The Effect of Third-Party Funds (DPK), Non-Performing Financing (NPF) and Indonesian Sharia Bank Certificates (SBIS) on Sharia Banking Financing Distribution in Indonesia

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Abstract

The purpose of this research is to determine the effect of DPK, NPF, and SBIS either partially or simultaneously on the distribution of Islamic banking financing in Indonesia. In this research , using quantitative methods and the type of data used is secondary data. The sample used in this study is data on total financing, DPK, NPF and fund placement in Islamic Commercial Bank SBIS which are contained in the monthly Islamic Banking Statistics published by the Financial Services Authority for the period 2015 - 2019. The data analysis technique used in this study is test classical assumption, multiple linear regression and hypothesis testing. The results of this study were processed in the SPSS 22 program. The results showed that partially (t test) the DPK variable had a positive effect on the distribution of financing. This was evidenced by the t_{count} (56.185)> (1.67252) t_{table} and the sig value. $0.000 < 0.005$. The NPF variable has a negative effect with t_{count} (-3.914) <(1.67252) t_{table} and sig. $0.000 < 0.005$. The SBIS variable has no effect, as evidenced by the t_{count} (1.536) <(1.67252) t_{table} and the sig value. $0.130 > 0.005$. Taken together (F test) shows that DPK, NPF, and SBIS have a significant effect on financing distribution as evidenced by the value of F_{count} (1565,122)> (2.77) F_{table} and sig. $0.000 < 0.005$. The adjusted R^2 value is 0.988, which means that the DPK, NPF and SBIS variables affect the distribution of financing by 98.8% while the remaining 1.2% is influenced by variables outside of this research .

Keywords: Third Party Funds (DPK), Non-Performing Financing (NPF), Bank Indonesia Shariah Certificates (SBIS), and Financing

1. Introduction

During the 1998 crisis, Islamic banking in Indonesia began to show its existence where Bank Muamalat Indonesia as the first bank in Indonesia with sharia principles was resilient to the crisis. After the monetary crisis, Law no. 10 of 1998 in lieu of Law no. 7 of 1992 which confirms the possibility of establishing a bank based on sharia principles and the possibility of conventional banks to have sharia business units. Since then, Indonesia has followed in the footsteps of Malaysia, which adheres to a *dual banking system,* namely the conventional banking system and the Islamic banking system (Asutay and Izhar, 2007; Aisjah and Hadianto, 2015; Setiawan, 2020).

According to Law no. 21 of 2008 concerning Islamic Banking states that Islamic banking is everything related to Islamic banks and sharia business units, including institutions, business activities, as well as ways and processes in carrying out their business activities based on sharia principles and by type consisting of Islamic commercial banks (BUS).), sharia business unit (UUS), and sharia people financing bank (BPRS). Thus, Islamic banks as intermediary institutions between parties with excess funds invest their funds in banks and then the bank distributes funds to parties with insufficient funds in the form of financing.

The growth of financing in Islamic banking is influenced by internal and external factors. Internal factors include Third Party Funds and *Non-Performing Financing*, while external factors include placement of funds in SBIS. The development of Islamic banking in Indonesia has experienced quite good growth, supported by the development of

the number of Sharia Commercial Banks (BUS) and Sharia Business Units (UUS) recorded in the Sharia Banking Statistics of the Financial Services Authority (OJK).

The increase in the number of sharia banking office networks shows that many people want to obtain sharia banking services. The increasing number of people who want to get sharia banking services causes an increase in third party funds collected which will also increase the distribution of financing (Suyatna, 2021; Hidayati et al., 2017; Reni and Ahmad, 2016; Antonio et al., 2012). The growth of financing in Islamic banking is influenced by internal and external factors. Internal factors include Third Party Funds and *Non-Performing Financing* , while external factors include placement of funds in SBIS.

The distribution of financing in 2015 amounted to IDR 212,996 billion, then in 2016 it increased by 16.4% to IDR 248,008 billion, up again by 15% in 2017 amounting to IDR 285,695 billion. In 2018 it increased by 12% from the previous year to IDR 320,192 billion and in 2019 it increased by 10.9% to IDR 416,558 billion.

In 2015, DPK collected was IDR 231.175 billion with a total financing of IDR 212,996 billion, which is 92% of TPF obtained, then in 2016 DPK collected increased by 20.8% to IDR 279.335 billion with a total disbursement of financing of IDR 248,008 billion, which is 88% of TPF which is obtained. Meanwhile, in 2017 TPF increased by 19.8% to IDR 334,887 billion with financing distribution of IDR 285,695 billion, which is 85% of the total TPF. In 2018 TPF increased again by 11% from the previous year of IDR 371,828 billion with financing distribution of IDR 320,192 billion, which is 86% of the total TPF. And in 2019 TPF increased by 12% from the previous year of IDR 416,558 billion with a total financing of IDR 355,182 billion, which is 85% of the total TPF.

Third party funds are unrestricted deposit/investment funds entrusted by customers to Sharia Banks and/or Sharia Business Units based on wadiah/mudharabah contracts that do not conflict with sharia principles in the form of demand deposits, time deposits, certificates of deposit, savings and/or other forms that are equated (Al Arif, 2014; Septya et al., 2019). The greater the third-party funds collected, the greater the volume of financing that can be channeled, indicating an increase in third party funds, meaning that bank deposits have the greatest impact on financing distribution.

Unlike the case with NPF, if seen in the table, the NPF fluctuated in 2015 by 4.34% then in 2016 it fell by 4.15%, in 2017 it fell again to 3.86% even though TPF and financing distributions increased, in 2018 it fell to by 2.85% and in 2019 it rose again to 3.10%. The *Non-Performing Financing* (NPF) is the ratio of non-performing financing (Effendi et al., 2017; Havidz and Setiawan, 2015; Fianto et al., 2019; Hosen and Muhari, 2019). The higher the NPF, the higher the financing risk borne. The size of the NPF can affect the performance of banks that the higher the NPF, the worse the quality of banking productive assets. NPF tends to be unpredictable and avoidable. An increase in NPF in large numbers can cause problems for the health of banks, therefore banks are required to always maintain credit that is not in a high NPF position. In this case, Bank Indonesia stipulates that a reasonable NPF level is 5% of the total loan portfolio.

In the SBIS column in 2015 it was IDR 6,280 billion, then in 2016 it rose 71% of IDR 10,788 billion, decreased by 7.14% in 2017 to Rp. 10,017 with financing distribution which increased by 15%, in 2018 SBIS placements decreased by 17.4% from the previous year to IDR 8,268 with financing increased by 12% and in 2019 financing increased followed by SBIS which rose again 25.6% to Rp 10,386. Bank Indonesia Syariah Certificates (SBIS) are securities denominated in rupiah issued by Bank Indonesia for short term based on sharia principles. Islamic bank funds placed with Bank Indonesia through SBIS are *special wadia'ah trusts* placed in SBIS- *Ju'alah* accounts , namely deposits within a certain period of time based on an agreement or regulation by Bank Indonesia, and are not used by Bank Indonesia as the recipient of the deposit, and cannot be withdrawn by Islamic banks before maturity. The larger the funds disbursed in the SBIS, the less the amount of funds disbursed in the form of financing.

Firdaus et al. (2018) presented the effect of Third-Party Funds, Non-Performing Financing, Capital Adequacy Ratio, and Bank Indonesia Sharia Certificates towards financing. The results s found that Third Party Funds has significant positive effect. Non-Performing Ratio has a negative and insignificant. Capital Adequacy Ratio has insignificant negative effect. Aziz et al. (2020) analyzed the effect of bank certificates of Indonesia sharia (SBIS), financing to deposit ratio (FDR), and non-performing financing (NPF) against assets of Islamic Banking in Indonesia. The results of the multiple regression analysis showed that of the three variables, namely Bank Indonesia Sharia Certificate (SBIS), Financing to Deposit Ratio (FDR), and Non-Performing Financing (NPF) on sharia banking assets, which only had a major positive impact on the SBIS variable Kartika et al. (2020) analyzed the effect of Financing to Deposit Ratio (FDR), Return on Assets (ROA), and Non-Performing Financing (NPF) on profit sharing financing (Mudharabah and Musyarakah). The results showed that Financing to Deposit Ratio (FDR), Return on Assets (ROA), and Non-Performing Financing (NPF) had no effect on profit sharing financing (Mudharabah and Musyarakah). Based on this research, The main objective is determining the effect of DPK, NPF, and SBIS either partially or simultaneously on the distribution of Islamic banking financing in Indonesia.

2. Methods

This study uses quantitative data, which is where this method as the scientific method / *scientific* because it is in compliance with the rules of scientific empirical, objective, measurable, rational, systematic, and repeatable. This method is also called the quantitative method because the research data is in the form of numbers and the analysis uses statistics. This study uses an associative approach, namely a research approach that aims to determine the relationship between two or more variables in the study. Data analysis techniques are the methods used to analyze research data. The author uses SPSS 22 to perform data analysis. The data analysis technique in this study used the classical assumption test and multiple linear regression to determine the relationship between variables.

1) Normality

Normality test using *Kolmogorov-Smirnov test , with sharia:*
   a) Value of Sig. or significant or probability < 0.05, then the data distribution is not normal.
   b) Value of Sig. or significant or probability > 0.05, then the data distribution is normal.

2) Autocorrelation

Autocorrelation is defined as the occurrence of a correlation between previous observation data, in other words that the emergence of a data is influenced by previous data. To detect autocorrelation in a data, it is necessary to know by looking at the Durbin Watson numbers, namely:
   1) A dW number below -2 means that there is a positive autocorrelation
   2) The dW number between -2 to +2 means that there is no autocorrelation
   3) The dW number above +2 means that there is a negative autocorrelation.

3) Hypothesis Test

   a. t test

The t test is used to test whether each independent variable individually (partially) has a significant effect on the dependent variable with a significant level of 0.05 (5%) by assuming a constant variable. The steps taken by the ty test are by testing. In this case, the following hypothesis is used:

$H_0 : _1 = 0$ (not significant)

$H_0 : _1 0$ (significant) .

Decision making criteria:

If the value of $t_{count} > t_{table}$, then H_o rejected and H_a accepted

If the value of $t_{count} < t_{table}$, then H_o accepted and H_a rejected.

   b. F test

F test used to determine whether all independent variables sec a ra together have an effect on the dependent variable at a significance level of 0.05 (5%). Testing all the coefficients together is done with the F test by testing. For testing this hypothesis is used:

$H_0 : _1 = 0$ (no effect)

$H_0 : _1 0$ (no effect) .

Decision making criteria:

If the value of $F_{count} > F_{table}$, then H_o rejected and H_a accepted

If the value of $F_{arithmetic} < F_{table}$, then H_o accepted and H_a rejected.

4) Multiple Liner Regression

Regression analysis aims to predict changes in the value of the dependent variable due to the influence of the value of the independent variable. The regression model used to analyze the effect of several independent variables on one dependent variable is the multiple linear regression model. The formula:

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$

Information:

Y = Financing

α = value of *Y* if $X_1, X_2, X_3 = 0$

$\beta_1 , \beta_2 , \beta_3$ = figures directions coefficient Recourse

X_1 = Third Party Funds

X_2 = *Non-Performing Financing Fin*

X_3 = Bank Indonesia Sharia Certificate

= standard error

3. Results and Discussion

3.1 The Effect of Third-Party Funds (TPF) on Financing Distribution

The results show that the TPF variable has a $t_{count} > t_{table}$ ($56.185 > 1.67252$) and a significant value of $0.000 < 0.05$. This means accepting H_{a1} and rejecting H_{o2} so it can be concluded that the DPK variable partially has a positive effect on financing distribution.

The increasing number of third-party funds collected by Islamic banks will also increase the financing disbursed. In accordance with the function of Islamic banks as *intermediaries* that require to channel funds for financing. In addition, one of the goals of the bank is to make a profit, so that the bank will not let the funds collected just like that. Banks will tend to channel their funds as much as possible to get the maximum profit as well. To be able to channel optimal financing, banks must have the ability to collect third party funds because third party funds are the main source of liquidity for financing distribution.

3.2 The Effect of *Non-Performing Financing* (NPF) on Financing Distribution

The results show that the NPF variable has a value of $t_{count} > t_{table}$ ($-3.914 > 1.67252$) and a significant value of $0.000 < 0.05$. This means accepting H_{a2} and rejecting H_{02} so that it can be concluded that the NPF variable partially has a negative effect on financing distribution .

The NPF shows the problematic financing experienced by the bank in its financing distribution. The NPF variable that has a negative effect indicates that a high NPF will reduce financing and vice versa if the NPF decreases it will increase the distribution of financing. The high NPF shows the ability of banks to collect funds that have been channeled is very low, resulting in less-than-optimal bank turnover in carrying out their funds so that it reduces the bank's opportunity to earn income and has an impact on reducing financing distribution.

3.3 The Effect of Bank Indonesia Syariah Certificates (SBIS) on Financing Distribution

The results show that the SBIS has a value of $t_{count} > t_{table}$ ($1.536 > 1.67252$) and the significant value of 0, 130 > 0.05. This means accepting H_{o3} and rejecting H_{a3} so that it can be concluded that the SBIS variable partially has no effect on financing distribution .

SBIS is a monetary policy instrument that aims to overcome excess liquidity of an Islamic bank. The results showed that it had no effect on the financing disbursed, meaning that any increase in the placement of funds in SBIS did not increase or decrease the amount of financing to be distributed.

In PBI No. 10/11/PBI/2008 concerning Bank Indonesia Syariah Certificates (SBIS) article 7 paragraph 2 stipulates that BUS and UUS parties that can purchase SBIS must meet the FDR requirements set by Bank Indonesia. Based on this, before the bank places its funds in SBIS for the purpose of maintaining its liquidity, the bank must fulfill its obligations as an intermediary institution to channel its funds through financing. Therefore, the size of the placement of funds in SBIS does not affect the amount of financing disbursed.

3.4 The Effect of Third-Party Funds (DPK), *Non-Performing Financing* (NPF) and Bank Indonesia Syariah Certificates (SBIS) on Financing Distribution

The results show that the simultaneous effect of TPF, NPF, and SBIS on Financing Distribution, which has a $_{calculated}$ F value > F $_{table}$ ($1565.122 > 2.77$) and a significant value of $0.000 > 0.05$. This means accepting H_a and reject H_o so that it can be concluded that the variables simultaneously DPK, NPF and SBIS impact significantly on the distribution of funding.

From the results of the F test of this study, it shows that the variables of DPK, NPF and SBIS together significantly affect the distribution of financing. This means that any changes that occur in the independent variables together will affect the distribution of financing. Based on the coefficient of determination shown by the Adjusted R Square value of 0.988 or 98.8%. This figure illustrates that the distribution of financing can be explained by the variables of DPK, NPF and SBIS of 98.8% while the remaining 1.2% is explained by other variables outside this study.

The results of this study are the same as research conducted by Agustinar which states that TPF, NPF and SWBI have a significant influence on the distribution of Islamic banking financing. Similarly, research from Emile and Rita.

Multiple linear regression analysis aims to predict the value of the dependent variable (Financing) due to the influence of the value of the independent variables (DPK, NPF and SBIS). The relationship between these variables can be described by the following equation:

$$Y = + {}_1X_1 + {}_2X_2 + {}_3X_3 +$$
$$Y = 61,652,203 + 0.595\,X_1 + (-\,1,874\,X_2) + 0.443\,X_3 +$$

The regression equation above can be explained as follows:

a) Constant value (α) of 61652.203 shows that if DPK, NPF, and SBIS value is 0, then the Financing others amounted to 61652.203.

b) The regression coefficient value of the TPF variable of 0.595 has a positive value indicating that every 1% increase will be followed by an increase in financing of 59.5% with the assumption that other independent variables are considered to have fixed values.

c) The regression coefficient value of the NPF variable is -1.874 negative, indicating that every 1% increase will reduce financing by -187.4% with the assumption that other independent variables are considered to be of fixed value.

d) The SBIS variable regression coefficient value of 0.443 is positive indicating that every 1% increase will be followed by an increase in financing of 44.3% with the assumption that other independent variables are considered fixed.

4. Conclussion

Based on the results of data analysis and discussion that has been described, it can be concluded that: 1). The DPK variable partially has a positive effect on the distribution of Islamic banking financing in Indonesia. 2). The NPF variable partially has a negative effect on the distribution of Islamic banking financing in Indonesia. 3). The SBIS variable partially has no effect on the distribution of Islamic banking financing in Indonesia. 4). DPK, NPF and SBIS together have an influence on the distribution of Islamic banking financing in Indonesia. Based on the value of R^2 amounting to 0.988 amounted to 98.8%, which means the variable DPK, NPF and SBIS affect the distribution of funding while the remaining 1.2% is influenced by variables outside of this study.

Suggestions for banks are expected to increase TPF through a more varied fund-raising program so that the disbursed financing can have more benefits for the lives of the people. But be more careful in providing financing so that NPF does not increase and a solution to minimize the risk of non-performing financing can be done by placing funds in SBIS taking into account the country's economic conditions and banking liquidity itself. And for further researchers, it is hoped that the population will not only be in Islamic Commercial Banks but also Sharia Business Units or Sharia People's Financing Banks. This is intended for more accurate results.

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