

Analysis of the Effect of Third Party Funds of Sharia Banking, Profit Sharing Financing, Murabahah Financing and Bank Indonesia Sharia Certificate on Inflation of Indonesia

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ABSTRACT

This study aims to analyze and see whether there are variables that have a major role in directly affecting inflation. Variables that will be examined in this research are Indonesian Inflation, Banking Third Party Funds, Profit Sharing Funding, Murabahah Financing and Bank Indonesia Sharia Certificates. The object of this study is data from Bank Indonesia Sharia reports for 2006-2018. Data collection techniques are carried out by studying literature, which is exploring and analyzing various information related to various books and other library materials. Data analysis techniques using the Vector Auto Regression (VAR) to see whether there are variables that have a major role in affecting inflation directly. The results of this study indicate that the Sharia Banking Third Party Fund Variables and Bank Indonesia Sharia Certificates influence inflation, Inflation variable Profit Sharing Financing, Murabahah Financing and Bank Indonesia Sharia Certificates have no effect on Islamic Banking Third Party Funds, Sharia Banking Third Party Fund Variables, Inflation, Murabahah Financing and Bank Indonesia Sharia Certificates have no effect on Profit Sharing Financing, Sharia Banking Third Party Fund Variables, Inflation, Profit Sharing Financing and Bank Indonesia Sharia Certificates do not affect Murabahah Financing and Sharia Banking Third Party Fund Variables, Inflation, Profit Sharing Financing and Murabahah Financing affect Bank Indonesia Sharia Certificates.

Keywords: Inflation, Sharia Banking Third Party Funds, Profit Sharing Financing, Murabahah Financing And Bank Indonesia Sharia Certificate.

INTRODUCTION

Inflation is an economic problem wherever and whenever that must be faced in the economy in every country. This phenomenon is still a mystery that is difficult to solve, because there is no truly comprehensive theory to predict the cause of this inflation, and also no one has been able to formulate a truly telling formula to

overcome it. High inflation causes a decrease in the value of currencies and the price level rises in general, thereby reducing people's purchasing power. So that it leads to misery for the community, making poor people increasingly poor, even creating new poor people. This is exactly what happened when Indonesia experienced an economic crisis in 1998.

Inflation is a tendency to increase the level of general prices continuously over time (Venieris and Sebold; 1978 in Nanga. 2001). In connection with this notion of inflation, they differentiate inflation rates and price indices. The inflation rate is the percentage change in the price level, while the price index itself is measuring the cost of a certain group of goods as a percentage of the same group in the initial period. In general, there are three price indexes (Ekananda, 2015: 438), namely: Consumer Price Index (CPI), Producer Price Index (PPI) and GNP Deflator.

Rational Expectation (Ratex) also views inflation as a monetary phenomenon, but they also believe that anticipatory changes in the money supply will only have an impact on the price level (P), and have no effect on output (Y) and employment opportunities, the classical views of monetarists and Keynesians, because the ratex theory believes that inflation is a monetary phenomenon, they also say that the money supply is the key to achieving price stability.

In the case of Indonesia, based on the results of a study of the causes of inflation conducted by several Indonesian economists, there are two main causes of inflation, namely imported inflation and the state budget deficit (Hera S.dkk, 2000: 53-54). Furthermore, it was explained that based on the results of the 1995 LPEM research, it was revealed that imported inflation was the main factor causing inflation in Indonesia from the supply side, which was around 51% of the variation in inflation. Depreciation of the exchange rate will also cause a direct increase in prices (pass-through) even though it requires a lag time of 1-2 quarters. Food prices are the second dominant variable contributing to inflation from the supply side. While the output gap is the third variable. While on the demand side, the cause of inflation is related to the budget, program credit expansion and credit distribution.

Although inflation naturally occurs due to pull of demand (demand full

inflation) and cost push (cost push inflation), improper monetary policy can also be a cause of inflation. Inflation rates differ from one period to another, and also differ from one country to another. Sometimes the inflation rate is low, reaching below 4-6%. A moderate rate of 5-10%. Very serious inflation can reach a level of several hundred or thousand percent in a year (Sukirno, 2007: 304). Inflation also has several adverse effects on individuals, society and overall economic activity. The majority of economic activity actors consist of workers who have a steady income. Inflation is usually faster than the increase in wages of workers. therefore the real wages of workers will decline due to inflation and this situation reduces the level of prosperity of a group of people (Sukirno, 2007: 305).

Among the negative effects caused by inflation are: First, if prices generally rise continuously, people will panic, so the economy will not run normally, because on one side there are people who have too much money to buy up, while those who lack money cannot buy goods, as a result the country is vulnerable to all the chaos it caused. Second, as a result of the panic, the community tends to attract savings to buy and pile up goods so that many banks are rushed as a result, banks lacking funds have an impact on the cap (bankrupt) or low investment funds available. Third, producers tend to take advantage of the opportunity to increase prices to increase profits by playing with prices on the market. Fourth, the distribution of goods is relatively unfair due to the accumulation and concentration of products in areas where the people are close to the source of production and whose people have a lot of money. Fifth, if prolonged inflation many producers go bankrupt because their products will be relatively more expensive so that no one can afford to buy. And Sixth, the gap between poverty and wealth is increasingly evident which leads to economic sentiment and jealousy which can end in looting and deprivation (Sukirno, 2007: 306)

Economists call interest rates paid by banks as nominal interest rates and increases in purchasing power with real interest rates. Quantity theory and Fisher's equations alike state how money growth affects the nominal interest rate. According to quantity theory, a 1% increase in the interest rate of money growth causes a 1% increase in the inflation rate. According to Fisher's equation, a 1% increase in the inflation rate instead leads to a 1% increase in the nominal interest rate. The one relationship between the inflation rate and the nominal interest rate is called the Fischer effect (Ibid, H 86-101). The fisher effect is able to explain well the fluctuations in nominal interest rates over the past 50 years. When inflation is high, the nominal interest rate is high and the inflation rate is low, the nominal interest rate is also usually low. The results of research variations from various countries at one time showed countries with high inflation, tend to have nominal interest rates are usually high and countries with low inflation, tend to have nominal interest rates are also usually low.

Scientifically inflation occurs due to Demand Full Inflation and cost push inflation. Full Inflation Demand that starts from an increase in total demand (aggregate demand). Whereas production has reached a state of full employment. The subsequent increase in demand will only increase prices (often called pure inflation). If this increase in demand causes the GNP balance to be above or beyond the GNP at full employment, there will be an Inflationary Gap. This inflationary gap will cause inflation. While cost push inflation is marked by rising prices and falling production. So, inflation is accompanied by a recession. This situation arises starting with a decrease in total supply (aggregate supply) as a result of increased production costs (Boediono, 1995: 54). This theory shows the cause of inflation is an increase in production costs, the cost component is the interest rate that will increase as well. The reality is that in Indonesia when inflation

rises, Bank Indonesia will raise interest rates.

Hypothesis

Based on the concepts presented, the research hypothesis is formulated as follows:

1. Previous inflation, Sharia Banking Third Party Funds, Profit Sharing Financing, Murabahah Financing and Bank Indonesia Sharia Certificates have an effect on inflation in Indonesia.
2. Previous Sharia Banking Third-Party Funds, Profit Sharing Funding, Murabahah Financing, Bank Indonesia Sharia Certificates and Inflation affect Third Party Sharia Banking Funds in Indonesia.
3. Previous Profit Sharing Financing, Murabahah Financing, Sharia Bank Indonesia Certificates, Inflation and Third Party Funds Islamic Banking affects the Profit Sharing Funding in Indonesia.
4. Previous Murabahah Financing, Sharia Bank Indonesia Certificates, Inflation, Sharia Banking Third-Party Funds and Profit Sharing Funding affect the Murabahah Financing in Indonesia.
5. Previous Bank Indonesia Sharia Certificates, Inflation, Sharia Banking Third Party Funds, Profit Sharing Financing and Murabahah Financing affect Sharia Bank Indonesia Certificates in Indonesia.

MATERIAL AND METHODS

This study aims to analyze and see whether there are variables that have a major role in directly affecting inflation. Variables that will be examined in this study are Inflation, Banking Third Party Funds, Profit Sharing Financing, Murabahah Financing and Sharia Bank Indonesia Certificates.

The object of this study is data from Bank Indonesia Syariah reports for 2006-2018. Data collection techniques are carried out by studying literature, which is exploring and analyzing various information

related to various books and other library materials. Data analysis techniques using the Vector Auto Regression (VAR) to see whether there are variables that have a major role in affecting inflation directly.

Types and sources of data used in this study are secondary data, that is data that has been further processed and presented by primary data collectors or other parties. This data can be obtained through documentation studies obtained from books, journals, magazines and the internet that can be used as a reference for this research.

RESULTS AND DISCUSSION

Effects of Previous Inflation Sharia Banking Third Party Funds, Profit Sharing Financing, Murabahah Financing, Bank Indonesia Sharia Certificate on Inflation in Indonesia

Based on the results of the long-term VECM test, it can be found that only the Sharia Banking Third Party Fund variable influences inflation, where the t-statistic test value is $1.00 > \pm 1.98$. In addition, Bank Indonesia Sharia Certificates have an effect on inflation, where the t-statistic test value is $0.64846 > \pm 1.98$, where Bank Indonesia Sharia Certificates have a direct effect on Third Party Funds of Sharia Banking and inflation, where. According to Karim (2007) a high Bank Indonesia Sharia Certificate will help reduce inflation and increase the value of Third Party Funds for Sharia Banking, conversely if a Bank Indonesia Sharia Certificate is low it will create high inflation and will affect Third Party Funds of Sharia Banking, where if high inflation lowers the value Islamic Banking Third Party Funds and will affect the ability of Islamic banks to increase capital to increase the amount of murabaha financing and profit sharing financing.

This situation is in line with Alfina Martiningsih's research, in which this study explains that Bank Indonesia Sharia Certificates have the opposite effect on inflation and Sharia Banking Third Party Funds, where if the value of Bank Indonesia

Sharia Certificates rises, inflation tends to decrease and will be able to increase Funds Third Party Sharia Banking in order to be able to increase capital to increase murabaha financing and profit sharing financing.

Effect of Previous Sharia Banking Third Party Funds, Profit Sharing Funding, Murabahah Financing, Bank Indonesia Sharia Certificate, and Inflation in Sharia Banking Third Party Fund

Based on the results of the long-term VECM test, it can be obtained that none of the variables has an effect on the Third-Party Funds of Islamic Banking, where the t-Statistic test values of all variables $< \text{of } \pm 1.98$. This indicates that all variables give the opposite effect to the Sharia Banking Third Party Fund, where if the Sharia Bank Indonesia Certificate rises, it will not necessarily reduce inflation, and will not necessarily increase the Sharia Banking Third Party Fund, so the Sharia bank cannot increase capital to increase the amount of murabahah financing and profit sharing financing. According to Tanjung (2016), a high-value Bank Indonesia Sharia Certificate will not necessarily help the government overcome inflation and increase the value of Sharia Banking Third Party Funds, this is because this Sharia Bank Indonesia Certificate only provides temporary capital injections to Islamic banks to increase capital investment to murabaha financing and profit sharing financing to customers, and cannot be used for a long period of time to reduce inflation. This situation is in line with Endang Nurjaya's research, where this study explains that Bank Indonesia Sharia Certificates have not been able to affect the overall inflation reduction, and have not been able to influence the increase in Sharia Banking Third Party Funds, so that Islamic banks have not been able to increase the amount of capital to increase the amount of financing. murabaha and profit sharing financing.

Effect of Previous Profit Sharing Financing, Murabahah Financing, Bank Indonesia Sharia Certificate, Inflation, and Sharia Banking Third Party Funds, on Profit Sharing Financing

Based on the long-term VECM test results, it can be found that none of the variables affect the Profit Sharing Funding, where the t-Statistic test values of all variables $\lt; \pm 1.98$, where all variables provide the opposite effect on the Profit Sharing Funding variable, where if the Bank Indonesia Sharia Certificate increases in value, it will reduce all financing, both for Profit Sharing Funds and murabaha, because this Sharia Bank Indonesia Certificate is a temporary stimulus to assist sharia banks in encouraging an increase in Sharia Banking Third Party Funds which have decreased due to increased inflation. Profit Sharing Financing will tend to increase if murabaha financing increases and inflation decreases, and vice versa Profit Sharing Financing will tend to decrease and will affect the decline in murabaha financing and inflation will tend to increase due to the absence of production which will affect the increase in Sharia Banking Third Party Funds. According to Arifin (2016) Sharia Bank Indonesia Certificate will not necessarily be able to encourage an increase in Profit Sharing Financing and murabahah financing, so that it will affect Third Party Sharia Banking Funds as a whole and will make the inflation rate likely to increase, so this Sharia Bank Indonesia Certificate is a temporary stimulus the government in assisting the increase in Sharia Banking Third Party Funds intended for Islamic banks in the context of increasing capital to finance their products including profit sharing and murabahah.

This situation is in line with Yuhan Veretama's research, where this study explains that Bank Indonesia Sharia Certificates can help encourage the increase in Sharia Banking Third-Party Funds and reduce a country's inflation. This will provide a temporary stimulus for Islamic banks to increase capital in order to increase

financing including financing for profit sharing to improve quality and production capacity.

Effects of Previous Murabahah Financing, Sharia Bank Indonesia Certificate, Inflation, Third Party Sharia Banking Funds, and Profit Sharing Funding on Murabahah Financing

Based on the long-term VECM test results, it can be found that none of the variables that influence murabaha financing, where the t-statistic test value of all variables $\lt; \pm 1.98$, where all variables provide the opposite effect on murabaha financing variables, where if the Certificate Bank Indonesia Syariah value will not necessarily increase will help increase murabaha financing. According to Antonio (2001) an increase in Sharia Bank Indonesia Certificates can only help temporary Islamic banks, where the proceeds from the sale of Sharia Bank Indonesia Certificates by the government will be able to help increase national capital while Sharia banks, an improved Bank Indonesia Sharia Certificate will not be able to cover murabaha financing the payment is not in accordance with the due date, so an increase in murabaha financing will not necessarily reduce inflation.

This situation is in line with Bayu Ayom Gumelar's research, where this study explains that large murabaha financing will not be able to fully reduce inflation, so the ability of murabaha financing to increase production and improve business quality still cannot reduce inflation maximally, so that if the Bank Indonesia Syariah Certificate the increase does not necessarily affect the increase in murabaha financing to reduce inflation.

Effects of Previous Bank Indonesia Sharia Certificates, Inflation, Sharia Banking Third Party Funds, Profit Sharing Financing and Murabahah Financing on Sharia Bank Indonesia Certificate

Based on the long-term VECM test results, it can be obtained that none of the variables has an effect on Bank Indonesia Sharia Certificates, where the t-Statistic test values of all variables $< \pm 1.98$, where all variables provide the opposite effect on the variable Bank Indonesia Sharia. This shows that low inflation does not affect the increase of Bank Indonesia Syariah Certificates to help national Islamic banks increase the amount of financing not only for Profit Sharing Funds, but murabaha financing. This is because low inflation is not influenced by an increase in capital from a Bank Indonesia Syariah Certificate in the interest of increasing the amount of capital financing to increase business in order to increase the amount of production of goods to reduce prices, but rather inflation is influenced by micro-economic factors that influence the operations of Islamic banks in their efforts to increase Islamic bank capital, such as an increase in NPF which makes the financial performance of Islamic banks decline. According to Arifin (2016) Sharia Bank Indonesia Certificate does not necessarily affect the increase in the amount of Islamic bank financing to be channeled to entrepreneurs in order to increase the amount of production of goods to reduce prices and reduce inflation, but there are other factors that make this happen, namely increasing the NPF make Islamic banks do not have enough capital to increase the amount of financing in order to increase the amount of production of goods to reduce prices, as well as inflation.

This situation is in line with Dimas Prabowo's research, in which according to this study inflation cannot affect Sharia Bank Indonesia Certificates in the framework of increasing Production Sharing Financing and murabahah financing in order to increase the amount of production of goods to reduce prices, as well as inflation. This is because the increased Bank Indonesia Sharia Certificate is only needed temporarily to cover the NPF that is occurring, so that an increased value of Bank Indonesia Sharia Certificate will not

be enough to increase the amount of capital to be able to help the Sharia bank be channeled to entrepreneurs in order to increase the amount of production of goods to reduce prices and reduce inflation.

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The conclusions in this study are:

1. Based on the long-term VECM test results it can be obtained that only the Sharia Banking Third Party Fund variable and the Bank Indonesia Sharia Certificate variable influence inflation.
2. Based on the long-term VECM test results for inflation variables, Profit Sharing Financing, murabahah financing and Bank Indonesia Sharia Certificate have no effect on Sharia Banking Third Party Funds.
3. Based on the results of the long-term VECM test variable Sharia Banking Third Party Funds, inflation, murabahah financing and Bank Indonesia Sharia Certificate have no effect on Profit Sharing Funding.
4. Based on the long-term VECM test results of Sharia Banking Third Party Fund variables, inflation, Revenue Sharing Funds and Bank Indonesia Sharia Certificate have no effect on murabaha financing.
5. Based on the long-term VECM test results of Sharia Banking Third Party Fund variables, inflation, Profit Sharing Financing and murabahah financing that affect the Sharia Bank Indonesia Certificate.

RECOMMENDATIONS

The suggestions in this study are:

1. Sharia banks should not always use Bank Indonesia Sharia Certificates to increase the amount of third party funds in order to increase capital to increase the value of Profit Sharing Financing and murabahah financing, so that later Islamic banks will not always depend on Bank Indonesia Sharia Certificates.

- Islamic banks can find other alternative costs to cover their capital in order to increase the amount of financing to be channeled to entrepreneurs in order to increase the number of products to reduce prices and reduce inflation.
2. Sharia banks should use other instruments such as increasing the amount of third party funds through increased savings funds, as well as buying and selling financing, so that later the amount of the funds will increase and can increase the amount of Profit Sharing Funds and murabahah financing to be channeled in order to increase the amount of production to reduce prices and inflation.
 3. For further researchers, can add economic growth and NPF variables. This is intended so that researchers can further find out other factors that can influence an increase in the amount of capital in order to increase the amount of Funds for Profit Sharing Funds and murabahah financing to be distributed in order to increase the amount of production to reduce prices and inflation.

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