

THE EFFECT OF SPIN-OFF POLICY AND MACROECONOMIC FUNDAMENTAL FACTORS ON THIRD PARTY FUNDS AT SHARIA GENERAL BANKS

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Abstrak

Dalam rangka meningkatkan perkembangan perbankan syariah, Pemerintah mengeluarkan Undang-Undang Nomor 21 Tahun 2008 tentang *spin-off*. Dengan kebijakan ini diharapkan Bank Umum Syariah akan berkembang. Penelitian ini bertujuan untuk mengimplementasikan regresi data panel untuk mengetahui secara mendalam pengaruh kebijakan *spin-off* dan faktor fundamental makroekonomi terhadap dana pihak ketiga Bank Umum Syariah. Pengambilan sampel dengan *purposive sampling*, enam (6) Bank Umum Syariah yang telah melakukan *spin-off* dan data laporan keuangan tahun 2014-2018. Uji Chow dan Uji Housman menunjukkan bahwa model regresi data panel yang sesuai dengan data variabel yang digunakan pada tahun 2014-2018 adalah Random Effect Model (REM). Hasil empiris menunjukkan bahwa selama periode 2014-2018, kebijakan *spin-off* dan faktor fundamental makroekonomi berpengaruh signifikan terhadap dana pihak ketiga bank secara simultan. Secara parsial, hanya kebijakan *spin-off* yang berpengaruh signifikan terhadap dana pihak ketiga.

Kata kunci: Dana Pihak Ketiga; Kebijakan *Spin-Off*; Faktor Fundamental Ekonomi Makro

Abstract

In enhancing the development of Islamic banking, the government issued Law No. 21 of 2008 concerning spin-off. With this policy, it is expected that Islamic Commercial Banks will develop. This study aims to implement panel data regression to examine in depth the influence of spin-off policy and macroeconomic fundamental factors on third party funds of Sharia General Banks. Sampling by purposive sampling, six (6) Sharia General Banks that have conducted spin-offs and financial report data from 2014-2018. The Chow Test and the Hausman Test show that the panel data regression model that matches the variable data used in 2014-2018 is the Random Effect Model (REM). Empirical results show that during the 2014-2018 period, the spin-off policy and macroeconomic fundamental factors had a significant effect on the bank's third-party funds simultaneously. Partially, only the spin-off policy has a significant effect on third party funds.

Keywords: *Third-Party Funds; Spin-Off Policy; Macroeconomic Fundamental Factors*

1. Introduction

Based on Law No.7 of 1997 concerning banking, what is meant by banks is a business entity that collects funds from the public in order to improve the lives of many people. Whereas according to Law No.10 of 1998 dated 10 November 1998 concerning banking, what is meant by a bank is a business entity that collects funds from the public in the form of savings credit and distributes it to the public in the form of credit or other forms of nature in order to improve the standard of living many people (Nasuha, 2012).

This means that the development of a bank is strongly influenced by its ability to raise funds from the public. The ability of Islamic banking in collecting Third Party Funds (TPF) and competing with conventional banking in the midst of changing macroeconomic conditions in Indonesia, will also determine the size of the role of national Islamic banking in the economy of this country and its share in the Islamic Finance Industry. Macroeconomic conditions in Indonesia that are always undergoing change will determine the size of the deposition of Islamic bank deposits. From the data of sharia banking growth and previous research, it can be seen that fluctuations in TPF growth are identical to economic instability. Some elements of macroeconomic conditions that can affect the collection of deposits in Islamic Banking are inflation, Bank Indonesia interest rates and the exchange rate of the Rupiah against the US Dollar (Karim, 2013).

Initially banking in Indonesia was dominated by conventional banking. But with the passing of Law No. 21 of 2008 concerning Islamic banking which is a strong foundation so that the growth of Islamic banks in Indonesia is increasing very fast. In 2018 there were 14 Sharia Commercial Banks and

21 Sharia Business Units. In Law No. 21 there is article 68 paragraph 1 governing the separation of Sharia Business Units (UUS) into Sharia Commercial Banks (BUS) where Sharia Business Units are required to separate if their assets reach 50% of their parent Bank assets or 15 years after Law No. 21 of 2008 article 68 paragraph 1 applies, this article is also strengthened by Bank Indonesia Regulation No. 11/10/PBI/2009. This high growth needs to continue to be monitored to maintain the sustainability of healthy sharia banking growth (Nawasiah & Alkaf, 2020).

By the presence of Islamic banks, competition in conventional banks has increased, especially considering that most of Indonesia's population is Muslim. Basically, the operating systems of conventional banks and Islamic banks are the same in terms of money receipts, transfer mechanisms, financing and so on. Conventional banks set interest systems in their activities while Islamic banks refer to Islamic values in the absence of an interest system but in other words the profit sharing system (Rivai & Arifin, 2010).

Based on the background of the description above, it can be identified the problem in the process of spinning UUS to become an BUS that is out of sync between the Ministry of Law and Human Rights and Bank Indonesia regulations even though there are already regulations regarding spin offs. Bank Indonesia regulations require that a new bank permit must have a deed of separation which has been declared effective by the Ministry of Law and Human Rights. Whereas the Ministry of Law and Human Rights requires that the deed of separation be effective if there has been a transfer of rights and obligations from the old entity, including effective capital deposit.

The phenomenon of separation, according to the results of an interview with Achmad Riawan Amin, the former chairman of ASBISINDO and former Director of BJB Sharia in (Arif M. N., 2014) said that the separation of Islamic banking from UUS into BUS seemed to be forced because it had not reached at least 50% of its parent assets, so what happened many new Islamic bank management is difficult to develop themselves. Separation is only done based on information from Bank Indonesia, the potential of the banking industry is very bright. (Arif M. N., 2014) states that the separation policy must be evaluated because it causes the performance of the banking industry to be less efficient when compared to the conditions before the separation.

Various previous studies have discussed a lot about the health of banks before and after spin-off which is assessed in terms of financing, capital, and also the income side such as an empirical study conducted by (Arif M. N., 2018) using panel data regression with the Fixed Effect Model finding that policy The spin-off has a good influence on the growth of deposit funds in the Islamic banking industry in Indonesia. The implication in the results of this study is that the spin-off policy has a good impact on the growth of deposit funds in the Indonesian Islamic banking industry and the spin-off decision is one of the business strategies of Islamic banks and not the goal of the Islamic banking industry.

Quantitative research conducted by (Setyawati, Widyastuti, & Suryati, 2019) found that macroeconomic factors (inflation rates, gross domestic product, and exchange rates) had a strong effect on the profitability of Islamic banks. After adding up the inflation rate, gross domestic product and exchange rate, the effect on profitability is

greater than if only using internal variables (CAR and NPF).

In his research (Hilman, 2018) describes that the growth rate of Sharia Commercial Bank (SCB) business activities is better than the Sharia Business Unit (SBU), but in terms of profitability and efficiency, SBU is better than SCB. Based on previous research, this study concludes that the UUS spin-off policy as mandated by the Law has been implemented by several SBU Conventional Commercial Banks, although the number is still small so that, the acceleration of development and targets of Islamic banking. market share is not as expected. However, when viewed from the performance of the BUS in general, it is better than UUS, especially in terms of business activity growth and operational aspects.

Based on the findings of previous studies and encouraged by the emergence of Law no. 21 of 2008 article 68 paragraph 1 and strengthened by Bank Indonesia Regulation No. 11/10 / PBI / 2009, this study specifically analyzes the extent of the influence of spin-off and macroeconomic policies on third party funds during the 2014-2018 period, because during the research period there were still not many studies that discussed the effect of spin-off policies. Towards third party funds at the same time including the macroeconomic fundamental factor variables in it. The discussion in this study will focus on 6 Islamic Commercial Banks that have carried out spin-offs.

The Estimation results show that simultaneous spin-off policies and macroeconomic fundamentals have an effect on third party funds of Islamic banks. However, partially, only spin-off policy has an effect on third party funds, whereas macroeconomic fundamental factors have no effect on third party funds. The results of the study are expected to be used by the Sharia

General Bank as a reference in maintaining economic stability and third-party bank funds. In addition, conventional banks can be used as input for conducting spin-off policies to become a Sharia General Bank while maintaining bank performance after the spin-off.

2. Literature Review

Law No. 21 of 2008 states that an Islamic bank is a bank that conducts business activities based on sharia principles and by type consists of Sharia General Banks and Rural Credit Banks. According to Law No. 10 of 1998, business activities carried out by banks are collecting and distributing funds. Sharia bank fund raising is also called Third Party Fund (TPF) for the bank, which can be in the form of demand deposits, savings and deposits.

Separation or spin off according to Bank Indonesia Regulation No 11/10/PBI/2009 is a spin-off is the separation of business from one Conventional General Bank into two or more business entities in accordance with the provisions of the prevailing laws and regulations. Conducting a spin-off will certainly be related to existing performance at a bank, because the spin-off process requires very large operational costs and this can affect the financial performance of course there are adjustments from the bank that makes the spin off. The performance of a bank after the spin-off is not necessarily visible in the first years of the spinoff, usually at the beginning of the separation there are differences in financial performance that is not yet stable because it requires an adjustment due to the spinoff process. But this is very reasonable because it is the first establishment of a spin-off which also requires a large amount of funds in the development process. Its performance will usually begin to show after a few years the bank is running where the bank has

begun to stabilize in carrying out its operational activities (Nasuha, 2012).

According to (Putong, 2002) macroeconomics is part of economics that specializes in studying the mechanism of the economy as a whole. Macroeconomics has a close relationship in lending policies undertaken by banks. Healthy macroeconomic conditions will support the stability of the national economy, thereby spurring banks to extend loans to the public. Fundamental macroeconomic factors are environmental factors originating from external companies where their existence is not directly related to the company's operational activities. Nevertheless macroeconomic fundamentals affect company performance and firm value. Two fundamental macroeconomic factors are: inflation and the exchange rate.

Price increases or inflation will reduce the public's interest to save money in the bank. Due to the emergence of expectations the value of savings is increasingly decreasing. This is supported by (Muttaqiena, 2013) which states that inflation has a negative and significant effect on Sharia Banking's Third Party Funds. However, (Anisah, 2013) explains that inflation had no effect on *mudharabah* Sharia Banking deposits.

According to (Sukirno, 2013), the exchange rate or exchange rate shows the price or value of a country's currency expressed in the value of another country's currency. The depreciation of the Rupiah against the United States dollar can cause a flight of capital abroad because when compared to other currencies, investment expectations in Indonesia are lower. Increasing the exchange rate of the US Dollar will increase the demand for the Dollar; otherwise the demand for domestic money will decrease. Rupiah depreciation will also increase production costs due to rising prices of raw materials

and capital goods that originate from imports. As a result, companies will tend to attract liquid funds with low returns to overcome capital problems. Based on this, changes in the exchange rate of the rupiah against hard currencies, including the US Dollar, can affect the growth of the number of accounts and deposits in Islamic banking, especially from corporate customers.

This statement was proven by (Muttaqiena, 2013) who stated that the Rupiah exchange rate had a negative and significant effect on Sharia Banking's Third Party Funds. However, (Rudiansyah, 2014) study elaborates that the Rupiah exchange rate had no significant effect on *mudharabah* deposits in Sharia General Banks in Indonesia. This research has advantages compared to other studies ranging from data taken using the latest data. By using the latest data, the results obtained will better illustrate the current banking situation.

3. Methodology

Based on the existing problems, this research is a quantitative and verification description research that is doing calculations on financial data obtained to solve existing problems in accordance with the research objectives. This study is intended to determine the Effect of Spin-off Policy and Macroeconomic Fundamental Factors in Indonesia on Sharia Bank Third-Party Funds that are limited by Sharia Commercial Banks as a result of spin-offs registered in the Financial Services Authority (OJK). While the verification level will be known the biggest influence of each variable studied, using secondary data from 6 banks consisting of: PT Bank BNI Syariah, PT Bank Central Asia (BCA) Syariah, PT Bank Syariah Mandiri, PT Bank BRI Syariah, PT Bank BTPN Syariah and PT Bank Bukopin Syariah by downloading the financial

statements of each bank during the 2014-2018.

According to Bank Indonesia Regulation No.10/19/PBI/2008, bank third party funds, hereinafter referred to as TPF, are bank obligations to residents in rupiah and foreign currencies. Generally, funds collected by banks from the public consisting of Savings, Deposits and Current Account (Herli, 2013) will be used to fund real sector activities through lending.

This study uses panel data regression analysis where panel data is a combination of time series data and cross section data. Cross section data is data collected from time to time for many individuals, while time series data is collected from time to time to an individual. Panel data regression analysis is a regression analysis tool where data is collected individually (cross section) and followed at a certain time (time series). Panel data is a combination of cross section data, namely 6 Sharia General Banks and time series data with a study period of 5 years, then the regression equation uses eviews software 9. Panel data analysis techniques in this study can be done with the Common Effect Model (CEM) method, Fixed Effect Model (FEM) and Random Effect Model (REM), while to test the suitability or goodness of the three methods in the estimation technique with panel data models, the Chow Test, Hausman Test and Lagrange Multiplier Test are used (Mahulete, 2016). The variable used in this study is an independent variable consisting of a Spin-Off Policy (SOP) with a proxy for the amount of assets, a macroeconomic fundamental factor consisting of the Exchange Rate (ER) and Inflation. While the dependent variable in the study is Third Party Funds (TPF) collected from Savings, Current Accounts and Deposits.

4. Result and Discussion

Based on the characteristics of the problem to be examined, this research is classified into quantitative method research and panel data regression test which aims to analyze the extent of spin-off policy and macroeconomic fundamental factors that have a significant effect on third party funds of Islamic banks during the observation period. From the estimation results, data analysis is done in the form of a classic assumption test where the results are found that the data used in this study are normally distributed and free from multicollinearity problems and there is no heteroscedasticity in the model used.

Result

1. Determination of Panel Data Model Analysis Techniques

a. Chow Test

First, the digitizing panel data uses the fixed specification effect. The test performed is the Chow test. The results of the estimation using fixed specification effects are as follows:

Table 1.1 Result of Redundant Fixed Effects Tests

Effect Test	Probability
Cross-section F	0.0000
Cross-section Chi-Square	0.0000

Sumber : Output Eviews 9

Based on the above results, it is known that the Chi-square probability of 0.0000 causes H_0 to be rejected. Then the Fixed Effect Model is a model that should be used.

b. Hausman Test

This test aims to determine whether the Random Effect Model is better used than the Fixed Effect Model. If the chi-square probability result is more than 5%, then the model should use the Random Effect Model. The results of the estimation using the random specification effect are as follows:

Table 1.2 Result Hausman Test

Test Summary	Chi-Sq. Statistic	Probability
Cross-section random	0.000000	1.0000

Sumber : Output Eviews 9

The chi-square probability results of 1,0000. So it can be concluded that the model should use the Random Effect Model.

2. Result of Panel Data Regression

From the specification test above, the model should use estimates with the Random Effect Model. In previous tests, the model has passed the classic assumption test, so that the estimation results are consistent and unbiased. The estimation results of the panel data regression model are as follows:

Table 1.3 Result of Random Effect Model

Variable	Coefficient	T-stat.	Prob.
C	-1.641353	-0.102055	0.9195
SOP	6.98E-07	6.955564	0.0000
Exchange Rate	0.000944	0.907555	0.3724
Inflation	-0.650575	-1.151549	0.2600
F-statistic	32.15804	Prob (F-Statistic)	0.000000
$R^2 = 0.787710$			

Sumber : Output Eviews 9

Based on the table above, it can be seen that the probability for SOP, Exchange Rate, and Inflation variables has a significance level in the error level of 5% which means that all independent variables have a significant influence on the TPF variable as the dependent variable.

3. Result of Significance Test

a. Coefficient of Determination (R^2)

The coefficient of determination or goodness of fit obtained a figure of 0.787710. This means that the contribution of all independent variables in explaining the dependent variable is 78.77%. The remaining 21.23% is explained by other variables outside the model.

b. Simultaneous Test

Based on the analysis using Eviews 9 software, the F-calculated value is 32.15804 and the F-probability is 0.000000. In the

significance level of 5%, the F-test is significant. So it can be concluded that all independent variables have a significant effect on the dependent variable simultaneously. SOP, ER and Inflation variables have a significant effect on Third Party Funds (TPF) simultaneously.

c. Partial Test

The results of the partial test analysis show that each independent variable significantly effects the dependent variable individually.

The Effect of Spin-Off Policy (SOP) on Third Party Funds (TPF)

The analysis shows that the SOP variable has a t-test of 6.955564 and a probability of 0.0000. In the significance level of 5%, the SOP variables are significant in effecting Third Party Funds (TPF) individually. Regression coefficient of 6.98E-07 shows that SOP has a positive effect on Third Party Funds (TPF) at Sharia General Banks. This means that if an SOP increases by 1%, it will also cause an increase in Third Party Funds (TPF) of 0.000000698%. This finding is in line with an empirical study (Arif M. N., 2014) which states that spin-off policy has an effect on third-party funds. This means that the spin-off policy has a good influence on the growth of Islamic banks' third-party fund in Indonesia.

The Effect of Exchange Rates (ER) on Third Party Funds (TPF)

The analysis shows that the ER variable has a t-test of 0.907555 and a probability of 0.3724. In the significance level of 5%, the ER variable individually is not significant in effecting Third Party Funds (TPF). Regression coefficient of 0.000944 shows that ER positively does not effect the Third Party Funds (TPF) at Sharia General Banks. This means that if there is an increase in ER by 1%, it does not cause Third Party Funds (TPF) to increase. These findings are in line with previous research conducted by

Rudiansyah (2014) which describes that exchange rate does not have a significant effect on mudharabah deposits in Islamic banks in Indonesia.

The Effect of Inflation on Third Party Funds (TPF)

The analysis shows that the Inflation variable has a t-count of -1.151549 and a probability of 0.2600. In the significance level of 5%, the individual inflation variable is not significant in effecting Third Party Funds (TPF). Regression coefficient of -0.650575 shows that inflation has a negative effect on Third Party Funds (TPF) at Sharia General Banks. This means that if there is an increase in inflation of 1%, it will not cause a decrease in Third Party Funds (TPF). A study from (Anisah, 2013) states that inflation has no effect on mudharabah Islamic Banking deposits. This is certainly in line with the findings of this study.

Discussion

1) Bank BNI Syariah

The results of data regression conducted during the 2014-2018 period indicate that the independent variable has a significant effect on the dependent variable simultaneously. Empirical findings during this observation period prove that spin-off policies effect third party funds. While the macroeconomic fundamental factors do not effect the bank's third-party funds. Based on annual reports published by (Bank Negara Indonesia (BNI) Syariah, 2014-2018) during the 2014-2018 shows that BNI assets that grew by 22.99% in 2017 were supported by an increase in productive assets. The important role of productive assets can be seen from the portion of productive assets to total assets which reached 84.40% in 2017. Productive assets were able to grow by 17.28% to Rp29.390,78 billion from Rp25.060,46 billion a year earlier. Judging from the composition of earning assets, murabahah

receivables have a strategic position with the largest contribution of 47.55% in 2017. These receivables were able to grow by 8.71% to Rp16.557,18 billion compared to the previous year's position of Rp15.230,37 billion.

Total DPK in 2018 reached Rp35.497 billion, an increase of 20.82% compared to the previous year of Rp29.379 billion. This TPF growth was driven by the growth in the number of accounts which in 2018 had added 450 thousand new accounts. This TPF growth was also supported by an increase in CASA from 51.60% in 2017 to 55.82%, so as to improve the cost of funds. The growth in deposits was mainly supported by the growth of low-cost funds (Current Accounts and Savings) which rose 30.7% (yoy) so that the CASA ratio reached 55.82%. The strategies implemented to support the growth of TPF include cooperation with Institutions such as Schools, Universities, Hospitals, Islamic Boarding Schools, and also Government / Private Institutions. In addition, BNI Syariah also has the support of BNI synergy through Sharia Channeling Outlet (SCO) where the public can access sharia services in around 1.584 BNI branch outlets.

Indonesia's GDP has grown stronger in addition to being influenced by an increase in consumption spending but also supported by good inflation management by the Government. Inflation in 2018 was 3.13% or lower than the inflation in 2017 which was 3.61%. This achievement is in line with Bank Indonesia's (BI) inflation target of 3.5% ($\pm 1\%$). By this excellent performance, in 2018 BNI Syariah managed to record a net profit of Rp416 billion, growing 35.66% compared to the previous year of Rp.307 billion. While the total assets in 2018 were recorded at Rp41.049 billion, an increase of 17.88% compared to the previous year of

Rp34.822 billion (Bank Negara Indonesia (BNI) Syariah, 2014-2018).

2) *Bank BCA Syariah*

During the research period, the estimation results obtained from data processing indicate the output that the independent variable has a significant effect on the dependent variable simultaneously. While partially only the spin-off policy has a significant positive effect on third party funds. This empirical evidence is in line with the financial performance report published by (Bank Central Asia (BCA) Syariah, 2014-2018) that BCA Syariah successfully recorded a solid performance, this condition is marked by the growth of assets, financing portfolios, and deposits that are above the industry average.

BCA Syariah asset growth continues to increase. Until the end of December 2018, the growth of the Bank's assets reached Rp7.064,0 billion, an increase of 18.5% compared to 2017 which was recorded at Rp5.961,2 billion. Funding reached Rp4.899,7 billion, growing 16.9% compared to the previous year which was at Rp4.191,1 billion.

Third Party Funds (TPF) also showed growth reaching Rp5.506,1 billion or growing 16.3% from 2017 amounting to Rp4.736,4 billion. Meanwhile, net profit also grew with an achievement of IDR58.4 billion, an increase of 22.0% from the previous year which was IDR 47.9 billion. Overall, the achievements shown in terms of assets, financing, deposits and net income succeeded in exceeding the targets set in the RBB.

In the midst of the unfavorable global economic development, the performance of the Indonesian economy in 2018 is quite good with stable stability and continued growth momentum. Indonesia's economic growth was recorded at 5.2%, an increase compared to the previous year. While the

inflation rate in 2018 remained under control in the target range of 3.5% +/- 1% and hence contributed to the increase in people's purchasing power.

The World Bank, in its December 2018 quarterly report on the Indonesian economy, noted that Indonesia had managed to survive amid great global turmoil thanks to strong macroeconomic fundamentals and strong policy coordination. In the midst of a world economy that is still slow, the Indonesian economy in 2018 recorded growth of 5.2% or increased compared to the previous year. Indonesia's resilience in the face of global uncertainty makes Indonesia a promising country for investment, coupled with its position as the largest market in Southeast Asia.

Indonesia's inflation remained stable with an average of 3.1%, although it was still below Bank Indonesia's inflation target of $3.5 \pm 1\%$. Meanwhile, the exchange rate of the Rupiah against the US Dollar weakened in 2018. In October 2018, the Rupiah weakened to the highest level of Rp15.088 per USD, but again strengthened at the end of the year at the level of Rp14.481 per USD. Rupiah exchange rate was recorded to weaken Rp 939 or 6.9% in a year. (Source: Bank Indonesia 2018). The above factors and other factors such as the strengthening trend of the rupiah, the mix of government policies, together contribute to the creation of improved national economic performance. In line with the improving condition of the Indonesian economy, the performance of the national banking sector also recorded positive results as seen from the growth in total assets as of December 2018 of 9.2% (yoy) (Bank Central Asia (BCA) Syariah, 2014-2018).

3) *Bank BRI Syariah*

BRI Syariah sees great potential in the sharia banking segment. By the intention to present

a financial business that is based on the noble principles of Islamic banking, the Bank is committed to the best products and services that are reassuring; BRI Syariah continues to grow positively.

The results of data estimation carried out during the study period show the independent variable has a significant effect on the dependent variable simultaneously. Over the past 5 years proving spin-off policies and macroeconomic fundamentals effect third party funds. However, only the spin-off policy has an effect on third party funds. According to an annual report released by (Bank Rakyat Indonesia (BRI) Syariah, 2014-2018) that during the 2014-2018 BRI Sharia managed to record a fairly good performance. And in general, various performance targets set in the 2018 Bank Business Plan (RBB 2018) can achieved, except in the aspect of financing growth that is slightly below the target.

Third Party Funds collected by the Bank in 2018 reached Rp 28.86 trillion, growing 9.69% compared to the previous year's Third Party Funds amounting to Rp 26.31 trillion. The achievement of the amount of Third Party Funds exceeded the target set or equal to 103.5% of the RBB target. In addition, 74.70% growth was contributed by low-cost funds in the form of demand deposits and savings. Operating profit before provisioning managed to grow by 30.35% to Rp 776.8 billion in 2018 from the previous year of Rp 595.9 billion. In line with BRI Syariah's step in efforts to increase risk mitigation on the financing it disbursed, the increase in reserve costs became more conservative and in the end BRI Syariah posted a net profit in 2018 of Rp 106.6 billion, an increase of 5.45% from net profit in 2017 amounting to Rp 101 billion.

In the operational year, the Bank also managed to record asset growth of 20.20% to

Rp 37.91 trillion from Rp 31.54 trillion in 2017. The increase in total assets is also above the 2018 RBB target. To further strengthen its image in the eyes of all stakeholders, since 2016 BRI Syariah has recorded an important history in its business journey. The logo rebranding process is carried out, to grow BRI Syariah's brand equity increasingly stronger as it is won the title as the fourth largest Islamic bank based on total assets.

In the midst of these conditions, Indonesia's economy still managed to record moderate growth, amounting to 5.17%, up from 2017 which amounted to 5.07%. The inflation rate in 2018 will also be maintained at a low level of 3.13%, better than 3.61% in the previous year. To respond to pressures on the exchange rate due to rising trade balance deficits and responding to the Fed's interest rate hike, Bank Indonesia made adjustments to the BI 7-Day Repo Rate to 6.0% (Bank Rakyat Indonesia (BRI) Syariah, 2014-2018).

4) *Bank Syariah Mandiri*

Results of estimation obtained during the 2014-2018 shows the output that the independent variable has a significant effect on the dependent variable simultaneously. The spin off policy has a positive and significant effect, which means an increase in the number of assets causes an increase in third party funds. However, macroeconomic fundamentals namely exchange rates and inflation does not have a significant effect on third party funds. Which means the rising exchange rate and inflation does not cause changes in third party funds. Based on the financial performance report issued by (Bank Syariah Mandiri (BSM), 2014-2018) that Mandiri Syariah occupies the position of the top 15 national banks in terms of assets with asset growth reaching 11.86%, higher than the general banking asset growth of 9.21%.

In the midst of intense competition in the banking industry, Mandiri Syariah also faces competition with all Conventional Banks (Banking Industry) in Indonesia. Based on total assets, financing, and funding / third party funding, the market share in 2018 was 1.22%, 1.28% and 1.55%, respectively compared to 2017 which was 1.19%, 1.28% and 1.47%. This achievement shows the success of Mandiri Syariah in maintaining operational performance.

The challenges and opportunities that occur in the economy and industry have been well faced by the Directors. For effective management, Mandiri Syariah recorded a good performance in 2018. Mandiri Syariah's asset growth reached 11.83%, higher than the general banking asset growth of 9.21%. On the other hand, the growth of Bank Syariah Mandiri financing reached 11.63%, slightly below the growth of Islamic banking and general banking, respectively 12.08 and 11.75%. Nevertheless, Mandiri Syariah's third-party fund growth reached 12.28%, far higher than general banking at 6.45% and Islamic banking at 11.03%. Mandiri Syariah's net profit growth reached 65.74%, far higher than sharia banking at 47.68% and general banking at 14.38%.

As of December 2018, the company's assets reached Rp98.34 trillion with financing of Rp67.75 trillion and third party funds of Rp87.47 trillion. This achievement was obtained from the implementation of an effective strategy undertaken by Bank Syariah Mandiri. Based on the total assets owned by Mandiri Syariah market share in 2018, it reached 20.60%, a slight decrease of 0.13% compared to 2017 which reached 20.73%. Although slightly decreased, Mandiri Syariah's total assets managed to grow by Rp10.40 trillion. In terms of financing, the Syariah Syariah market share in 2018 did not change as the previous year

at 21.16%. Whereas the market share of funding / third party funds in 2018 reached 23.52%, an increase compared to the previous year which reached 23.27%. The increase in market share is the application of an effective strategy undertaken by Bank Syariah Mandiri.

Inflation remains under control at a low level and supports the achievement of the 2019 inflation target of 3.5% \pm 1% (YoY). CPI inflation in January 2019 was recorded at 0.32% (MtM) or 2.82% (YoY), down from the previous month inflation of 0.62% (MtM) or 3.13% (YoY). The decline in inflation stemmed from lower inflation in the volatile foods category and deflation in the administered prices group. Volatile food inflation declined due to food deflation so it was recorded lower than the historical average. Administered prices recorded deflation mainly due to falling prices for non-subsidized fuel and train fares. Meanwhile, core inflation remained under control, although it increased in line with seasonal patterns, partly due to an increase in rental rates and wages. Going forward, Bank Indonesia continues to consistently maintain price stability and strengthen policy coordination with the Government, both at the central and regional levels, to control inflation remains low and stable within the target range of 3.5% \pm 1%.

Rupiah exchange rate strengthened so as to sustain economic stability. Rupiah in the fourth quarter of 2018, in point to point (ptp) strengthened by 3.63% compared to the level of the end of the third quarter of 2018, supported by the balance of payments which recorded a surplus. The strengthening of the Rupiah continued in January 2019 which reached 2.92% and continued to occur in February 2019. The strengthening trend of the Rupiah in early 2019 was supported by inflows of foreign capital into the domestic

financial market as domestic economic fundamentals were maintained and the high attractiveness of domestic financial assets and reduced uncertainty global financial market. Going forward, Bank Indonesia views the Rupiah exchange rate to move stably according to market mechanisms.

5) Bank BTPN Syariah

The results of data processing carried out during the observation period of this study indicate that the independent variable has a significant effect on the dependent variable simultaneously. Empirical findings during this observation period prove that spin-off policies and macroeconomic fundamentals have an effect on third-party funds simultaneously. However, macroeconomic fundamentals do not have an effect on third party funds partially, while the spin-off policy has an effect on third party funds. Based on an annual report issued by (Bank Tabungan Pensiunan Nasional (BTPN) Syariah, 2014-2018) during the 2014-2018 period that BTPN Syariah as of December 31, 2018, managed to record total assets of Rp12.0 trillion, with a total of Rp.7.3 trillion of funds channeled to productive poor segment customers with the Murabahah contract. This reflects an annual financing growth rate of 20.2% compared to the previous year.

In line with the above financing growth, BTPN Syariah also posted an increase in Third Party Funds of Rp 7.6 trillion, or grew 16.5% compared to last year. The funding structure of BTPN Syariah as at 31 December 2018 consisted of: Deposits of 77.2%; and Current and Savings Accounts (CASA) of 22.8%. The Financing Ratio to Third Party Funds in 2018 is 95.2%. BTPN Syariah also continues to maintain the ratio of Liquid Assets (Quick Ratio) at the level of 54.5% to maintain adequate liquidity against

the potential for tight liquidity in the domestic market.

This reflects BTPN Syariah's good resilience to fulfill obligations due to third parties. BTPN Syariah has an adequate funding strategy, both in normal and crisis conditions. Under normal conditions, BTPN Syariah optimally manages third party funds and capital according to the established risk appetite. Whereas in a crisis situation, BTPN Sharia utilizes counterparty facilities in accordance with applicable policies and procedures.

In Indonesia, the Rupiah has an exchange rate weakness of around 6% to the level of Rp14.390 per USD at the end of 2018. Bank Indonesia (BI) is trying to maintain the value of the Rupiah by several times raising its benchmark interest rate (7-day repo interest rate) by 175 basis point to the 6% level. This reduces the weakness of the Rupiah but also has the effect of limiting Indonesia's economic growth to the level of 5.17% as of September 2018, while the government's target at the end of 2018 is economic growth of 5.2%. Inflation remained under control at the level of 3.13% at the end of 2018, which is still within the corridor of the government's inflation target of 3.5% ($\pm 1\%$). BTPN Sharia in 2019 will continue to maintain financial performance and continue to grow on the principle of "Do Good, Do Well". BTPN Syariah will always ensure that good financial performance will continue to be balanced with meaningful and measurable social impacts. BTPN Syariah not only gets financial benefits but BTPN Syariah always makes sure to continue to create positive impacts on the lives of productive poor customers, which will change their lives for the better.

In 2019, BTPN Syariah's financial performance is expected to be in line with the BTPN Syariah Business Plan that has

been submitted to OJK. BTPN Syariah is targeting financing growth of 18.2%, with the level of non-performing loans (NPL) maintained at 1.7%. BTPN Syariah will continue to increase the acquisition of third party funds by 15.3% from the achievement in 2018, as well as maintain liquidity conditions with a range of credit to savings ratio (LDR) of 98.0% (Bank Tabungan Pensiunan Nasional (BTPN) Syariah, 2014-2018).

6) Bank Bukopin Syariah

In its development, PT Bank Persyarikatan Indonesia through additional capital and assistance by PT Bank Bukopin, Tbk., Then in 2008 after obtaining a license for business activities of commercial banks operating based on sharia principles through Governor of Bank Indonesia Decree number 10/69/KEP.GBI/DpG/2008 dated October 27, 2008 concerning the Granting of Permits to Change Conventional Bank Business Activities into Sharia Banks, and Change the Name of PT Bank Persyarikatan Indonesia to PT Bank Bukopin Sharia.

Empirical findings during this observation period prove that spin-off policy and macroeconomic fundamentals have an effect on third-party funds simultaneously. Yet, partially only the spin-off policy has an effect on third party funds. Based on annual reports issued by (Bank Bukopin Syariah, 2014-2018) during the period 2014-2018 that the total assets of the Company in 2018 amounted to Rp6.33 trillion, down 11.69% compared to 2017 amounting to Rp7.17 trillion. The decline mainly occurred in financing channeled and Current Accounts and Placements with BI. Other Asset Components consist of foreclosed assets, prepaid expenses, prepaid taxes, and accrued income. Total other assets in 2018 amounted to Rp 413.67 billion, up 22.54% compared to 2017 amounting to Rp 337.57 billion.

For the Company, 2018 is a very challenging year, especially as a year to start a new chapter, "Began the Next Chapter". Increasing competition in terms of financing and third party fund collection in the Islamic banking industry, encourages the Company to run operations more efficiently and more productively. The Company's liabilities in 2018 decreased by 16.70% to Rp1.28 trillion from the previous year of Rp1.53 trillion. The decrease in liabilities was mainly due to reduced collection of third party funds (TPF). The total DPK of the Company in 2018 was IDR 4.54 trillion, down 17.36% compared to the previous year of IDR5.50 trillion. Although TPF has decreased, the ratio of low-cost funds (CASA) increased to 20.20% from the previous 20.15% of the total TPF. The increase in CASA is in line with the fund cost efficiency strategy.

The dynamic global economic conditions throughout 2018 have influenced the improvement of national economic conditions. This made the inflation rate and the exchange rate fluctuate, which in the end remained able to be maintained properly. The national economic growth rate of 5.17% in 2018, supported by strong fundamentals, will support growth in various sectors, including the banking sector, particularly Sharia banking. In addition to stable macroeconomic growth, increased purchasing power in the household sector, including support from digital transactions, has a positive effect on the growth of Islamic banking nationally. Increased purchasing power is reflected in the Central Statistics Agency (BPS) report, where household consumption expenditure (PK-RT) contributed 2.74% to economic growth. PK-IRT contribution was greater than in 2017 which were 2.69%. Amid the sluggish global conditions, the Indonesian economy grew 5.17%, higher than 2017 which amounted to

5.07%. The positive growth rate of the Indonesian economy in 2018 is driven, among others, by household consumption, which grew 5.08%; 6.01% investment; exports 4.33%; and government consumption by 4.56%. Positive economic growth was accompanied by a low inflation rate of 3.13% and sufficient foreign exchange reserves. In addition, despite experiencing a current account deficit, it is still at a maintained level (Bank Bukopin Syariah, 2014-2018).

5. Conclusions

The banking sector faces challenges over the accumulation of Third Party Funds (TPF) which grew slowly in 2018. This slowdown was influenced by the outflow of foreign funds from the Indonesian financial market. Banking deposits reached Rp 5.630,45 trillion in 2018, growing 6.45% compared to the previous year's TPF of Rp 5.289,21 trillion. Growth in deposits in 2018 was slower than the increase in deposits in 9.36% in 2017. Sources of funds for lending in the form of loans received by national banks rose 49.08% to Rp 296.75 trillion in 2018 from Rp 199.05 trillion one previous year was based on OJK Banking Statistics data.

To increase Third Party Funds, Islamic banking must continue to educate the public so that the public is interested in depositing funds at the Sharia General Bank. In addition, Sharia Commercial Banks should increase their assets to be able to increase their operational activities. For Sharia Business Units that have not yet done spinoff, in order to increase the amount of assets they have so that they can immediately spin off to develop their business.

In this study the authors only examined third party funds at Sharia General Banks from 2014 until 2018. Therefore, it is expected for future researchers to expand the scope of research by using other financial ratio

indicators in the measurement of third party funds with the latest method in accordance with the Financial Services Authority circular. The scope of this observation only covers 6 Sharia General Banks, it is hoped that these observations can be extended by making comparisons with other Sharia General Banks that have conducted spinoffs. In addition, to provide broader recommendations about factors affecting third party funds.

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