International Journal of Economics, Commerce and Management
United Kingdom Vol. VI, Issue 9, September 2018
http://ijecm.co.uk/ ISSN 2348 0386

THE INFLUENCE OF COMPANY PERFORMANCE TO THE TOTAL FINANCING PROVIDED BY A SYARIAH BANK IN INDONESIA

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Abstract

The purpose of this study was to compare the Third Party Fund, Capital Adequacy Ratio, Non Performing Financing and Return On Assets. Furthermore, it was also aimed to find out the influence of Third Party Fund, Capital Adequacy Ratio, Non Performing Financing, and Return On Assets to the total financing. The method used in this research is secondary data collection. Data were analyzed with quantitative descriptive analysis and multiple linear regression analysis using SPSS software version 22. The results of the research indicate that the development of Third Party Funds of the comparison in the period of 2011-2015, showed that all financial performance indicators -used in this research- were fluctuated significantly, with the trend of both negative and positive. Simultaneously, the statistical tests showed that Third Party Fund, Capital Adequacy Ratio, Non Performing Financing and Return On Assets have a very significant influence to the total financing while the partial statistical tests indicate that the Third Party Funds and Non Performing Financing influence the total financing provided by Bank Syariah in Indonesia. Capital Adequacy Ratio and Return On Assets did not give effect to the total financing provided by Bank Syariah in Indonesia because the data on these variables are not irregular and fluctuates over time.

Keywords: Total Financing, Third Party Funds, Capital Adequacy Ratio, Non Performing Financing, Return On Asset

INTRODUCTION

Islamic bank is a banking system that developed based on sharia or Islamic law. The first Sharia Bank in Indonesia, established in 1991, namely Bank Muamalat Indonesia with share ownership of 25% by the Indonesian Ulama council (MUI). Until the issuance of LAW No. 21 year 2008, then Islamic banking has a legal and clear basis. The monetary crisis that occurred in 1997-1998 proved that the performance of the Islamic system that is applied by sharia banking was able to survive facing the monetary crisis (M. LuthfiQolby, 2013).

Up to 2015, there have been 12 Sharia Banks (BUS), 22 Sharia Business Units (UUS), 161 Banks of People Financing Sharia (BPRS) with the number of offices of sharia banking as much as 2.881 scattered in almost regions of Indonesia. The increasing number of Banks and the office of the sharia banking operating in Indonesia gave a positive impact for the development of the sharia banking industry. This increase provided convenience for the people of Indonesia to be able to enjoy the services of sharia banking. Rapid development in Islamic Banks in Indonesia is considered because during this time the Islamic Bank was able to target the sharia loyalist, i.e. consumers who believe that the bank interest was haram. On the other hand, Islamic Banks were experiencing very strict conditions of competition because all parties involved in banking were equally engaged in rational markets which are sensitive to the bank interest. The depositors pay very much attention to the return or profit that they earn when invest their money in the bank (Nana Nofianti, et, al, 2015).

Along with the increasing economic growth, sharia banking is currently still in the stage of development with a fixed incentive to increase its share, especially from the financing side. One of the main indicators to measure the development of sharia banking in Indonesia is to see how the magnitude of the total financing channeled by sharia banks to customers.

Based on the statistical data of sharia banking in Indonesia in 2015, the number of distribution of funds (financing) did by sharia bank in Indonesia continues to increase yearly. Some contract (contract) that offered by sharia banking, murabahah (sale and purchase) was the most high compared with mudaraba and musharaka (for the results).

Internal factors also affect the amount of financing disbursed. As for some of the financial ratios frequently used to assess the internal condition of the company, among others the capital ratio of the bank, which is represented by the ratio of Return On Assets (ROA), the ratio of the productivity of the bank represented by Non-Performing Financing (NPF) and the ratio of bank capital that is represented by the Capital Adequacy Ratio (CAR).

From some research, there were differences in the factors that influence the distribution of funding. Therefore, from these considerations this research took four independent variables such as; Third-Party Funds (TPF), Capital Adequacy Ratio (CAR), Non Performing Financing

(NPF), and Return On Assets (ROA).While the dependent variable is the distribution of funding. Then the object that used in this study were all Islamic Banks and Islamic Business Units in Indonesia.

LITERATURE REVIEW

Bank

According to the Indonesian Law No. 10/1998 about banking; banks are business entities that raise funds from the public in the form of deposits and distribute to the public in order to improve the living standard of the people.

Shariah Bank

According to the provisions contained in the Regulations of Bank Indonesia no. 2/8/PBI/2000, Article I, of the Sharia Bank is a commercial bank as referred to in Act Number 7 Year 1992 about banking and has been amended by Act Number 10 of 1998 conducting business based on the principles of Islamic law, including sharia business units and branch offices of foreign banks conducting business activities based on the principles of Islamic law.

Financing

Financing is widely means funding, spending incurred to support investments that have been planned, well made and run by others. In a narrow sense, the financing is used to define the funding done by financing institutions, such as Islamic banking to customers. (Binti Nur Asiyah, 2015).

Third-Party Funds

According to LAW No. 21 Year 2008 about sharia banking (Article 1) mentioned that, ”the Deposit is a fund entrusted by Customer to Islamic Bank and/or UUS based on the “Akadwadi'ah” or other contracts that do not conflict with Sharia Principles in the form of demand deposits, savings, etc. Third-party Funding formula (TPF) is as follows:

TPF = Current + Deposit + Savings

The greater the sources of funds raised then will be more big financing which will be disbursed by the bank. On the contrary, the less the source of the funds raised then will be getting a bit of financing that will be channeled by the bank (SlametRiyadi, 2006).

***Capital Adequacy Ratio* (CAR)**

Andrea Zulfiah and Joni Susilowibowo, (2014) state that Capital Adequacy Ratio (CAR) is a ratio that shows how much assets of banks that contain risks (credit, investments, securities, bills of other banks) financed from the own capital banks, in addition to obtaining funds from sources outside banks, such as public funds, loans (debt), and so on. Further, CAR can be formulated as follows:

$$\textbf{CAR} = \frac{\textbf{Tier One Capital+Tier Two Capital}}{\textbf{Risk Weighted Assests}} \, x\ \mathbf{100}\%$$

The high CAR can increase public trust, because assurance of public funds is highly increased.

***Non Performing Financing* (NPF)**

Danang Sunyoto, (2013) define Non Performing Financing in Islamic banking or Non Performing Loans in conventional banking asthe amount of credit that is not smoothly/crash ie with the quality of the substandard, doubtful and loss based on Bank Indonesia regulation on assets quality. The NPF can be calculated with the following formula:

$$\textbf{NPF}_{\textbf{ratio}} = \frac{\textbf{Non Performing Financing}}{\textbf{Total Outstading Financing}} \ \textbf{x 100\%}$$

***Return On Asset* (ROA)**

According to the Generous Sjahrial, (2012) ROA s a ratio that shows the ability of the capital invested in total assets to generate profits, when the greater value of ROA of a bank the greater the level of profit achieved and the better the position in terms of the use of the asset and it shows that banks are increasingly productive. This ratio is used to measure the ability of bank management to create overall profits. Return On Asset (ROA) can be formulated as follows:

$$\textbf{ROA} = \frac{\textbf{Net Income}}{\textbf{Total Assets}} \ \textbf{x 100}\%$$

In accordance with the decree letter of Bank Indonesia no. 23/67/KEP/DIR, the value of the minimum limit of the ROA is 1%. If the value of the ROA is below 1% then the company is in the zone is not secure (Sri Muliawati and Moh. Khoiruddin, 2015).

RESEARCH METHOD

Population taken in this research is the Sharia commercial Bank (BUS) and Sharia Business Unit (UUS) in Indonesia in the period of 2011-2015. Saturated sampling or census was used in this research because of the importance of study objective regarding sharia finance. Next, there were 60 monthly data, used from January 2011 to December 2015.

Data source comes from secondary data. The operational data used in this study were time series data. Monthly data for the period 2011 to 2015 which includes Third-Party Funds (TPF), Capital Adequacy Ratio (CAR) , Non Performing Financing (NPF), and Return On Assets (ROA). The research data obtained from the Statistics of Islamic Banking that is accessed through the website of the Financial Services Authority (OJK) which is www.ojk.go.id as well as from other relevant sources.

Operational Definition of Variables

An operational definition is the translation of a variable and the indicators in detail, so that variables can be known measurement.

Financing

In this study the dependent variable (Y) used is the realization of the total financing provided by Islamic Banks in Indonesia on the monthly period starting in January 2011 until December 2015 in the unit of dollars.

Third Party Funds (TPF)

Third Party Funds (TPF) is the number of third-party funds (public) with excess funds that had been collected by the Islamic banks either in the form of demand deposits, savings, and time deposits in rupiah.

The Capital Adequacy Ratio (CAR)

Capital Adequacy Ratio (CAR) is a ratio that shows how much assets of banks that contain risks (credit, investments, securities, bills of other banks) financed from the own capital of the bank in units of percent.

Non-Performing Financing (NPF)

Non-Performing Financing (NPF) on a bank must be well controlled. If this ratio is always high, this indicates the amount of financing murabaha problems in banks are also high. In this study using the unit of percent.

Return On Assets (ROA)

Return On Assets (ROA) is a ratio that measures the company's ability to generate profits in the recent past. This analysis could then be projected into the future to see the ability of the company to generate profit in the future in units of percent.

Methods of Data Analysis

In this research, the data that has been collected is analyzed using multiple regression analysis. The regression equation formed is as follows:

$\hat{Y} = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$

Where:

$\hat{Y}$ = Financing Variable

a = constant

$b_1 \dots b_4$ = regression coefficients

X1 = TPF

X2 = CAR

X3 = NPF

X4 = ROA

e = error

RESEARCH RESULT

The results of the test of various requirements of the use of multiple linear regression is as follows. Test of normality showed that the residuals have a normal distribution. The results of the calculation also did not show the occurrence of multi collinearity as well as the symptom of autocorrelation. Test results furthermore also did not show the occurrence of heteroscedasticity.

Results of Multiple Regression Analysis

Regression analysis was used to determine the magnitude of influence of independent variables, i.e. TPF, CAR, NPF and ROA against the dependent variable, namely the total financing. Results of data processing obtained an equation of multiple linear regression as follows: **$\hat{Y}$ = -5635,588 + 1,065 DPK + 222,972 CAR – 4514,211 NPF + 3204,430 ROA**

From the above equation, showed the value of the intercept as -5635,588. This occurred because of the negative growth in some of the bank performance.

It binds with the study of finance, especially banking and result of the phenomenon of statistics. If the value of TPF increased by 1 billion then the total value of the financing will be increased 1,065 billion. If the CAR is increased by 1% then the total value of financing will rise by 222.972 billion. If the NPF increased 1% then the total value of financing will be decreased by 4514,211 billion and if the value of the ROA increased by 1% then the total value of financing will rise by 3204,430 billion.

Table 1. Simultaneous Test (F test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,257E+11	4	31425358394	1213,072	,000[b]
	Residual	1424808099	55	25905601,81		
	Total	1,271E+11	59			

a. Dependent Variable: TOTAL_PEMBIAYAAN

b. Predictors: (Constant), ROA, CAR, NPF, DPK

The results of simultaneous test (F test) indicates that together, the TPF, CAR, NPF and ROA significantly influence the total financing. It can be seen from the calculated F Value is equal to = 1213,072 with a significant value of 0.00. Because the significance value smaller than 0.05 even 0.01, then Ho is rejected which means TPF, CAR, NPF and ROA simultaneously have a very significant influence to the total financing.

Table 2. Partial Test (t Test)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-5635,588	14579,020		-,387	,701		
	DPK	1,065	,025	1,089	42,057	,000	,304	3,291
	CAR	222,972	601,734	,007	,371	,712	,634	1,578
	NPF	-4514,211	1104,693	-,099	-4,086	,000	,346	2,894
	ROA	3204,430	1980,648	,046	1,618	,111	,249	4,024

a. Dependent Variable: TOTAL_PEMBIAYAAN

The results of the partial hypothesis test showed that the fourth independent variables used, there were only two variables which influenced the total financing very significantly. These variables are the TPF and NPF. It could be seen from the t value of TPF = 42,057 with a probability value = 0.00, while the t value of NPF = -4,086 with a probability value = 0.00. If the significant value is smaller than 0.05, then Ho is rejected which means TPF and NPF influenced very significantly to the total financing. Furthermore, the results of partial test for the other variables (CAR and ROA) showed that those variables had a non significance difference influence to the total financing variable. All of this can occur due to the statistical phenomenon and the trend of the which fluctuated very significantly from time to time.

Table 3. Determination Coefficent (R^2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,994[a]	,989	,988	5089,75459	,660

a. Predictors: (Constant), ROA, CAR, NPF, DPK

b. Dependent Variable: TOTAL_PEMBIAYAAN

From the table above, the coefficient of determination (R^2) is equal to 0.989. This means that 98.8% of the total financing variable of sharia banking can be described by the variables such as TPF, CAR, NPF and ROA. It means also that the rest 1.2% is explained by other variables which were not taken into account in this research.

CONCLUSION AND RECOMMENDATIONS

Based on the results of the conducted research it could be concluded that: all indicators for the financial performance of the sharia bank's such as Third Party Funds, Capital Adequacy Ratio, Net Performing Financing and Return On Assets fluctuate greatly from time to time, either on the growth of both positive and negative. This, greatly affects the results of the statistical calculation. Simultaneously, the TPF, CAR, NPF and ROA effect the total financing of sharia bank's very significantly. Further, partial test indicates only the TPF and NPF influence the total financing of sharia bank very significantly.

From the conclusions of the research, it could be suggested that there is a needs to find out a model or methods of appropriate analysis to avoid the occurrence of statistics phenomenon or to avoid equally, the results of data processing that which are not valid. CAR and ROA fluctuate greatly depending on the gain or profit made by the bank. So that is necessary to improve the company performance, and realignment requirement of the bookkeeping system or financial company improvement.

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