

Analysis Of The Influence Of Macroeconomic And Banking Health Indicators On Islamic Banks Financing In Indonesia

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Abstract: *The study aims to reveal the macroeconomic influence (inflation and The exchange rate) as well as bank health indicators (ratio of financing to third party funds, ratio of operating expenses to income divided by operating income, ratio of non-performing financing). in analyzing the relationship between variables econometrics are used. Total for 51 months from June 2015 to June 2019. The results of the study are as follows: Macroeconomic variables and indicators of sharia banking health simultaneously influence Islamic bank financing in Indonesia during the study period. Partial inflation has a negative and significant effect on Islamic Bank financing in Indonesia, and the Rupiah exchange rate against the dollar has a positive and significant effect on Islamic Bank financing in Indonesia. Partially, the ratio of financing to third party funds (FDR) and the ratio of operating income to revenue divided by operating income (BoP0) have a significant negative impact on Islamic banking financing in Indonesia, while the non-performing financing ratio (NPF) has a positive and significant effect on Islamic Banking financing in Indonesia . Needed attention to inflation and exchange rates and bank health indicators do not interfere and counter productive to the performance of Islamic banking financing in Indonesia.*

Keywords: (analysis, inflation, exchange rate, FDR, Bopo, NPF, Financing)

Introduction

The linkages of macroeconomic indicators to the performance of Islamic banking have been examined such as inflation, exchange rates, capital markets and stock markets. Research conducted by (Supriani 2007) shows that inflation has a potential effect on Bank Mandiri's ROE performance while interest rates have a negative effect on Bank Mandiri's ROA. While Adawiyah, 2016 found that inflation had a positive effect on DPK, while the dollar exchange rate had a positive effect on DPK as one of the bank's performance. While the Bank as an intermediary institution must carry out its function of raising funds and channeling funds to those who need it in the form of financing or credit, this is stipulated in Act No.10 of 1998. In carrying out this function, banks are required to manage funds carefully. (prudential Banking). This is stated in detail in Article 29 paragraph stated that the financial performance of Islamic banking must be in good condition so that it does not have a negative impact on the bank as a whole. In internal banking, the principle of prudence can be implemented and monitored. Some banking indicators that are always monitored such as Capital Adequacy Ratio (CAR), Non-Financing Ratio (NPF), Finance to Efficiency Ratio (FDR), Bopo, According to Sharia Banking Statistics 2018 These indicators show well-maintained

conditions, except for Bopo which is more low efficiency compared to conventional averages. Average Bopo reaches 92.2%, while other indicators such as CAR (16.8%), NPF (2.4%), FDR (81.8%) are still in a well maintained condition (Source from S P S monthly 2018). (Sharia Banking Statute 2018). However, the question is how the effect of changes in the macroeconomic and health indicators of the banking sector on the performance of Islamic banking financing. The research objective is to find the simultaneous and partial influence of these indicators on the performance of Islamic banking financing for the period June 2015-June 2019

Understanding Islamic Bank

Islamic banks are operating to negate the system on interest. Islamic banks or commonly called interest-free banks (Muhamad, 2016: p. 1). Removing the usury system, Islam introduced the principles of muamalah Islam as one of its sharia foundations in addition to the Qur'an and Al Hadith. Islamic banks were born in 1992 since the founding of the first Muamalat bank in Indonesia after the issuance of Law No. 7 of 1992. It was further revised through Act 1998 No. 10 in its operation to avoid interest and profit sharing principles.

Definition of Financing

One of the functions in the rules is to channel business partner funds in the form of financing. According to Muhammad, 2016 p 41 that financing is the provision of financing from one party to another with the intention of providing investment facilities that have been planned in advance either institutionally or privately, so, financing is issued to increase planned investment.

Furthermore according to Ismail (2011,1050) financing is financing channeled by 'Sharia Banks' different from conventional bank loans. In Islamic banking, the return given is not in the form of interest, but in the form of profit sharing in accordance with a predetermined contract. In many Islamic banking institutions based on the type of financing agreement including murabahah, salam, istishna and musyarakah, in this study the researchers only examined with total financing data.

Inflation

Rimsky said that inflation is a tendency to increase the monetary unit of the price of goods in general or in other words there is a decrease in the purchasing power of the rupiah currency "(Rimsky-K.Judisseno,2002;p16)

Understanding can be concluded that with inflation, the purchasing power of people for goods and services to fall this is due to an increase in prices for a certain time. In this study the inflation value that will be taken as data is inflation yoy published by BI.

Exchange Rate

An economically strong country is characterized by the low power of a currency with the currency of his country. Meaning the higher the value of its currency with other countries, the better the economy. Monetary can be defined "the exchange rate or price of the currency of a country. Exchange rate is the price of a currency in an open economy. (Ismawati, 2013). In this study the exchange rate taken comes from the exchange rate taken from the OJK publication.

Non Performing Finance

Non Performing Finance (NPF) or the percentage of bad financing is one of the defining factors in measuring the health of banks in the flushing of financing aspects. The bank has a function as an institution that manages excess funds from the community to be distributed to people in need. In this function, banks must maintain a NPF of 5%. Bank Indonesia Regulation (PBI) stipulates that the ratio of non-performing financing (NPF) is 5%. In this study, data about NPF were taken from Islamic Banking Statistics published by OJK

Funding and Deposit Ratio (FDR) FDR ratio is the ratio of the receipt of public deposits to the total amount of funding distribution by the BS with the amount of funds received from various sources. There are contra-diction if this ratio is high resulting in high funds lent to the public so it is not liquid. Conversely, if the ratio is low, it can cause excess funds so as to increase the burden on managers. Therefore caution is needed in managing the FDR ratio. In this study the study used FDR which was published by Banking Statistics. National Sharia

Operating Expenses and Operating Income

The problem of cost efficiency relates to how supervision of bank spending. Efficiency in operations means spending on costs in obtaining profit must be less than the profit obtained from the utilization of the bank's assets. Inefficient banks have not been able to compete in managing public funds either in raising funds or in channeling them. According to Malayu Hasibuan (2011: 101), the definition of BOPO is: "It is a comparison or ratio of operating costs to operating income in the same period.

Prior Research

Several studies related to Islamic financing are traced by researchers. The results of the search-can-be-explained-as-follows:

1. Setiawan dan Adi (2009), Conducting Research with the title "Analysis of the influence of Macroeconomic Analysis, Market Share and Characteristics of Banks on the Profitability of Indonesian Sharia Banks (2005-2008) thesis master at Diponegoro University, the results of the study showed that there was no effect of inflation and GDP towards ROA. CAR, FDR, market share, have a significant positive effect on ROA, while NPF, BOPO, and SIZE-variables-have-a-significant-negative-effect-on-ROA.
2. Yusuf dan Wibisono researched, 2015. About the Effects of CAR, NPF, BOPO, FDR, on ROA mediated by NOM. The results showed that partially, FDR, BOPO and NOM variables had significant and negative effects on ROA. ROA is not affected by the CAR and NPF variables. while ROA is influenced simultaneously by Variables, BOPO, FDR, CAR, NOM and NPF (Journal of Business & Management Vol. 17, No. 1, 2017: 41-62)

3. Nurimansyah dan Bakti, 2016. examines sharia financing under the title "Analysis of the Effects of DPK, CAR, ROA and NPF on Sharia Banking Financing" Based on the research, the results show that simultaneous all independent (independent) variables consisting of DPK, (CAR), (ROA) and (NPF) have a significant effect on US B financing. While in parsia, (DPK) positive and significant influence on financing, Ratio (CAR), Return On Assets (ROA) have insignificant effect on financing, while Financing, although negatively correlated but not influenced by NPF. (Journal of Business & Management Vol. 17, No. 2, 2017: 15-28)

In this study, researchers specialize in macroeconomic variables inflation and the dollar exchange rate against the rupiah in addition to indicators of health of Islamic banks such as Financing Deposite Ratio Non Performing Finance, and Operational Expense Ratio with Operating Income to Sharia Financing

Methodology

This study uses econometric analysis units with linear equations multiple. in testing the Effect of IDR (X1), Inflation (X2), (NPF) (X3), FDR, (X4), and Operational Expense Ratio with Operational Income (BoPo) (X5) on Sharia Banking Financing in Indonesia. The Econometrics model approach is used. From this approach, the multiple linear equation model can be used as the model used in analyzing the following equations:

Financing = a + a1IDR + a2 Inflation + a3NPF + a4FDR + a5BoPo + ei (Damodar Gujarati, 1993: 263).

The data in the study were 51 months, starting from March 2015 to June 2019. The data was taken from Islamic Banking Statistics published by Otoritas Jasa Keuangan in Indonesia. Data were analyzed using SPSS version 20.

Findings and Discussion

Unit of analysis in research using econometrics so that correlation and significance can be drawn between variables. To get the best linear and unbiased (BLUE) properties classic assumptions are needed. Classic assumption test. The classic sumsi test conducted is a test, among others. Based on the SPSS output results there is no violation of classical assumptions such as normality of data, autocorrelation, heteroskedasticity and multicollinearity in the model therefore the model can proceed with testing the relationship and influence between explanatory variables and those explained.

Effect of Inflation, Exchange Rate, FDR, NPF and BoPo on Islamic Banking Financing in Indonesia

After testing the classical assumptions and there are no problems, the model can be continued by testing the effect of each independent variable namely Inflation IDR, FDR, NPF and BoPo on Financing in Islamic Banking in Indonesia obtained results in testing through the use of SPSS 20. The test results can be in the table below.

Tabel 1 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			Dbeurbin-Watson
					R Square Change	F Change	Sig. F Change	
1	,969 ^a	0,938	0,932	0,019385	0,938	137,025	0	1,874

a. Predictors: (Constant), INFLASI, BOPO, IDR, NPF, FDR
b. Dependent Variable: Pembiayaan

Source: output SPSS 20

From the summary table above, information can be given as follows: that there is a relationship between the independent variables IDR, FDR inflation, NPF and BoPo to Financing this is stated by the correlation $R = 0.969$ approaching the value of one while the determination value R^2 which states the influence of the independent variable is able to explain 93.8 percent of the dependent variable in terms of financing. The statistical value of sig F chang with a probability below $\alpha = 0.05$ means that there is a significant simultaneous effect between IDR, FDR, NPF and BoPo inflation on Islamic banking financing in Indonesia

Partialy Test

The effect of each inflation variable, the exchange rate of the dollar, FDR, NPF and BoPo can be explained through table 2 below;

Tabel 2. Partial influence of research variables

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
(Constant)	2,76	0,699		3,951	0			
1	IDR	0,607	0,172	0,207	3,535	0,001	0,398	2,514
	FDR	-1,492	0,172	-0,652	-8,684	0	0,243	4,118
	BOPO	-0,265	0,086	-0,125	-3,063	0,004	0,817	1,224
	NPF	0,164	0,042	0,22	3,877	0	0,425	2,352
	INFLASI	-0,181	0,032	-0,349	-5,719	0	0,368	2,714

a. Dependent Variable: Pembiayaan

Source; Output SPSS

Based on the table above, it can be seen that the exchange rate and Non-Performance Financing is positively related and significantly influences the financing of Islamic banks In Indonesia, an increase of 1 unit Exchang Rate and NPF will increase each financing by a coefficient of regression which is 0.607 and 0.164, this is contrary with findings from Wardiantika (2014) which states that NPF has a negative and significant effect on Islamic

Commercial Bank financing, while While the Fund Debt ratio to the amount of financing disbursed, BoPo and Inflation is negatively and significantly related to the total amount of Sharia bank financing in Indonesia, the findings in line with Adzimatunur et al (2015) for their research entitled Analysis of the FDR and BoPo Ratios on Islamic bank financing in Indonesia by, et al in the *Almuzara'ah* journal where FDR and BoPo have a negative relationship with Islamic bank financing in the journal Fauziyah, Sri

Conclusion

Based on the discussion above, it can be concluded that:

1. Macroeconomic variables in the form of inflation and the exchange rate simultaneously affect on the financing of Islamic banks in Indonesia. While partially, inflation has a negative and significant effect on Islamic Bank financing in Indonesia, and while exchange rate has a positive and significant effect on Islamic-Bank-financing-in-Indonesia.
2. Indicators of bank health simultaneously influence the financing of Islamic banks in Indonesia, partially, the ratio of financing to deposit and the ratio of operating expenses to income divided by operating income have a significant negative impact on Islamic banking financing in Indonesia, while the ratio of non-performing financing has a positive and significant effect towards financing Islamic-Banking-in-Indonesia

Suggestion

1. Need to pay attention to macroeconomic indicators such as inflation and the rupiah exchange rate given its effect on the performance of financing in Islamic banking-in-Indonesia
2. Sharia bank health indicators such as the ratio of financing to third party funds, the ratio of operating expenses to income divided by operating income and the ratio of non-performing financing to be truly managed effectively so as not to be counter-productive.
3. A study needs to be done in analyzing the macroeconomic impact and indicators of bank health on Islamic banking financing in Indonesia

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