Peradaban Journal of
ECONOMIC AND
BUSINESS

PUSTAKA
PERADABAN

Peradaban Journal of
ECONOMIC AND
BUSINESS
Vol. 1, no. 2, 2022

Table of Content

Research Article

DETERMINANTS OF TOTAL ASSETS OF SHARIA COMMERCIAL BANKS IN INDONESIA

Herlitah [1], Nadia Afrilliana [2], Siti Khoirina [3]

[1] Universitas Negeri Jakarta, Indonesia. Email : herlitah@unj.ac.id

[2] Universitas Muhammadiyah Palembang, Indonesia. Email : nadia_afriliana@um-palembang.ac.id

[3] Universitas Mitra Indonesia of Lampung, Indonesia. Email : sitikhoirina@umitra.ac.id

* Corresponding email: herlitah@unj.ac.id

Abstract

The purpose of this study is to analyze the factors that affect the total assets of Islamic commercial banks in Indonesia. This research data is time series data from January 2015 to September 2021 in the form of monthly results and processed using multiple linear regression. The results of this study indicate that the variables NPF, FDR, Number of Offices, Number of Workers, Inflation and Exchange Rate together affect the variable Total Assets of Islamic Commercial Banks.

Keyword

Total Assets, Islamic Banks, NPF, FDR, Exchange Rate

Introduction

The development of Islamic financial institutions is currently showing an increase every year both from banks and other Islamic financial institutions. The majority of Indonesian people are Muslims who can make Islamic finance have the opportunity to continue to grow, both in Islamic financial institutions in the form of banks and non-bank financial institutions. This is supported by the increase in Islamic financial literacy every year. Based on OJK data in 2020, Islamic financial literacy only reached 8.93 percent, while the national literacy index was 38.03 percent. Likewise, Islamic financial inclusion is only around 9.1 percent, while national inclusion has reached 76.10 percent.

However, the high population of Indonesian Muslims (Table 1) does not directly affect the total assets of Islamic financial institutions in Indonesia. Based on the State of the Global Islamic Economy Report 2020-2021, the assets of Indonesian Islamic Financial Institutions reached 99.2 billion dollars, while Malaysia was 5 times larger, namely 570.5 billion dollars. The country that has the largest assets at this time is Saudi Arabia at 629.4 billion dollars (State of the Global Islamic Economy Report, 2020). The growth of Islamic banks is determined by how much profit is obtained, where the profits obtained by Islamic banks come from increasing the number of assets through operational activities that have been carried out (Sitompul, 2021). The financial strength of banks can

be seen from the growth of the bank's assets (Patra, 2016).

Table 1 Total Muslim Population in 2020 (in million people)
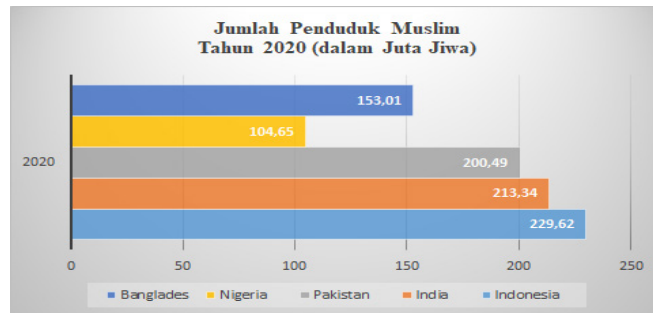
Source: www.globalreligiousfuture.org

Assets are important things to consider in a corporation, because the definition of Assets according to PSAK No. 16 of the 2011 revision, are all assets owned by a person or company, both tangible and intangible of value or value that will bring benefits to the person or company. Increasing assets for Islamic banks is currently the main focus, especially in Indonesia, this is because Islamic banking assets in Indonesia are still far behind those of Malaysia and Saudi Arabia, even below Turkey (see table 2).

Table 2 Total Islamic Banking Asset Value in 2020 (in Billion Dollars)

Source: www.ifsb.org

Based on the background of this research regarding the Total Assets of Islamic Commercial Banks in Indonesia, which currently only reaches 99.2 billion dollars, it is ranked 5th compared to other Muslim-majority countries. top order. So when viewed from the Muslim population, the need to access Islamic banking is very large and of course continues to increase. For this reason, research is needed that looks at the factors that affect the Total Assets of Islamic Commercial Banks in Indonesia in order to meet the needs of Muslims in Indonesia in accessing Islamic Banking.

Literature Review

To achieve an increase in the assets of a corporation, strategies are needed that take into account many factors, both internal and external. Several studies that discuss these factors are: (Abduh & Alias, 2014) look at the factors that determine the performance of Islamic banking in Malaysia. The factors used are loan losses to total assets, net loans to total assets, total overhead costs to total assets, shareholder equity ratio, and bank size which represents internal factors and GDP and inflation represents external factors. The results of the Pooled OLS show that the provision for loan losses to total assets, total overhead costs to total assets, and inflation are significant variables that affect the performance of Malaysian Islamic banking in the analyzed period.

Banu, (2020) analyzes Asset growth and its impact on Banks in India from 2008 to 2017

on Non-Performing Assets on profitability proxies, namely return on assets (ROA) and return on equity (ROE). The results show that there is an inverse relationship between non-performing assets and return on assets and return on equity in all banking sectors. An appropriate and continuous monitoring system needs to be developed to evaluate the creditworthiness of borrowers and post-sanction follow-up is required.

Several studies have been conducted on Islamic banking in Indonesia, including (Setyawati, 2018) (Syafrida & Abror, 2011), (Setyawati, 2016), (Panjaitan & Ruslan, 2017), (Permana, 2017), (Wahyuni & Novita, 2021).). (Setyawati, 2018) looking at the total assets of one of the banks that has the largest total assets in Indonesia. The purpose of this study was to analyze internal and external factors that affect the level of financial soundness. The results of this study indicate that the performance of a conventional bank is better than a sharia bank in terms of the variable return on assets, capital adequacy ratio and operational costs to operating income, while Bank Syariah Mandiri is better in non-performing finance. The results of this study also show that the number of assets owned by Islamic banks and conventional banks does not guarantee to obtain high profits. Economic growth has a negative and significant effect on profitability, while the inflation rate has a positive or negative effect on bank profitability.

Syafrida & Abror, (2011) see that the increase in Islamic banking assets is influenced by many factors which can generally be classified into internal factors and external factors. The results of this study using multiple linear regression and data from 2008 to 2010 explain that the factors that influence the growth of Islamic banking assets are the number of offices, FDR ratio, and promotion costs.different with (Setyawati, 2016) using a verification design to see bank-specific variables and the effect of market share on the growth of total Islamic banking assets in Indonesia. The results showed that bank-specific variables and market share were represented by the finance deposit ratio, capital adequacy ratio, the ratio of operating expenses to total assets, the ratio of non-financing income to total assets, non-performing financing and the market. Together, these variables have a significant effect on the growth in the value of Islamic banking assets in Indonesia.

Methodology

Research Objectives and Questions

Purpose of this study is to find out what factors can affect the increase in total banking assets of Islamic commercial banks in Indonesia, both internally and externally. As for in this study to answer 7 questions from the background described above, namely:

1. Is there any effect of FDR on the Total Assets of Islamic Commercial Banks?
2. Is there any effect of NPF on the Total Assets of Islamic Commercial Banks?
3. Is there any influence of the Number of Employees of Islamic Banks on the Total Assets of Islamic Commercial Banks?
4. Is there any influence of the Number of Sharia Bank Offices on the Total Assets of Sharia Commercial Banks?
5. Is there any effect of the Exchange Rate on the Total Assets of Islamic Commercial Banks?
6. Is there any influence of Inflation on the Total Assets of Islamic Commercial Banks?
7. Is there any influence of FDR, NPF, Number of Employees of Sharia Commercial Banks, Number of Sharia Commercial Bank Offices, Exchange Rate, and Inflation Together on the Growth of Total Assets of Sharia Commercial Banks?

Results and Discussion

Data

Data on variables are sourced from the Financial Services Authority (OJK), Central Statistics Agency (BPS) and Bank Indonesia (BI), in the form of secondary data using Ex-Post Facto. When viewed from the form of the data, this research data is time series from January 2015 to September 2021 in monthly form.

- Total Assets of Islamic Banks are all assets owned by a person or company, both tangible and intangible of value or value that will bring benefits to the person or company (PSAK).
- FDR (financing to deposit ratio) provides an overview of the optimization of Islamic banks to develop the real sector, because the larger the FDR means that the more optimal Islamic banks are in channeling TPF that exist in banks in the form of financing for the real sector
- NPF (Non-performing financing) is used to see the ability of Islamic banks in managing their financing.
- Number of Employees of Islamic Commercial Banks
- Number of Sharia Commercial Bank Offices in the form of Branch Offices, Sub-Branch Offices, and Cash Offices.
- The exchange rate used is the rupiah exchange rate against the US dollar.
- Inflation tends to increase the prices of goods and services in general on a continuous basis (BPS).

Hypothesis

Methods The first analytical method used in this research is the multiple linear regression method. Sampling in this study was conducted using purposive sampling method.

hypotheses in this study are as follows:

- Ho: There is no effect of variables on the Total Assets of Islamic Banks
- H1: there is a significant effect of NPF on the Total Assets of Islamic Banks.
- H2: there is a significant effect of FDR on the Total Assets of Islamic Banks.
- H3: There is a significant effect of Inflation on the Total Assets of Islamic Banks.
- H4: there is a significant effect of the number of offices on the total assets of Islamic banks.
- H5: there is a significant effect of the number of employees on the Total Assets of Islamic Banks.
- H6: there is a significant effect of the Exchange Rate on the Total Assets of Islamic Banks.

The hypothesis of this study using the following regression equation:

$$TA = a + b_1 FDR + b_2 NPF + b_3 JTK + b_4 JK + b_5 XR + b_6 INF + e \ \dots\dots\dots (1)$$

Description:
TA = Total Sharia Commercial Bank Assets
a = Constant
FDR = Financing to Deposit Ratio
NPF = Non-Performing Financing
JTK = Number of Employees for Sharia Commercial Banks
JK = Number of Sharia Commercial Bank Offices
XR = Exchange Rate
INF = Inflation
e = error

Data Analysis and Discussion

Table 3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	1.978[a]	.957	.953	14.50347

Source: SPSS

Goddness of FIT in table 3 inform the Adjusted R Square value of 0.953 or 95.3%, which means the variables NPF, FDR, Number of Offices, Number of Workers, Inflation and Exchange Rate is able to explain the variable Total Assets of Islamic Banks by 95.3% and the remaining 4.7% is influenced by other variables outside this model.

Table 4 F-test results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	343972.411	6	57328.735	272.539	.000[b]
	Residual	15565.946	74	210.351		
	Total	359538.357	80			

a. Dependent Variable: Total Asset (Trilliun Rp)

b. Predictors: (Constant), Exchange Rate, Jumlah Kantor BUS, Jumlah Tenaga Kerja BUS, FDR %, inflasi %, NPF %

Based on table 4 the value of Sig 0.000 <0.05 then the hypothesis is accepted, which means that the variables NPF, FDR, Number of Offices, Number of Workers, Inflation and Exchange Rate together affect the variable Total Assets of Islamic Commercial Banks.

Table 5 Results of T-test for

Variable	Unstandardized	Significance	Information
Constant	1120.356		
NPF	– 28.09	0.000	H1 accepted
FDR	– 9.86	0.000	H2 accepted
Inflation	– 9.27	0.000	H3 accepted
Number of offices	0.45	0.042	H4 accepted
Total Manpower	-7.59	0.993	H5 rejected
Exchange Rate	0.02	0.523	H6 rejected

Source: SPSS output results

Based on table 5 T-test results , then there are 4 variables whose hypothesis is accepted, namely NPF, FDR, Inflation and Number of Offices. Which means that each of these variables has a significant effect on the Total Assets of Islamic Commercial Banks. Table 5 shows the temporary regression equation as follows:

Y = 1120.356 – 28.09 NPF – 9.86 FDR – 9.27 INF + 0.45 JK -7.59 JT + 0.02 XR + e …….. (2)

In the equation model (2) it cannot be said good, because the classical assumption has not been tested. After knowing the results of the regression, statistically testing the hypothesis with multiple

linear regression requires the classical assumption test, namely normality test, heteroscedasticity test, multicollinearity test, autocorrelation test. As explained below:

First, the normality test was carried out using the One-Sample Kolmogrov-Smirnov Test, the data can be said to be normal if the significance value is > 0.05. based on the test, the value of Asymp. Sig is obtained. (2-tailed) of 0.200. So the value is > 0.05 which explains that the data is normally distributed.

Second, the autocorrelation test. The conditions for the autocorrelation test using Durbin-Watson are if d < dL or d > 4-dL, then the hypothesis is rejected, meaning that there is autocorrelation, and if dU < d < 4-dU then the hypothesis is accepted, meaning that there is no autocorrelation. From table 6 shows that:

Table 6 Results of autocorrelation test

Model	Durbin-Watson
1	0.780
2 (abs)	1.960

Source: SPSS output results

In model 1, the results are 0.1 dL alpha and dU table with N = 81 and df = k-1 = 5, dU: 1.338, dL: 1.653, 4-dU = 2.662. So: d < dU, 0.780 < 1.338 it can be concluded that there is an autocorrelation. To eliminate autocorrelation, ABS will be used to find the absolute value, then the results obtained in model 2 (abs), then the DW value is 1.960. Then the results obtained are dU < d < 4-dU or 1.338 < 1.960 < 2.662 which means that there is no autocorrelation in the 2nd model.

Third, carry out the Heteroscedasticity test and Multicollinearity Test which can be seen in table 7 below:

Table 7 Coeffients on the Dependent Variable: Ab

Variabel	Unstandarized B	Signifikansi	Hasil Uji Heteroskedastisitas	Collinearity Tolerance	VIF	Hasil Uji Multikolinieritas
Konstanta	1.510					
NPF	− 0.607	0.711	No	0.230	4.356	No
FDR	− 0.026	0.928	No	0.245	4.085	No
Inflation	− 0.153	0.844	No	0.426	2.349	No
Jumlah Kantor	0.005	0.615	No	0.524	1.907	No
Jumlah Tenaga Kerja	8.64	0.818	No	0.784	1.276	No
Exchange Rate	0.000	0.896	No	0.497	2.011	No

Source: SPSS Output Results

Based on the Glesjer test results in table 7 alpha 5% (0.05) the variables NPF, FDR, Number of Offices, Number of Workers, Inflation and Exchange Rate show sig > 0.05, then there is no heteroscedasticity problem.

The requirement to be free from the multicollinearity problem is the VIF value < 10 and or the collinearity Tolerance value > 0.1. From table 1.6 it shows that all variables meet the requirements to be free from the mucticlinearity problem.

After performing the T-test and F-test of the regression model in equation (1), the results of equation (2) are obtained, but after doing the Classical Assumption test and getting problems in the Autocorrelation test, after Lag is done to eliminate Autocorrelation. Based on the classical assumption

test, the model can be said to be a good model, because it is BLUE, then the new equation (3) is obtained, namely:

$$= 1.510 - 0.607 \text{ NPF} - 0.26 \text{ FDR} + 0.153 \text{ INF} + 0.005 \text{ JK} + 0.0000086 \text{ JT} + e \dots .. (3)$$

Based on the test results for the Non-Performing Finance (NPF) variable that affects Total Assets, which means that if there is a 1% increase in NPF it will reduce the Total Assets of Islamic Commercial Banks by 0.607 Trillion Rupiah, for that Banks must reduce NPF so that the Bank's financial performance increases because the higher the NPF, the higher the reserve cost of productive assets and other costs. In the variable Financing to Deposit Ratio (FDR) the results show an influence on Total Assets, which means that if there is a 1% increase in FDR it will reduce total assets by 0.26 Trillion Rupiah, for that Banks must reduce FDR because high FDR indicates lower liquidity Bank. The inflation variable shows an influence on the Total Assets of Islamic Commercial Banks, which means that when there is an increase in inflation of 1%, there will be an increase of 0.153 trillion Rupiah in Total Assets, this is because in the end inflation will affect the savings interest rate.

Furthermore, the variable Number of Sharia Commercial Banks has an effect on the Total Assets of Sharia Commercial Banks, which means that if there is an opening of 1 office, be it a branch office, sub-branch office, or cash office, it will increase 0.005 Trillion of Sharia Commercial Bank Assets. This is because the public needs facilities in providing banking services, but the opposite is shown by the variable number of workers which does not have an effect on increasing bank assets because each bank is currently increasing the use of technology in every transaction. And for the Exchange Rate variable, the results show that there is no effect on increasing the assets of Islamic banks. This is in line with Sitompul's research, (2021) because market share of Islamic banks is still small compared to conventional banks so that the impact of changes in exchange rates does not affect the assets of Islamic banks too much. However, the partial T-Test results show that the variables of NPF, FDR, Number of Offices, Number of Workers, Inflation and Exchange Rate together have an effect on the variable Total Assets of Islamic Commercial Banks.

Conclusions and Suggestions

The results of this study indicate that the variables NPF, FDR, Number of Offices, Number of Workers, Inflation and Exchange Rate together affect the variable Total Assets of Islamic Commercial Banks. However, if you look at the effect of each variable, it shows other things, such as the internal variables, namely Non-Performing Financing (NPF), Financing to Deposit Ratio (FDR) and the number of Islamic Commercial Bank offices that affect the success of Islamic Commercial Banks in increasing Assets for 6 years. this past year, however, the number of employees does not have an effect on increasing the Assets of Islamic Commercial Banks. In addition to internal factors, this study also looks at external factors, namely inflation and exchange rate. The results show that Inflation affects the increase in Assets of Islamic Commercial Banks, while the Exchange Rate has no effect. This study empirically illustrates that NPF, FDR, and Number of Offices have an impact on increasing the Total Assets of Islamic Commercial Banks so that they need special attention in the management of Islamic Banks in the future. From external factors, namely inflation, in this case it is the responsibility of the government to maintain inflation stability so that it can have a positive impact on banks, especially in increasing their assets. For variables, the number of workers and the exchange rate, although the test results have no effect, if it is carried out together with other variables, it will have an impact on the value of Islamic Bank Assets. Based on the conclusions of this study, further research can be

observed regarding the products offered to Islamic banks so that they can find out which products will have a major impact on increasing the assets of Islamic banks. In addition to macro external factors, it is necessary to observe the level of education and poverty that occurs. This is because the use of technology in services developed by banks, including Islamic banks, does it make it easy for the public to use it or vice versa.

References

Abduh, M., & Alias, A. (2014). Factors Determine Islamic Banking Performance in Malaysia: A Multiple Regression Approach. Journal of Islamic Banking and Finance, 44–54.

Banu, M. (2020). Impact of Non-Performing Asset on Profitability and Efficiency of Banking Sector in India Impact of Non-Performing Asset on Profitability and Efficiency of Banking Sector in India. MERC Global's International Journal of Management, July 2018, 68–76.

Panjaitan, SH, & Ruslan, D. (2017). Analysis of the growth of Total Assets Sharia Banking in Indonesia. 5(4), 189–194. https://doi.org/10.12691/jfe-5-4-6

Patra, B. (2016). Determinants of nonperforming assets-bank-specific and macroeconomic factors: A panel data analysis of different groups of commercial banks operating in India. Theoretical and Applied Economics, 23(4), 215–236.

Permana, D. (2017). Toward the best model of strategy implementation in Indonesian Islamic banking from the lens of strategic clarity. European Research Studies Journal, 20(4), 3–15. https://doi.org/10.35808/ersj/870

Setyawati, I. (2016). Determinants of growth and profitability by bank specific variables and market structure in Islamic banking in Indonesia. Academy of Strategic Management Journal, 15(Specialissue3), 1–14.

Setyawati, I. (2018). Did the Bank with Bigger of Total Assets had Ensured Its Financial Soundness? May, 169–175. https://doi.org/10.5220/0007078801690175

Sitompul, S. (2021). The Influence of Exchange Rate, Inflation, For the Results of the Development Assets of Islamic Banks. Journal of Economics, Finance and Management Studies, 04(03), 138–148. https://doi.org/10.47191/jefms/v4-i3-05

State of the Global Islamic Economy Report. (2020). State of the Global Islamic Economy Report Thriving in Uncertainty. DinarStandard, 1–178.

Syafrida, I., & Abror, A. (2011). Internal and External Factors Affecting the Growth of Islamic Banking Assets in Indonesia. Economics And Business, 10(1), 25–33.

Wahyuni, RS, & Novita, N. (2021). COSO ERM Framework as the Basis of Strategic Planning in Islamic Banking. Journal of Finance and Banking, 25(1), 21–35. https://doi.org/10.26905/jkdp.v25i1.5123