of islamic bank to the customers. When degree of inflation is high, public prefer to save their money on the conventional bank, because the conventional bank gives customers high interest rate. Because of that, amount of islamic bank's tird party funds is reducing. That condition is supported by Loayza's research (2000), it says that degree of real gross national product and inflation are positively effect to the amount of deposit in bank.

Putra (2011) in his research says that degree of profit sharing in the islamic bank and income per capita are significantly effect to the *mudharabah* deposit and *giro wadi'ah.* That research is different with the research of Hermanto (2007), in his research he says that interest rate and profit sharing are not effect to the islamic bank. Beside that, national income and inflation are not significantly effect to the *mudharabah* deposit and *giro wadi'ah*. Furthermore, Anisah (2013) who review the tird party funds of *mudharabah* deposit says that degree of *mudharabah* deposit's profit sharing and the dimensions of company are significantly effect to the *mudharabah* deposit and *giro wadi'ah*. But, degree of inflation is not effect to the growth of *mudharabah* deposit. Widowati (2006) in her research says that degree of interest rate is not effect with the amount of deposit. Beside that, in her research she says that degree of gross domestic product is significantly effect to the amount of deposit.

Based on the phenomenon above, this research aim to know about effect of profit sharing, inflation, and gross domestic product to the tird party funds of islamic banking in Indonesia

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during 2011-2015. Researcer chooses that period because Indonesia has decline in economic growth.

REVIEW OF LITERATURE AND HYPOTHESIS

The Tird Party Funds

Deposits or Third Party Funds are funds from the public, both individuals and business entities that obtained bank by using the various instruments of deposit products owned by the bank and is in line with the bank's function as a collector of funds from those excess funds in the society with the underfunded (Kuncoro and Suharjono, 2002: 155). Meanwhile, according to Law No. 10 of 1998, Tird Party Funds is the funds entrusted by the public to the bank on the basis of the agreement of savings in the form of demand deposits, time deposits, certificates of deposits, savings and or other forms. The tird party funds received from the public as individuals, companies, governments, households, cooperatives, foundations, and others both in rupiah and foreign currency.

Profit Sharing

Islamic banks use profit sharing which is the principle of *muamalah* on any business activities as return on customer investment. In the principle of sharing, the use of funds by the borrower will give profits or losses of a ratio that agreed by both parties. While the nominal value accepted, it adjusted by the level of profits or losses obtained by the borrower. the consequence of this concept is that if the results of operations of the borrower provides a great advantage, then the result would be great. In contrast, if its profit is smaller then the result would be small, or even at a loss, then the borrower must guarantee the loss (Herman, 2007).

Research conducted by Ferdinand (2015) states that rate of profit sharing of islamic public's credit bank has a very strong effect on the third party funds of islamic public's credit bank on period January of 2010 to October of 2013. Wulandari (2013) concluded that the third party funds of islamic banks are dominantly effectd by the amount of profit sharing. In contrast to these studies, Farizi and Riduwan (2016) stated that the level of profit sharing does not affect the amount of *mudharabah* deposits in Bank Rakyat Indonesia Syariah in 2010-2014.

Inflation

Inflation is one of the problems in the economic. Continuity of inflation will affect the prosperity of individuals and society, for an example is inflation will reduce the value of wealth of money. The majority of public wealth is saved as money. Bank deposits, cash deposits, and deposits in other financial institutions are financial savings. Real value will fall because of inflation (Sukirno, 2005: 339).

Gupta (1987) in Herman (2007) found that in the countries of Asia, both components of expectation inflation or spontaneity inflation have positive effect on savings. The results of the study Yuliana (2009) states that inflation has no effect and no significant effect on tird party funds of islamic bank in 2006-2009 period. The same is stated by Farizi and Riduwan (2016) in his research that the inflation rate does not affect the amount of *mudharabah* deposits.

Gross Domestic Product (GDP)

The dynamics of national income within a country is a part in the economic growth of the country. Sukirno (2006: 9-10) mentioned economic growth as a quantitative measure that describes the development of an economy in a year that compared with the previous years.

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That growth is always expressed as a percentage of change in national income in a year that compared with the previous year. While the national income is the value of goods and services produced within a country in a year and conceptually is called the Gross Domestic Product (GDP).

Yuliana (2009) in his study mentioned that the GDP is not effect and not significant to the tird party funds of islamic bank in 2006-2008 period. Meanwhile, according to Rakhman (2007) mentions that the GDP is partially has positive and significant effect on the tird party funds in Muamalat Bank of Indonesia in 1998-2006 period. Arrohmah and Soelistyo (2010) in his research states that national income has a positive effect on the amount of third party funds in the short term on a conventional bank in Indonesia.

HYPOTHESIS

H1: Profit sharing is significantly effect to the tird party funds of islamic banking.

H2: Inflation is significantly effect to the tird party funds of islamic banking.

H3: Gross domestic product (GDP) is significantly effect to the tird party funds of islamic banking.

METHOD

Data Resources

In this study, the sample used are Islamic banks that registered in Bank Indonesia (BI). The research data come from Islamic banks may include government's Islamic banks and private business' Islamic banks during 2008-2015 period.

In this study is used quantitative method with secondary data (time series) for 8 years of quarter of 2008-2015 for the profit sharing data, GDP data, inflation data and the tird party funds data. The data obtained from several relevant institution, such as Bank Indonesia and Badan Pusat Statistik (BPS) has been published their data on the electronic media. This study using purposive sampling technique in order to obtain a representative sample in accordance with the criteria proposed.

Analysis Method

The analysis technique used in this research is multiple regression analysis, whereas the calculation process using SPSS (Statistic Program for Social Science) version 16. The purpose of multiple regression analysis is to use the values of the independent variables known to predict the value of the dependent variables.

The dependent variable used is the third party funds of Islamic banks in Indonesia and the independent variable is profit sharing of deposit 3-month period at Islamic banks, inflation and GDP over the period 2008-2015. To determine whether there is a significant effect of the independent variable on the dependent variable it is used multiple regression models were formulated as follows:

$$\boxed{Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e}$$

Y is the dependent variable, X is the independent variable, where:

Y = The tird party funds

a = Constanta

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b = Coefesien

X_1 = Profit Sharing

X_2 = Inflation

X_3 = Gross Domestic Product (GDP)

Multiple regression at the top followed by the linearity test and classical assumption. Classic assumption test including normality test, multicollinearity test, heteroscedasticity test and autocorrelation test.

Normality Test is to see the normality of data that used in the research. If the data that used in the research is normal, so the research can take the next step.

Multicolinearity test is to see the correlation between the independent variables in a multiple regression model. If there is a high correlation between the independent variables, the correlation between the independent variables becomes impaired.

Heteroscedasticity test is to see whether there is an inequality of the variance of the residual an observation to another observation. The regression model that meets the requirements is where there is equality of variance of the residuals of the observations to other observations remain or homoscedasticity.

Autocorrelation test is to see whether there is a correlation between a period t to the previous period (t-1). In simple terms is that the regression analysis is to know the effect of independent variables on the dependent variable, so there should be no correlation between observations with previous observation data.

This was followed by testing the hypothesis, that the t test. t test used to determine whether the independent variables partially effect or not to the dependent variable. The degree of significance used was 0.05. If the value is significantly smaller than the degree of confidence, then we accept the alternative hypothesis, which states that a partially independent variables affect the dependent variable.

RESEARCH MODEL

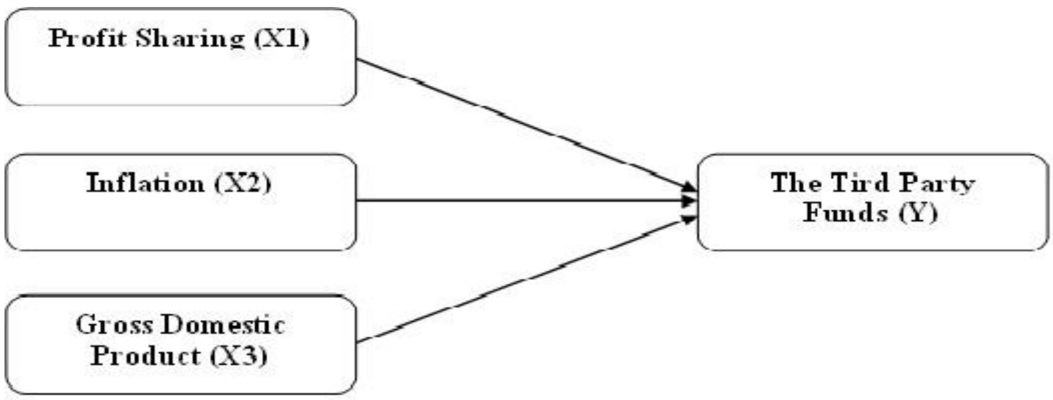
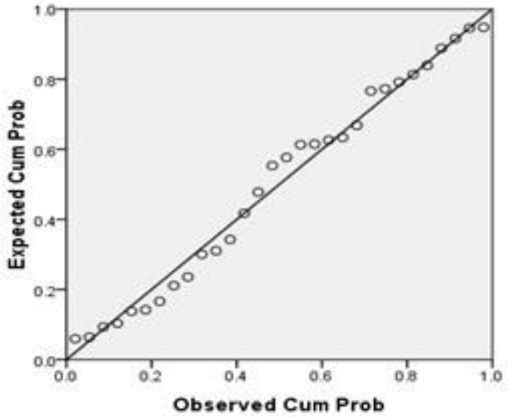


Figure 1. Research Model

FINDINGS AND DISCUSSION

Normality Testing



From Figure 2 P-P Plot above can be seen the points spread on the diagonal line (not split up or move away from the diagonal line), so it can be concluded that the regression model in this study are normally distributed.

Multicolinearity Testing

Table 1. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-289868.579	91125.149		-3.181	.004		
	Profit_Sharing	6308.624	7864.267	.098	.802	.430	.880	1.137
	Inflation	2499.042	1164.974	.271	2.145	.041	.823	1.215
	GDP	1.560	.228	.913	6.840	.000	.736	1.359

a. Dependent Variable: The tird party funds

From the coefficients table above can be seen that the value of the tolerance of Profit Sharing variable is 0.880; Inflation variable is 0.823; GDP variable is 0.736. All tolerance values are greater than 0.10. In addition, VIF value of Profit Sharing variable is 1.137; Inflation variable is 1,215; GDP variable is 1,359. All VIF value is smaller than 10. Because all values of Tolerance and VIF has qualified non-occurrence of multicollinearity (Tolerance must be greater than 0.10 and VIF must be smaller than 10), it can be concluded that there is no multicollinearity in this regression models.

Heteroscedasticity Testing

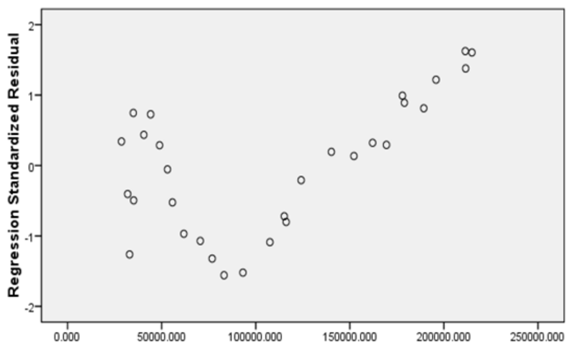


Figure 3. Scatterplot

From Figure 3 scatterplot above, it can be seen that the points spread as a whole (both above and below of zero value) and does not form a specific pattern. Therefore it can be concluded that there is no heteroscedasticity in this regression model.

Autocorrelation Testing

Table 2. Run test result

	Unstandardized Residual
Test Value[a]	-307.19505
Cases <Test Value	4
Cases >= Test Value	15
Total Cases	29
Numer of Runs	14
Z	-.372
Asymp. Sig. (2-tailed)	.710

Run Test from the table above, it can be seen the value of Asymp.Sig. (2-tailed) is 0.710. This value is greater than 0.05, so it can be concluded that there is no autocorrelation in this regression model.

Hypothesis Testing

Table 3. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-289868.579	91125.149		-3.181	.004		
	Profit_Sharing	6308.624	7864.267	.098	.802	.430	.880	1.137
	Inflation	2499.042	1164.974	.271	2.145	.041	.823	1.215
	GDP	1.560	.228	.913	6.840	.000	.736	1.359

a. Dependent Variable: The tird party funds

From the coefficients table above can be seen on the column values the significance of each variables as follows:

i. PROFIT SHARING variable: value of significance is greater than 0.05 (using a standard 5% significance) so that it can be concluded that the Profit Sharing variable is not significant and H1 rejected (Profit sharing is not significantly effect to the tird party funds of islamic banking).

ii. INFLATION variable: value of significance is less than 0.05 (using a standard 5% significance) so it can be concluded that the inflation variable is significant and H2 is accepted (Inflation is significantly effect to the tird party funds of islamic banking).

iii. GDP variable: value of significance is less than 0.05 (using a standard 5% significance) so that it can be concluded that the GDP variable is significant and H3 is accepted (Gross domestic product (GDP) is significantly effect to the tird party funds of islamic banking).

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Based on the results of multiple regression analysis in the table above, obtained coefficients for independent variables such as Profit Sharing = 6308.624, Inflation = 2499.042 and GDP = 1,560, while the constants is -289,868.579. So the regression model obtained is:

The Tird Party Funds = -289868,579 + 6308,624 Profit Sharing + 2499,042 Inflation + 1,560 GDP + e

CONCLUSION

Based on the results and discussions of the analysis above, the results of this research can be summarized as follows:

1. Effect of Profit Sharing on the Third Party Funds. The results of this research showed that the profit sharing has no effect on deposit growth during 2008-2015 period, the hypothesis that has been proposed is rejected. These results are consistent with research conducted by Farizi and Riduwan (2016) which states that the motivating factor to get high returns do not become the main basis in choosing Islamic banks, but rather to conformity with sharia and proves that the results did not affect the growth of islamic banks' fund, because the religious is a major factor to be the reason customers keep their funds in islamic banks. Characters of islamic banks' customers are emotional customers (non profit oriented).
2. Effect of Inflation on the Third Party Fund. The results of this study indicate that inflation is significantly effect on growth in deposits in Islamic banking during the 2008-2015 period.
3. Effect of the GDP on the Third Party Fund. The results showed that the GDP effect on islamic banks' deposits during the 2008-2015 period. Thus the hypothesis that has been proposed is acceptable. These results are supported by research from Arrohmah and Soelistyo (2010) which states that increase of national income has a positive effect will cause an increase in the amount of public savings in the short and long term.

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