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Contribution of Sharia Banks to the Indonesian Economy

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Abstract

Introduction: Banks, as financial intermediaries, have a strategic role in driving the economy. This research analyzes the influence of third-party funds and working capital financing of Sharia commercial banks on the Indonesian economy. **Research Methods:** The research method is quantitative by conducting multiple linear regression tests. The data type used is secondary data from 2015 to 2022, with a sample size of 13 Islamic commercial banks in Indonesia. This data was obtained from BI and OJK reports. **Results:** The research results show that; There is a significant influence between the Third Party Funds variable on Gross Domestic Product. There is a significant influence between the Working Capital Financing variable on the Gross Domestic Product. And together the variables Third Party Funds and Working Capital Financing have a significant influence on Gross Domestic Product. With a coefficient of determination value of 91.8 percent. **Conclusion:** This shows that Islamic banks have a real contribution to economic growth in Indonesia. So management and the government must improve bank performance so that the circulation of funds in banks runs smoothly, people's production activities increase, the use of labor is maximized, and ultimately the Indonesian economy improves.

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INTRODUCTION

Banks act as financial intermediaries between parties with excess funds and parties who need funds, so banks have an essential role in the economy (Rizal & Humaidi, 2021). The performance of Sharia banking in Indonesia is experiencing improvement. It is proven that at the end of 2022, the Indonesian Sharia banking market share will reach 7.09 percent. The Financial Services Authority (OJK) recorded sharia banking assets in Indonesia amounting to IDR 802.26 trillion until the end of 2022. This figure grew 15.63 percent annually compared to its value in the same period last year. Meanwhile, Sharia banking financing was recorded at IDR 508.07 trillion at the end of 2022. This figure grew 20.44 percent annually compared to the previous year's period. However, it turns out that the market share of Sharia banking in Indonesia is still relatively small compared to conventional banking (Respati, 2023).

This market share consists of 13 Sharia Commercial Banks (BUS), 20 Sharia Business Units (UUS), and 167 Sharia People's Financing Banks (*Statistik Perbankan Syariah*, 2023). This achievement must continually be improved because it is far from the target. The performance of Sharia banking must be improved so that by 2023, a sharia financial market share of 20% can be achieved (Sebayang, 2023) because the financial sector's performance can influence economic growth. The better the bank's performance in collecting and distributing funds, the more the economy will develop (Levine, 1997).

The banking sector makes a real contribution to the economy because it can encourage working capital and investment levels (Rizal, 2022; Suretno & Bustam, 2020). This can be done by financing business actors so that they can turn the wheels of the community's economy, which ultimately also increases the national economy (Fadhila, 2015). This confirms that financial mediation in the banking sector is crucial for every country, including Indonesia. Banks must be able to maintain public trust by maintaining sound financial performance because the majority of funds managed by banks are public savings funds (Hamdani et al., 2018).

Banking has a strategic role in improving the national economy, including Indonesia's Gross Domestic Product (GDP). Because banks are one of the primary sources of capital funding for society. This is clearly stated in Article 4 of Law of the Republic of Indonesia Number 7 of 1992 concerning Banking, which states that Indonesian banking aims to support the implementation of national development to increase equality, economic growth, and national stability towards improving the welfare of the people (Republik Indonesia, 1992). In many theories, such as those explained in Classical theory, Solow and Schumpeter explain that capital is vital in driving the economy (Inma Fatmawati, 2015; Syahputra, 2017).

As a driving force for the economy, banking has several vital roles, namely growing the people's business sector, increasing the economic capabilities of entrepreneurs and MSMEs, and as a source of funding. Until now, banks are still the primary funding source, apart from shares and bonds. Therefore, if banking is unhealthy, the national economy will not be optimal (Kementerian Koordinator Bidang Perekonomian Republik Indonesia, 2016).

From the explanation above, it can be understood that banking has a vital role in the economy.

The contribution of Sharia Banks referred to in this research is the intermediary function of Sharia Commercial Banks, which includes collecting and distributing funds. The collection of shairh bank funds is measured by the Third Party Funds (DPK) variable, and the Working Capital Financing variable measures the distribution of funds. Meanwhile, the Indonesian economy is measured by the Gross Domestic Product (GDP) variable. This is based on previous research conducted by Gani and Bahari, as well as Widyastuti and Arinta (Gani & Bahari, 2021; Widyastuti & Arinta, 2020), which discusses how Islamic banks contribute to economic growth in Malaysia and Indonesia. This research differs from previous research because it focuses on how Sharia commercial banks contributed to the economy in Indonesia from 2015 to 2022, after the shift in supervision of Sharia banking in Indonesia from BI to OJK.

RESEARCH METHOD

This research uses quantitative research methods because the data is in the form of numbers, which are analyzed using statistics (Sugiono, 2010). It aims to determine the influence between variables in the population. The research variables used are as follows: The dependent variable (Variable Y) is gross domestic product. The independent variable (variable X) is the variable third-party funds and working capital financing.

The following is data on DPK, Working Capital Financing, and Indonesia's GDP for 2015-2022 (Billions of Rupiah):

Table 1. DPK, PMK BUS, and Indonesia's GDP data for 2015-2022

Year	Year	Third-Party Funds / DPK (M)	Working Capital Financing/ PMK (M)	Gross Domestic Product /GDP (M)
1	2015	174.895	63.640	2.272.929,20
2	2016	206.407	68.420	2.385.186,80
3	2017	238.393	72.188	2.508.971,90
4	2018	257.606	72.425	2.638.969,60
5	2019	288.978	79.986	2.769.748,10
6	2020	322.853	80.965	2.709.721,70
7	2021	355.421	77.660	2.846.068,50
8	2022	429.029	84.244	2.988.636,50

Source: OJK and BPS

The type of data used in this research is secondary data in the form of quarterly data from January 2015 to December 2022. The population and sample for this research are 13 Islamic commercial banks in Indonesia. The type and source of data used are secondary data in the form of monthly reports from the Financial Services Authority and the Central Statistics Agency from the website ojk.go.id. and bps.go.id. The data was selected considering data availability, and the number of observations of 32 (quarterly data) was considered representative. The data obtained was then processed using the SPSS analysis tool by conducting Hypothesis testing, Simultaneous Significance Test, Coefficient of Determination (R2), and Individual Parameter Significance Test.

RESULT AND DISCUSSION

Coefficient of Determination Test

The coefficient of determination (R2) explains the percentage of the dependent variable that can be explained by the independent variables simultaneously. This coefficient of determination shows how much influence the independent variable has on the dependent variable. The coefficient of determination value can be seen in the following table:

Table 1. Coefficient of Determination

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate
1	,963[a]	,918	86566375.753 555	,963[a]

Predictors: (Constant), PMK, DPK
Dependent Variable: GDP
Source: SPSS Output Data (processed data)

From the output results in the table it shows that the coefficient of determination (Adjusted R^2) is 0.918, which means that 91.8 percent of the dependent variable (GDP) can be explained by the independent variables (DPK and PMK), while other external variables explain the remaining 8.2 percent this research.

Simultaneous Significance Test (F statistical test)

The F statistical test shows whether all the independent variables intended in the regression model simultaneously influence the dependent variable. The following F test results are presented in the table as follows:

Table 2. Results of the F Statistical Test

ANOVA[a]

Model		df	Mean Square	F	Sig.
1	Regression	3	482431842564.195	109.501	,000[b]
	Residual	26	4405740659.640		
	Total	29			

Dependent Variable: GDP
Predictors : (Constant), PMK, DPK. Source: SPSS Output Data (processed data)

From the results of the F test it can be seen that together the independent variables have a significant influence on the dependent variable. This can be proven from the calculated F value of 109,501 with a significance value 0.000. Because the significance value is much smaller than 0.05, the regression model can be used to predict GDP, or it can be said that DPK and PMK together significantly influence GDP.

Individual Parameter Significance Test (t statistical test)

The t-statistical test shows how much influence an explanatory or independent variable has in explaining variations in the dependent variable. In essence, the t-statistical test partially shows how much influence an independent variable has on the dependent variable.

Table 3. Statistical t test results

Coefficients[a]

Model	Unstandardized Coefficients	Unstandardized Coefficients	Standar dized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1137675,474	289267,295		3,933	,001
DPK	1,075	,506	,350	2,122	,044
PMK	14,633	5,574	,467	2,625	,014

Dependent Variable: GDP
Source: SPSS Output Data (processed data)

From the t-test results, it can be seen that the t-value of DPK is 2.122, with a significance value of 0.044. Because the significance value is smaller than 0.05 (α = 5 percent), it can be concluded that there is a significant influence between the TDP variable and GDP. Thus, it can be concluded that DPK positively and significantly affects GDP. The t value of PMK is 2.625, with a significance value of 0.014. Because the significance value is smaller than 0.05 (α = 5 percent), it can be concluded that there is a significant influence between the PMK variable and GDP. Thus, it can be concluded that PMK positively and significantly affects GDP.

The Effect of Third-Party Funds on Gross Domestic Product

Third-party funds (DPK) are usually known as community funds, which are funds collected by banks originating from the community in a broad sense, including individuals and business entities (Ismail, 2010). So it can be concluded that the definition of third-party funds is funds saved by the public in the form of current accounts, time deposits, certificates of deposit, savings and marked with an agreement or agreement, and then these funds are collected by the bank (Rizal & Rofiqo, 2020).

In continuing to increase economic conditions, this will have an impact on people's income. When people's income increases, people's ability to save also increases (Sukirno, 2019). This will increase the collection of funds from the public (Third Party Funds), in the form of current accounts, savings, and deposits. The large number of deposits collected by banks are then distributed to the community in the form of business financing, this is ultimately able to drive the economy and improve community welfare. So it can be concluded that DPK affects GDP. The results of this research are supported by Riya Datun Nasiha, and Syahrijal Hidayat, Rudy Irwansyah, who stated that DPK affects GDP (Hidayat & Irwansyah, 2020; Nasiha, 2019).

The Effect of Working Capital Financing on Gross Domestic Product

Banking has a vital role in the economy, namely as an intermediary institution that distributes funds from the community and channels financing for business capital to the community. Banks are a source of capital funding for the community, apart from shares and bonds (Kementerian Koordinator Bidang Perekonomian Republik Indonesia, 2016). This is clearly stated in Article 4 of Law of the Republic of Indonesia Number 7 of 1992 concerning Banking, which states that Indonesian banking aims to support the implementation of national development to increase equality, economic growth, and national stability towards improving the welfare of the people (Republik Indonesia, 1992).

In many theories, such as those explained in Classical theory, Solow and Schumpeter explain that capital is vital in driving the economy (Inma Fatmawati, 2015; Syahputra, 2017). So, the effect of providing working capital financing to business actors is to smooth the wheels of the economy, increase production, and increase people's income and welfare, ultimately increasing the Gross Domestic Product (Fadhila, 2015). So, it can be concluded that PMK affects GDP. This is supported by research conducted by Anton Sudrajat and Amirus Shodiq which states that PMK affects GDP (Sudrajat & Sodiq, 2018).

CONCLUSION

Based on the results of the analysis that has been carried out, it can be concluded that There is a significant influence between the DPK variable and GDP. There is a significant influence between the PMK variable and GDP, with a coefficient of determination value of 91.8 percent. This shows that Islamic banks have a real contribution to economic growth in Indonesia. So, to improve the economy, banks have a vital role in collecting public funds and channeling these funds to business actors. With a pattern like this, production and maximum use of labor will be increased. The impact of increased production will also increase the economy, and GDP will increase.

The findings above confirm that the Banking Sector makes a real contribution to the economy because it can encourage working capital and investment levels. This can be done by financing business actors so that they can turn the wheels of the community's economy, which will ultimately increase the national economy. This confirms that mediation in the banking sector is significant for every country, including Indonesia. Banks must be able to maintain public trust by maintaining sound financial performance because the majority of funds managed by banks are public savings funds.

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