

Influence of Interest Rate of Commercial Conventional Banks and Levels for Results on the Impact of the Number of Deposits in Sharia Banks of 2010-2015

Meta Arief, Asep Kurniawan and F.M. Nugraha
Universitas Pendidikan Indonesia

Keywords: Interest Rate, Profit Sharing Rate and Mudharabah Deposit.

Abstract: This study aims to determine the effect of conventional bank interest rates and the level of profit sharing on the increase in the number of deposits in Sharia Commercial Banks. The research method used is descriptive analytic and verifikatif. Data collection technique used is documentation method. This study uses secondary data collected from the website of financial statements and annual reports of sharia banking that started from 2010-2015. The sampling technique is based on purposive sampling so that the sample of 11 sharia banks is obtained. Hypothesis testing in this study used multiple linear regression analysis using EViews computer pro-gram. The results showed that simultaneously conventional commercial bank interest rates and profit sharing rates significantly influence the increase in the number of deposits in Sharia Commercial Banks. Partially, the significant interest rate has a negative effect on the amount of deposits in the Sharia Commercial Bank and the significant profit sharing rate has a positive effect on the amount of deposits in the Sharia Commercial.

1 INTRODUCTION

Banks in Indonesia use dual system banking, namely conventional and syariah systems. Currently registered in January 2016 there are 34 units, namely 12 sharia commercial banks and 22 units of sharia business. Meanwhile, the number of syariah-based lending banks increased to 164 units (Sharia Banking Statistics, January 2016). Sharia banking began to be known in 1992 after the enactment of Law No.7 of 1992 which enables sharia banking to run its operational activities based on the principle of profit sharing. Fundamental between sharia and conventional banks lies in the principles in operational activities. Husni (2009) said that "one of the principles in sharia banking operations is profit and loss sharing, this principle does not apply in conventional banking that implements the interest system." The existence of such operational differences makes people in Indonesia can choose to invest in both types of banking, namely sharia or convention. The rational society of society that determines choice based on profit not based on religious beliefs, will certainly determine & nbsp;

Option based on the level of profit offered by both types of banking. Society invests to improve its welfare and one of human nature who always wants to secure his property. One of the investment instruments that can be done by the public is by depositing funds in banking fundraising products. On the one hand, one of the main interests of the bank is to collect public funds. The new bank can operate if the funds already exist. One source of bank funds is Third Party Fund (DPK). DPK is funds in rupiah or foreign currency owned by a third party (the public) consisting of demand deposits, savings and time deposits or deposits. In addition to raising public funds, banks should be able to return the funds along with the return or return in accordance with the agreement. In the banking world there is often a competition to gain customer trust in order to keep the funds in the Bank concerned. Competition between these banks can occur between Banks adhering to the Sharia system with Conventional Bank due to the existence of floating market segment. This Customer may make withdrawal of funds or placement of funds from one Bank to another Bank causing a decrease or increase of DPK in the Bank. Floating market

segment, has more characteristic shows the financial benefit aspect compared with the aspect of sharia. The existence of the floating market segment triggered the Bank Syariah to provide services and benefits as optimal as possible so that the community of money owners interested to save funds in the bank concerned DPK is used as one of the factors that can be used to assess the Bank's success rate. There are several parties related to the large number of DPK in the Sharia Bank, the bank itself, the management and the bank as a company. The Bank expects the increasing DPK, to maximize funding and financing, the management is concerned with the size of DPK in relation to the assessment of managerial performance, while the bank as a company expects high DPK for the optimization of corporate profits. The following is comparative data on the composition of Conventional Commercial Banks' Deposits (BUK) and Sharia (BUS) Commercial Banks in 2006-2015.

Table 1: Comparison of DPK BUK and BUS composition.

Years	Composition of DPK of Sharia (billion rupiah)		
	Total DPK	Total Growth of DPK	(%)
2006	20.708		
2007	28.001	7.293	35,22%
2008	36.852	8.851	31,61%
2009	52.271	15.419	41,84%
2010	76.036	23.765	45,46%
2011	115.415	39.379	51,79%
2012	147.512	32.097	27,81%
2013	183.535	36.023	24,42%
2014	217.922	34.387	18,74%
2015	231.175	13.253	6,08%
Average	110.942,7	21.046,7	31,44%
Years	Composition of Conventional Commercial Bank DPK (billion Rupiah)		
	Total DPK	Total Growth of DPK	(%)
2006	1.287.102		
2007	1.510.833	223.731	17,38%
2008	1.753.291	242.458	16,05%
2009	1.950.712	197.421	11,26%
2010	2.338.823	388.111	19,90%
2011	2.784.912	446.089	19,07%
2012	3.225.198	440.286	15,81%
2013	3.663.978	438.780	13,60%
2014	4.114.423	450.445	12,29%
2015	4.413.056	298.633	7,26%
Average	2.704.232,8	312.595,4	14,74%

Source: Indonesian Banking Statistics.

From the above table it can be seen that in terms of total accounts both in sharia and conventional banking continues to increase, but the percentage of growth conditions total account of the year 2006-2011 for the conventional bank looks volatile. while the islamic banking showed relatively increased, but in the last four years there was a decrease in total growth of both conventional banking accounts and sharia banking. Where the portion of the decline in total growth of islamic banking accounts is greater than conventional banking. The lowest decrease of sharia banking occurred in 2015, which dropped to 6.08%, in the previous year was at 18.74%, ie decreased by 12.66%, even in 2015 the decline in the number of islamic banking DPK is under the banking conventional in the figure of 7.26%. This is certainly a problem that needs to be resolved. The DPK function is vital in banking, the increase in deposits will encourage the development of sharia banks, so that banking management continues to strive to increase the DPK (Piliyanti, 2014). There are some impacts if the bank decreases the number of depositor funds. the decline in the number of deposits allows the public's trust in the bank to decline. According to Hasibuan (2007: 71) "confidence means savers believe that the money and interest on his savings can be withdrawn from the bank in accordance with the agreement." In addition, the decreasing dpk will disrupt credit activities and bank operations are disrupted so that banks are no longer *rendebel*. based on the composition of deposits, the portion of deposits always occupy the most amount of funds raised by banks. Thus, deposits have a substantial share in increasing or decreasing deposits. judging from the type of fund raising facility offered by the bank, the deposit includes an investment account, which is an investment vehicle located in the bank. There are several factors affecting dpk. according to husnan (2006: 29) that customers who act as investors in the bank will consider the level of risk and expected profit levels of investment instruments. Based on research conducted by nelwani (2013), there are several factors that influence the deposit in sharia commercial bank (bus), namely: inflation rate, interest rate, promotion fee, office network amount, profit sharing rate and rupiah exchange rate.preferences, symbols and units.

Based on Adiwirman Karim and Adi Zakaria Affif from Karim Business Consulting, the segmentation of sharia banking customers in Indonesia is divided into three segments, namely sharia loyalist, floating market and conventional loyalist market. The floating market segment will keep its money in the bank more due to economic rationale

such as profit rate and quality of service offered. As stated by Karim (in Nurlaeli, 2007) This market segment will transact with the Sharia Bank if the Sharia Bank provides the same mini-mum profit service or more as compared to the Conventional Bank. Vice versa with Convention-al Banking, savings interest rate is an important variable to attract debtor customers. The public interest in saving is influenced by the interest rate. If interest rates increase, allowing people who have already adopted a Sharia Bank to move im-mediately to a Conventional Bank. Based on the above description can be concluded that one of the main differences between conventional and syariah is the interest rate in conventional banking and profit sharing in sharia banking to describe the rate of return given to both types of banks. In-terest rate movements and profit sharing rates will attract rational customers to deposit or withdraw funds at the Bank.

2 LITERATURE REVIEW

Bank Syariah Deposits Syariah deposits are de-positis that are based on sharia principles (Karim, 2008: 303). The National Sharia Council of the MUI has issued a fatwa stating that a justified de-posit is a deposit based on mudaraba principles. Mudharabah is a profit sharing agreement between the owner of the fund (shahibul maal) that provides 100% capital to the fund manager, in this case is the Bank that acts as the fund manager (mudharib). This product is intended as an investment tool for customers. Interest Rate According to Kasmir, (2012: 133) Bank interest can be interpreted as a fraction of the services provided by the bank based on conventional principles to customers who buy or sell their products. Bank interest in this case can be interpreted as the price to be paid bank to customers who have deposits. The interest rate here is peroxide as an alternative choice for floating market customers who save their funds in sharia banking. Profit Sharing Rate the profit-sharing agreement in principle, is a transaction that seeks an added value of a cooperation between parties in producing goods and services (Ascarya, 2008: 214). According to Agustianto (2013: 56), profit sharing is a profit or a result obtained from the management of both investment funds and buying and selling transactions provided to customers. In simple terms, profit sharing is the return or profit that will be obtained by the parties who contribute to provide funds for business activities.

3 METHODS

The method used is descriptive analytic and verification methods. The independent variables of this research are conventional bank interest rate and profit sharing rate. Dependent variable of de-posit amount in sharia commercial bank. The population in this study is all Sharia Commercial Banks in Indonesia. In sampling, the technique used is Purposive Sampling, so that obtained 11 Sharia Commercial Banks used in this study during the period 2010-2015, i.e. six years.

Table 2: List of sample Bank Syariah.

No.	Name of Bank Sharia
1	PT. Bank Muamalat Indonesia
2	PT. Bank Victoria Syariah
3	PT. Bank BRI Syariah
4	PT. Bank Jabar Banten Syariah
5	PT. Bank BNI Syariah
6	PT. Bank Syariah Mandiri
7	PT. Bank Mega Syariah
8	PT. Bank Panin Syariah
9	PT. Bank Syariah Bukopin
10	PT. Bank BCA Syariah
11	PT. Maybank Syariah Indonesia

Source: Statistics of Sharia Banking

3.1 Classic Assumption Test

Before performing the regression test, a classical assumption test is performed first. For multiple linear regression test the assumptions used are as follows:

- JB value counted 24,746, while Chi Square with $dk = (n-1) = 66-1 = 65$, at $\alpha; = 5\%$ is 84.82, then. Data is normally distributed.
- VIF value of 1.647 means $VIF < 10$. There is no multicollinearity problem.
- The White test value can be calculated with a W result of 25.94 which means $W < 84.82$ (chi square value) with $dk = (n-1) = 66-1 = 65$ and $\alpha; = 5\%$. There is no heteroscedasticity problem.
- The Durbin-Watson count is 1.6316. Value du and dL in DW table with $\alpha; = 5\%$, $dk = 2$, $n = 66$ is du at 1.5395 and dL 1.6640, thus $1.5395 \leq; 1.6316 \leq; 2.3360$ ($4 - 1.6640$), that there is no autocorrelation.

3.2 Panel Data Regression

Test Panel data is a combination of cross-section data (cross) with time-series data (time series). Panel data processing can be done with several models, namely:

Common Effect Model, Model Fixed Effect and Model Random Effect. The steps to determine the model in regression with panel data are as follows:

3.2.1 Chow Test

The Chow test model is used to find out whether the panel data regression technique with fixed effect is better than the common effect regression model. In Chow test can be made hypothesis as follows:

- Ho: Model follows PLS / common effect
- H1: The model follows fixed

The scoring criteria are the results indicating that F-test and Chi-square if p-value; 5% then H0 is accepted, and if p-value < 5% then H0 is rejected (Rohmana, 2010: 242).

The chow test results show that the F-test and Chi-square are significant (p-value is not more than 5%) so that Ho is rejected, the more appropriate fixed effect model is used compared to the PLS model.

3.2.2 Hausman Test

The hausman test is performed to determine whether the fixed effect model is better than the REM model. In the Hausman test, the proposed hypothesis is as follows:

- Ho: using the Random Effect model
- H1: using Fixed Effect model

With assessment criteria, if p-value > 5%, then received, if p-value < 5%, then rejected.

The hausman test results show that p-value is greater than 5% so Ho is accepted. Then a more appropriate random effect model is used than the fixed effect model. Based on chow test and hausman test that has been done, then the most appropriate model used in this research is random effect model.

3.2.3 Test of Simultaneous Regression Coefficient (Test F)

This test is to determine whether all the independent variables included in the model of interest rate and profit sharing rate have simultaneous effect on the amount of deposit in sharia bank as dependent variable. Hypothesis in this research:

- BUK interest rate and profit sharing rate do not affect the increase of deposit amount in Sharia Commercial Bank.
- BUK interest rate and profit sharing rate influence the increase of deposit amount in Sharia Commercial Bank.

3.2.4 Partial Regression Coefficient Test (t test)

Hypothesis testing partially with t-test aims to determine the influence of each independent variable to the dependent variable. Assuming other independent variables are fixed. Hypothesis in this research are:

- Hypothesis of variable X1 to Y:
The interest rate of BUK does not affect the increase of deposit amount in Sharia Commercial Bank, The interest rate of BUK affects the increase in the number of deposits in Sharia Commercial Banks
- Hypothesis of variable X2 to Y:
The profit-sharing rate does not affect the increase in the number of deposits in Sharia Commercial Banks, The profit sharing rate has an effect on the increase of deposit amount in Sharia Commercial Bank.

4 RESULTS AND DISCUSSION

4.1 Interest Rate

The interest rate of the bank determines how much the remuneration is provided by a bank based on the conventional principle to the depositary customer. One of the existing types of interest is the conventional deposit interest rate, which means the customer will get a fee of interest provided by the bank after the maturity date.

Interest rates in the 2010-2015 period tend to fluctuate with the trend having an average increase of 1.13%. In the period 2010-2015 the average interest rate set by banks was in the range of 7.42%. The highest interest rates occur in 2014 (amounting to 8.92%) and the lowest interest rates occur in 2012 (amounting to 5.90%).

The increase and decrease in interest rates is caused by several reasons, such as the economic and financial situation faced in foreign countries overseas and monetary policy set by Bank Indonesia. Generally, Bank Indonesia will raise the BI Rate if inflation is expected to exceed the set target.

Banking with a flower system will certainly raise public funds with the lure of interest rates that tower. This is in line with Karnaen (2011: 24) "A savings interest rate would be interesting if: higher than the inflation rate, higher than the real interest rate abroad, and more competitive in the country".

4.2 Profit Sharing Rate

The profit-sharing rate determines how much of the services provided by the banks with the principles of sharia to depositors. The profit-sharing principle is only granted to customers who deposit funds on the principle of mudaraba.

The description of profit sharing rate at Syariah Public Bank in 2010-2015 is getting an average value of 6.74%. Overall, the average Shariah-compliant bank's share rate appears to be fluctuating every year, but has declined by an average of 0.82%. The highest share rate of Sharia Commercial Banks occurred in 2010 (7.32%) and the lowest average share-sharing rate in 2013 (6.33%). The increase and decrease in profit-sharing rate is strongly influenced by the ratio provided and the financing activities performed by the Sharia Bank.

4.3 Deposit of Sharia Commercial Bank

As a financial intermediary institution, banking activities cannot be separated from collecting funds from the community and channelling the funds back to the community. The portion of de-posits always occupies the most number in third party collections. The nominal amount of deposits of Sharia Banks collected during the period 2010-2015 has increased. In the period 2010-2015, the average amount of mudharabah deposits of Sharia Commercial Bank as a whole amounted to 74,692,000,000,000 rupiah. Growth, however, the trend of mudharabah deposits for six years (2010-2015) decreased by 11%.

Seeing the increase and decrease in deposits in Islamic banking is influenced by several things, such as factors of public confidence and public understanding of sharia banking. These community clusters will not pay attention to the level of revenue share and the rate of interest that decreases or rises. People will also see the quality of services provided and benefits. Product products is-sued and promotions made by sharia banks also become an important role of banks to attract customers in raising.

4.4 Regression Coefficient Test Simultaneously

This study used panel data, which is a combination of cross-section data and time-series data. From research procedure to panel data obtained result that this research better use Random Effect model. The applicable regression model is $DM = 5616136 - 1486139 TSB + 1493060 TBH$. Where the interest

rate variable has a negative influence on the number of mudharabah deposits and the variable of profit sharing rate has a positive influence on the number of mudharabah deposits.

The result of regression significance test simultaneously through F-test shows that the interest rate of conventional commercial bank and profit sharing rate influence the number of deposits in Sharia Commercial Bank in 2010-2015. This is evidenced by the value of F arithmetic of 20.37 is greater than F table 3.14.

R square result shows that 0,393 means 39, 3% variation of conventional bank interest rate variable and profit sharing rate influence deposit amount in Syariah Bank 2010-2015. While the remaining 60.7% (100% -39.3%) is influenced by other factors outside the interest rate and the level of profit sharing.

4.5 Effect of Interest Rates on Deposits in Sharia Commercial Banks

Partial test for profit sharing through t-test is obtained result that at 5% significance level, $t_h > t_{ta}$ that is 4,76 1,67 with a significance value of 0.0000 then H_0 is rejected and H_1 accepted which means there is influence between the level of prof-it sharing and the amount of deposits in Islamic banks.

Regression coefficient value of 1.493.060 which means any increase of 1% profit sharing rate will increase the number of Islamic banking mudharabah deposits of 1.493.060 million rupiah. This result is in accordance with the theory that the in-crease in profit sharing will affect the amount of third party funds, where one of the largest contributor of third party fund sources is deposits. Banking customers in Indonesia are divided into three layers, namely; Conventional market, floating market, and sharia loyalist market. As stated by Karim (in Nurlaeli, 2007: 65), "The factor that attracts a floating market customer is transacting with a Sharia Bank if a Sharia Bank provides a profit service of at least the same or more than that of a Conventional Bank".

It means that some customers make the choice to place funds in sharia banking is very dependent on the yield obtained. With a high profit sharing rate will increase the interest of the community, especially the floating market segment to save funds in Islamic banks. Therefore, when the profit sharing rate is high, there is an increase in the number of syariah banking deposits. For that Islamic banks need to keep in order to still be able to provide attractive revenue sharing to its customers.

From the research conducted, confirmed that the preference of Indonesian people, especially the floating market segment in saving the funds in banking will see the benefits offered. This means that

customers consider the choice to place funds in either sharia or conventional banking is very dependent on the level of returns to be obtained. So by using only sharia principles, it is not the primary value to acquire customers, although some Indonesians are Muslim.

The results of this study support the results of research conducted by Nurika (2014), Suratman (2011), Reswari (2010) and Nurlaeli (2007) concluded that the profit sharing effect on mudharabah deposits due to some customers who put their funds in Islamic banks are still influenced by the motive Looking for profit.

5 CONCLUSIONS

In 2010-2015 conventional bank interest rates ranged from 5.90% - 8.92%, while the profit sharing rate ranged from 6.33% - 7.32%. The nominal amount of Sharia Commercial Bank deposits has increased, but the growth of total deposits in Sharia Commercial Banks in 2010-2015 percentage decreased by an average of 11% per year. The interest rate of conventional banking and the level of profit sharing simultaneously have a significant effect on the growth of deposit amount in Sharia Commercial Bank. The conventional bank interest rate has a significant negative effect on the amount of deposits in Sharia Commercial Banks, while the profit sharing rate significantly affects the amount of deposits in Sharia Commercial Banks.

REFERENCES

- Agustianto. 2013. *Determination of Profit Sharing of Mudharabah Deposit at Bank Syariah*. [On line]. Available: Brawijaya. <http://www.iaei-pusat.net> [12 Juni 2016].
- Ascaraya. 2008. *Akad & Bank Syariah Products*. Jakarta: Raja Grafindo Persada.
- Azmansyah, Ahmad, Z. 2012. *Comparative Analysis of Profit Sharing and Interest and Its Influence on Community Funds Collection (Case Study at Riaukepri Syariah Bank Pekanbaru)*. Journal of Economics, Management and Accounting. Vol.18 No. 1, p.1-25
- Bank Indonesia. 2006-2015. *Indonesian Banking Statistics*. Jakarta: Bank Indonesia
- Hasibuan. 2007. *Fundamentals of Banking*. Jakarta: PT Bumi Aksara.
- Husnan. 2006. *Fundamentals of Financial Management*. Yogyakarta: UPP STIM YKPM.
- Husni, A. 2009. *Factors Affecting Third-Party Funds Growth in Syariah Banking in Indonesia Period: January 2006-December 2007*.
- Karim, A.A. 2008. *Islamic Bank Fiqh and Financial Analysis*. Jakarta: Raja Grafindo Persada.
- Karim, A., Affif, A. Z. *Islamic Banking Consumer Behavior in Indonesia, a Qualitative Approach*. [Online]. Tersedia: <http://www.kantakji.com/media/163564/file515.pdf>. [25 Juni 2016]
- Kasmir. 2012. *Dasar-Dasar Perbankan*. Jakarta: Rajawali Pers.
- Karnaen, A., 2011. *Bank Syariah Theory, Practice and Role*. Jakarta: Celestial Publishing.
- Nelwani, C.Y., 2013. *Factors Affecting Mudharabah Deposits in Sharia (BUS) Banks Period 2009-2012*. Essay. Yogyakarta: Department of Islamic Economics UIN Sunan Kalijaga
- Nurika. 2014. *Analysis of Profit Sharing Factor and Interest Rate to Third Party Fund at Bank Muamalat Indonesia with Variation Moderation of Financial Crisis of 2008*. Thesis. Bandung: M2B Department Universitas Pendidikan Indonesia.
- Nurlaeli, L., 2007. *The Effect of Profit Sharing and Interest Rate on Total Mudharabah Deposits at PT Bank Muamalat Indonesia Tbk*. Thesis. Bandung: Department of Economic Education UPI.
- Financial Services Authority. 2016. *Statistics of Sharia Banking*. Jakarta: Bank Indonesia
- Reswari, Y.A., Abdurahim, A. 2010. *Influence of Interest Rate, Profit Sharing and LQ 45 on Mudharabah Deposit at Indonesian Sharia Bank*. Journal of Accounting and Investment. Vol. 11 No.1, p.30-141
- Rohmana, Y. 2010. *Econometrics (Theory and Applications with Eviews)*. Bandung: Economic and Cooperative Lab.
- Suratman. 2013) *Effect of Mudharabah Deposit Amount, SBIS Reward Rate, 1 Month Deposit Interest Rate, and Inflation Rate on Mudharabah Deposit (Case Study of PT Bank Syariah Mandiri Tahun 2007-2011)* Thesis, Jakarta: Department of Management UIN Syarif Hidayatullah.
- Wulansari, D. I., 2015. *The Effect of Profit Sharing and Interest Rate on the Number of Mudharabah Deposits (Case Study of Sharia Banking Year 2009-2013)*. Essay. Malang: Department of Economic Universitas Brawijaya.