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[JEP] Submission Acknowledgement

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Kepada: Mukhlis <mukhlis@fe.unsri.ac.id>

09 December 2019 12.50

Dear Mukhlis:

Thank you for submitting the manuscript, "Investigating the effect of total assets, financing, and third-party funds on Islamic Banking Revenue in Indonesia" to Jurnal Ekonomi Pembangunan. With the online journal management system that we are using, you will be able to track its progress through the editorial process by logging in to the journal web site:

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Best Regards

Dr. Abdul Bashir, S.E., M.Si
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[Editor Decision]

Dr. Abdul Bashir, S.E., M.Si <ejournal@unsri.ac.id>
Kepada: Mukhlis <mukhlis@fe.unsri.ac.id>

20 December 2019 09.33

Dear Mukhlis:

We have reached a decision regarding your submission to Jurnal Ekonomi Pembangunan, "Investigating the effect of total assets, financing, and third-party funds on Islamic Banking Revenue in Indonesia".

Our decision is to: Revision Required

Please revise your paper based on reviewer comment and send us back the revision paper within 2 weeks into our website

Thanks for your cooperation

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Analysis of Islamic Banking in Indonesia: A Review of the Revenue Side, Total Assets, Total Financing, and Third-Party Funds

Abstract: This study aims to examine how the influence of total assets, total financing and third-party funds on the income of Islamic banking in Indonesia for the period 2005 to 2018. Data used are secondary data and analyzed using multiple regression methods. The results showed a positive correlation between total assets, total financing, and third party funds on Islamic banking income in Indonesia during the analysis period.

Keywords: Sharia Banking Income, Total Assets, Total Financing, Third Party Funds

JEL Classification:

1. INTRODUCTION

The crisis that has hit Indonesian banks since 1997 proves that banking with a conventional system is not the only reliable system, but there is another banking system that is more resilient because it implements the principle of justice and openness, namely Islamic Banking. Although at that time there was only one Islamic banking financial institution, it was acknowledged by many circles that the system adopted could answer the challenges of the crisis that occurred in 1997-1998. Since then, Islamic Banking that was born from the womb of Muslims has become known by Muslim and non-Muslim communities. Until now many conventional banks have special units of Islamic Banks (Ulfah, 2010).

Statistics of Islamic Banking (2016) states that there is growth in the number of assets and market share in Indonesia. Total assets of Islamic Banking grew by 50 percent. This shows the high enthusiasm of the community towards Islamic Banking. Not only that, the concept of prohibiting usury or interest in Islamic economics has implications for encouraging maximization of real economic activity in every Sharia Banking activity. The application is the clarity, transparency, and consistency of each contract agreement agreed by the customer and the Sharia Bank (Djuwita & Mohammad, 2016).

Sharia banking market share has increased every year. The biggest increase that occurred in 2016, amounted to 0.45 percent. This number is still small compared to the conventional banking market share. Even in 2016, the Conventional Banking market share was 94.67 percent (Financial Services Authority, 2017).

Islamic Banking Statistics Data (2016) states that there is growth in the number of assets and market share in Indonesia. Sharia Banking's total assets grew by 50 percent. This shows the high of enthusiasm of the people towards Islamic Banking. Not only that, the concept of prohibiting usury or interest in the Islamic economy has implications for encouraging maximizations for encouraging maximizations of real economic activity in every Sharia Banking activity. The application is the Clarify, transparency, and consistency of each contract agreement agreed upon by the customer and the Sharia Bank (Djuwita & Mohammad, 2016). As a result of the problems faced by the Islamic Bank, the income of the Islamic Bank became unstable. This can be seen in Figure 1.

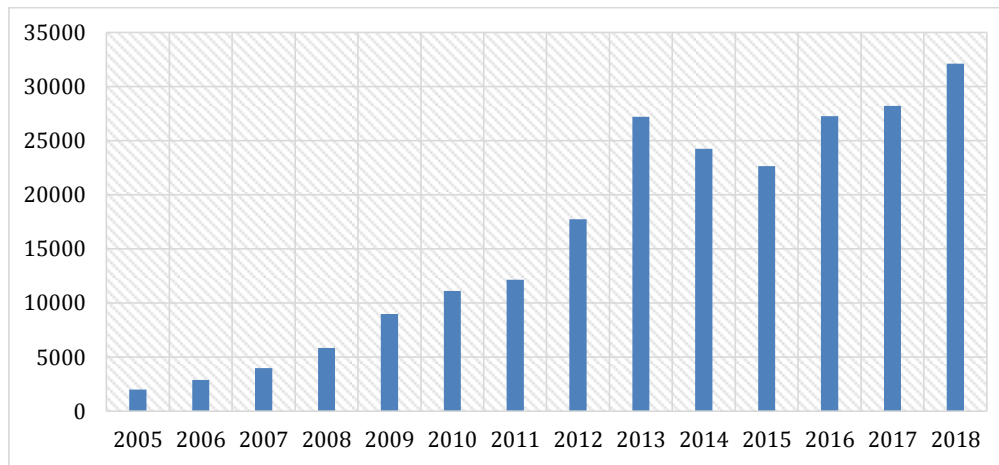


Figure 1. Development of Sharia Banks income (Rupiah Trillion)

Source: Sharia Banking Statistics, 2018

Different from total assets, the total financing of Conventional Banks, or better known as loans, has a greater total credit compared to Islamic Banks. Although it has increased every year, the total financing of Islamic Banks is still below the Conventional Banks (Financial Services Authority, 2017).

Table 1. Comparison of Sharia Banking and Conventional Banking Asset Growth in Indonesia, 2005-2018

Year	Islamic Bank (Billion Rupiah)		Conventional Bank (Trillions of Rupiah)	
	Total Assets	%	Total Assets	%
2005	20,880	-	1,470	-
2006	26,722	1	1,694	3
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2018	477,327	17	8,000	15

Source: Sharia Banking Statistics (2018); Indonesian Banking Statistics (2018)

The greater the assets of a Sharia Bank, the greater the chance of achieving its main goal of making a profit (Djuwita & Mohammad, 2016). Sharia Bank asset growth is indeed higher than conventional banks. This can be seen in Table 1, namely in 2018 the total assets of Islamic Banks increased by 17 percent while in conventional banks increased by 15 percent, but the market share of Islamic Banking assets when compared to the market

share of Conventional Banking assets is still very small.

Sharia Banking Market Share has increased every year. The biggest increase that occurred in 2016, which rose by 0.45 percent, but this number is still very small when compared to the conventional banking market share. Even in 2016, the Conventional Banking Market share was 94.67 percent.

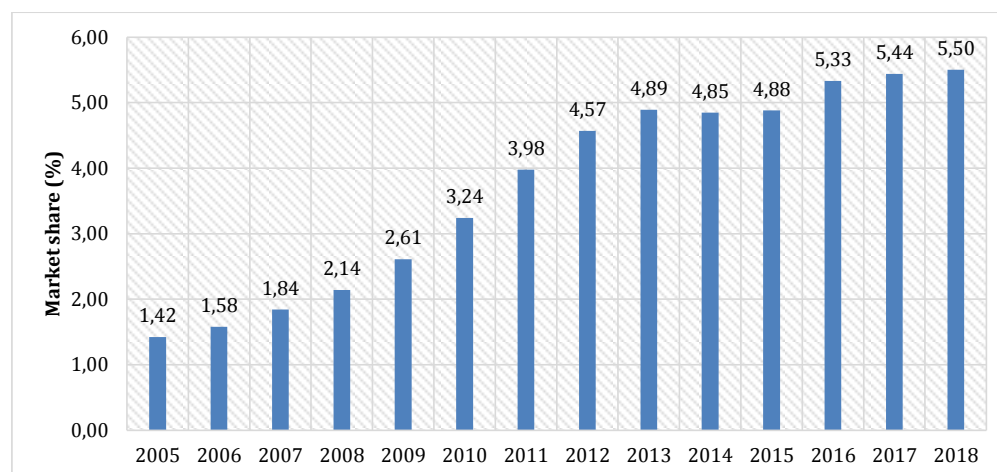


Figure 2. The Trend of Sharia Banking Market Share

Source: Sharia Banking Statistics, 2017

Different from total assets, total conventional bank financing, or better known as credit, has a greater total credit compared to Islamic banks. Although it has increased from year to year, the total financing of Islamic banks is still far below conventional banks.

Table 3. Comparison of Total Sharia Bank Financing and Total Conventional Bank Loans

Year	Total Funding (Rp. Billion)		Total Credit (Rp. Billion)	
	Islamic Bank	%	Conventional Bank	%
2005	15232	1	695,648	2
2006	20,445	1	792,297	2
2007	27,944	1	1,002,012	3
2008	38,195	2	1,307,688	4
2009	46,886	2	1,437,930	5
2010	68,181	4	1,765,845	6
2011	102,655	5	2,200,094	7
2012	147,505	8	2,707,862	8
2013	184,122	10	3,292,874	10
2014	199,330	10	3,674,306	11
2015	212,996	11	4,057,904	13
2016	248,007	13	4,377,195	14
2017	285,695	15	4,737,972	15
2018	320,193	17	5,290,000	16

Source: Indonesian Banking Statistics (2018)

Based on Table 3, it can be seen that although the total financing of Islamic Banks is still below that of Conventional Banks, the total growth of financing of Islamic Banks is

faster than Conventional Banks. This is because Islamic Banking financing does not use an interest system so that it encourages public enthusiasm which results in maximizing activities in Islamic Banking (Djuwita & Mohammad, 2016).

Table 4. Comparison of Total Third Party Funds of Sharia Banks and Conventional Banks

Year	Third Party Funds (Rp. Billion)			
	Islamic Bank	%	Conventional Bank	%
2005	15,593	1	1,127,937	3
2006	20,672	1	1,287,102	3
2007	28,012	1	1,510,834	4
2008	36,852	2	1,753,292	5
2009	52,271	2	1,950,712	5
2010	76,036	4	2,338,824	6
2011	115,415	5	2,785,024	7
2012	147,512	7	3,228,198	8
2013	183,534	9	3,663,968	10
2014	217,858	10	4,114,420	11
2015	231,175	11	4,413,056	11
2016	279,335	13	4,836,758	13
2017	334,719	16	5,289,209	14
2018	371,828	18	5,405,400	15

Source: Indonesian Banking Statistics, 2018

Table 4 show DPK Sharia Banks and Conventional Banks experienced a significant increase. Just like financing, Islamic Bank DPK is far below conventional banks, but the growth of Islamic banks is faster than conventional banks. The development of assets, financing, and third party funds is expected to continue to increase and experience relatively rapid growth each year. Thus, increasing total assets, total financing, and third party funds can increase the growth of Islamic banking in Indonesia. This is because the three variables are related to each other.

2. LITERATURE REVIEW

According to Law Number 10 of 1998 concerning Amendment to Law Number 7 of 1992 concerning Banking as a business entity that collects funds from the public in the form of deposits and distributes them to the public in the form of credit and or other forms (Hasyim, 2016). The classification of banks is not only based on the type of business activities, but also includes the form of legal entity, its establishment and ownership, target market, function, ownership status, operational activities, demand deposits, organization system, and geographical location. In terms of rewards or services for the use of funds, both deposits and loans, banks can be divided into conventional banks and Islamic banks (Hasyim, 2016).

The specific objective of the existence of Sharia Banking in addition to providing halal financial services for Muslim communities, the Sharia Banking system is expected to contribute to the achievement of the social (humanitarian) objectives of the Islamic economic system. Therefore, the emergence of banking institutions that use the name of sharia is not only based on market demand factors alone or financial and economic orientation, but is manifested on the basis of human values, which is able to solve the economic problems experienced by the community and is able to improve its human

dignity, thereby the presence of Islamic Banking by itself will be able to bring changes in the economy of Muslim communities in a much better direction (Purwanda, 2012).

2.1. Total Assets

According to Suhadi (2015), assets are productive assets that are managed within the company and these assets are obtained from sources of debt or capital. While, Suhadi (2015), defines assets as something that is capable of generating positive cash flow or other economic benefits, both with himself or with other assets, whose rights are obtained by Islamic Banking as a result of past transactions or events. The parts in total Islamic Banking assets are cash, placements with BI, placements with other banks, financing provided, investments, allowance for possible losses on earning assets, fixed assets and inventory, and various types of assets (Suhadi, 2015).

Total assets are the total assets owned by a company or financial institution that is used to support the operational of the company or financial institution (Arrazy, 2015). Assets are resources that are controlled by a sharia entity as a result of past events and have future economic benefits for the sharia entity. Assets are included in the nominal debit balance. The higher the total value of the assets produced by the bank, the probability will increase.

2.2. Total Funding

Financing is the provision of money by the bank based on an agreement or agreement between the bank and another party, which requires the financed party to pay bills within a certain time period in return or profit sharing (Prasetyo, 2013). According to Law No. 21 of 2008 concerning Sharia Banking article 1 paragraph 25, it states: Financing is a provider of funds in the form of or equivalent claims in the form of: profit sharing transactions in the form of *Mudharabah* and *Musharakah*, lease transactions in the form of *Ijarah* or lease purchases in *Ijarah Muntahiyah Bittamlik* forms, sale and purchase transactions in the form of *Murabahah*, *Salam* and *Istishna* receivables, as well as lending and borrowing transactions in the form of *Qardh* receivables.

According to Prasetyo (2013) sharia bank financing consists of three types, namely: *Murabahah* financing, *Mudharabah* financing, and *Musharakah* financing. *Murabahah* financing is financing using the principle of buying and selling and is often done in Islamic Banking. *Murabahah* itself consists of several schemes, namely *cost plus margin*, *installment sale*, *As Salam*, and buying and selling by order (*Al Istishna*). *Cost plus margin* is a sale and purchase with payment at once in cash or a certain grace period according to the agreement. *Bai' Bitsaman Ajil* or installment sale is the sale and purchase of payments made in installments according to the agreement. The selling price is the base price plus the margin is the installment amount, so long as the installment agreement does not change.

2.3. Third-party funds

Based on Article 1 No. 20 Law No. 21 of 2008, third party funds represent funds entrusted by customers to sharia banks and or UUS based on *Wadi'ah* contracts or other contracts that are not in conflict with sharia principles in the form of demand deposits, savings, or other similar forms. In the banking world, third party funds consist of demand deposits (*demand deposits*), savings deposits (*saving deposits*), and *time deposits*.

Islamic banks are Islamic financial institutions, which are profit oriented (profile). Profit is not only for the benefit of the owner or founder, but also very important for the

development of Islamic Bank business. Sharia Bank's profits are mainly derived from the difference between income from investment of funds and expenses incurred during a certain period. To obtain optimal results, Sharia Banks are required to manage their funds efficiently and effectively, both for funds collected from the public (DPK), as well as capital funds for owners / founders of Islamic Banks as well as for the use or investment of these funds.

Islamic banks can withdraw deposits from the public in the form of: (1) deposits (*wadi'ah*) deposits that are guaranteed security and returns (*guaranteed deposit*) but without obtaining rewards or profits, (2) participation in sharing capital and sharing risks (*nonguaranteed accounts*) for investment general (*general investment account / Mudharabah mutlaqah*) where the bank will pay a proportionate profit in proportion to the portfolio funded with that capital, (3) *special investment account (Mudharabah muqayyadah)*. Where the bank acts as an investment manager to get a *fee*. So banks do not participate in investing while investors fully take risks on investments (Umiyati, 2017).

Agus (2015) analyzes the growth of Islamic Banking. The growth of Sharia Banking has increased along with the increase in Sharia Banking assets, this is because total assets are a benchmark of growth in Sharia Banking, so Sharia Banking has the potential and opportunity to advance. Total assets have a positive relationship to the growth of Islamic Banking. In addition, according to Lubis (2016) assets and financing are interrelated with one another. If financing is slowing down, assets will also slow down. This is caused by financing is still the main choice of channeling Islamic Banking funds compared to deposits, current accounts, and other securities. Along with the increase in assets, the growth of Islamic Banking also increased. This is because assets and financing have a significant effect on the growth of Islamic Banking.

3. METHODS

This study analyzes the effect of total assets, total financing, and DPK on the growth of Islamic Banking in Indonesia. The data used in this study are secondary data that is data obtained directly from agencies, or from the publication of official sites, such as total asset data, total financing, and Islamic Banking DPK 2005-2018 published on the Financial Services Authority website. The analysis technique used in this study is multiple linear regression analysis techniques. Regression models in this study are:

$$Y = f(X_1, \dots, X_n)$$

So the equation becomes:

$$TR_t = \beta_0 + \beta_1 TA_t + \beta_2 FIN_t + \beta_3 TPF_t + \varepsilon_t$$

Where: TR is sharia bank total revenue; β is constants; TA is total assets of sharia bank; FIN is total Islamic bank financing; and TPF is Islamic bank of Third-Party Funds (DPK)

3.1. The Gauss-Markov hypothesis

Test for normality to find out the normal distribution of disturbance factors (residual). There are two ways to detect whether residuals are normally distributed or not, namely by graphical analysis and statistical tests. Graph analysis is a histogram chart and looks at the normal probability plot by comparing the cumulative distribution with the normal distribution. While the statistical test is done by looking at the value of Skewness and Kurtosis of the residual.

Multicollinearity means there is a near perfect linear correlation between three or

more independent variables. Multicollinearity test aims to test whether in the regression model that is formed there is a high or perfect correlation between independent variables or not. If in the regression model formed there is a high or perfect correlation between the independent variables, then the regression model is declared to contain multicollinearity symptoms.

The main assumption in the classic linear regression model is that the variance of each *disturbance term* that is limited by certain values of the independent variables is in the form of a constant value equal to σ^2 . This test assesses whether there is a variance in residual variance for all observations in the linear regression model. This is what is called the heteroscedasticity assumption or the same variant, using *Breusch-Pagan-Godfrey*.

4. RESULTS AND DISCUSSION

The Jarque-Bera probability value of 0.76 is greater than the critical value level of 0.05 (significance level of 5%). The results of this study indicate that H_0 is accepted because the Jarque-Bera probability value is greater than α which means that the data in this normally distributed research model or pass the normality test. While the results of the autocorrelation test are seen from the Chi-Square probability is 0.29 from the critical value level of 0.05, $0.29 > 0.05$, so there is no autocorrelation in the model.

The next diagnostics results of the calculation of heteroscedasticity test using *Breusch-Pagan-Godfrey* concluded that there was not heteroscedasticity problem or the data can be said to be homoscedasticity. The decision whether or not heteroscedasticity occurs in this linear regression model is by looking at the f-stat probability value (F arithmetic). If the calculated F probability value $>$ from the level of $\alpha = 0.05$ (5%), it is H_0 accepted, which means there is no heteroscedasticity, whereas if the calculated F probability value $<$ of the level of $\alpha = 0.05$ (5%), it is H_0 rejected, which means heteroscedasticity quality. The last of diagnostics results is the model does not understand the problem of multicollinearity, it can be seen from the partial "r" value of the independent variable < 0.5 .

Based on the model estimation results show the F-test (simultaneous test) for the regression model in this study can be seen in [Appendix 2](#). Based on the regression results obtained a significant value of F of 0,000. Based on the calculation results, it means that the value of sig F < 0.05 (5%) so that it can be concluded that there is a significant effect between total assets, total financing , and third party funds together on the income of Islamic Banking.

Comment [AB1]: Dimana lampirannya

$$LNTP = 0.377 + 5.751 (LNTP) - 2.873 (LNTP)$$

$$+ 3,811 (LNTPK)$$

$$R^2 = 0.97$$

$$F_{test} = 99.15$$

$$D-W_{test} = 1.6$$

Comment [AB2]: Sajikan tabel hasil estimasi secara lengkap

Based on the regression results, it can be seen if the total assets increase by 1 percent, then the total income will increase by 5.7 percent. If total financing has increased by 1 percent, then total revenue will decrease by 2.8 percent. While if TPF has increased by 1 percent, the total revenue of Islamic Banking will increase by 3.8 percent.

Comment [AB3]: Setiap menganalisis pengaruh variabel tambahkan analisis justifikasi kenapa seperti itu (*why*) nya (analisis lebih dalam) dan sejalan dengan hasil penelitian siapa?

The results of the t-test in this study are the partial t probability of the total asset variable of 0.011, this means that H_0 is accepted because the probability of the *t-statistic* $< \alpha$ which means there is a significant or significant influence between total assets and the growth of Islamic Banking. This is due to the increasing public trust in Islamic Banking. So that banking assets continue to increase, resulting in increased Sharia Banking income.

The partial t probability value of the total financing variable is 0.00, this means that H_0 is accepted because the probability of the *t-statistic* $< \alpha$, which means there is a real or significant influence between total financing and the growth of Islamic Banking. This is because Islamic Banking financing does not use an interest system so that it encourages public enthusiasm which results in maximizing activities in Islamic Banking.

Based on the results of the t-test, namely the partial t probability of TPF variable is 0.004, this means that H_0 is accepted because the probability of *t-statistic* $< \alpha$, which means that there is a real or significant influence between TPF and the growth of Islamic Banking. This shows that more customers are interested in investing their money in Islamic Bank. The increase in the number of third party funds was due to a variety of products owned by Islamic Banking and relatively good services. The development of third party funds also shows that more people are depositing funds at Islamic Bank.

5. CONCLUSION

Based on the test results it can be seen that the magnitude of the *adjusted R-Square* is 0.9533 or 95 percent. This means that 95 percent of the dependent variable that is income of Islamic Banking can be explained significantly by the variation of the independent variables. The independent variables are total assets, total financing, and third party funds. Based on the results of the t test, the three independent variables namely total assets, total financing, and third party funds each have a significant influence on the income of Islamic Banking.

Based on the regression results, it can be seen if the total assets increase by 1 percent, then the total income will increase by 0.25 percent. If total financing has increased by 1 percent, then total revenue will decrease by 0.46 percent. And if DPK has increased by 1 percent, the total revenue of Islamic Banking will increase by 0.01 percent.

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- Indonesia, B. (2002). *Blueprint for Development of Indonesian Sharia Banking*. Jakarta:

Comment [AB4]: Kesimpulan secara umum saja tidak masukan angka lagi, dan tambahkan analisis implikasi dari temuan anda.

Comment [AB5]: Referensi yang bahasa Indonesia tidak boleh di translate, usahakann sumber primer (jurnal) dan silahkan tambahkan referensi tidak boleh kurang dari 15 referensi.

Bank Indonesia.

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Analysis of Islamic banking in Indonesia: a review of the revenue side, total assets, total financing and third-party funds

ABSTRACT This study aims to examine how the influence of total assets, total financing and third-party funds on the income of Islamic banking in Indonesia for the period 2005 to 2018. Data used are secondary data and analyzed using multiple regression methods. The results showed a positive correlation between total assets, total financing, and third party funds on Islamic banking income in Indonesia during the analysis period.

Keywords: *Sharia Banking Income, Total Assets, Total Financing, Third Party Funds, Simple Regression.*

JEL Classification:

1. PRELIMINARY

Comment [U1]: Change with "Introduction"

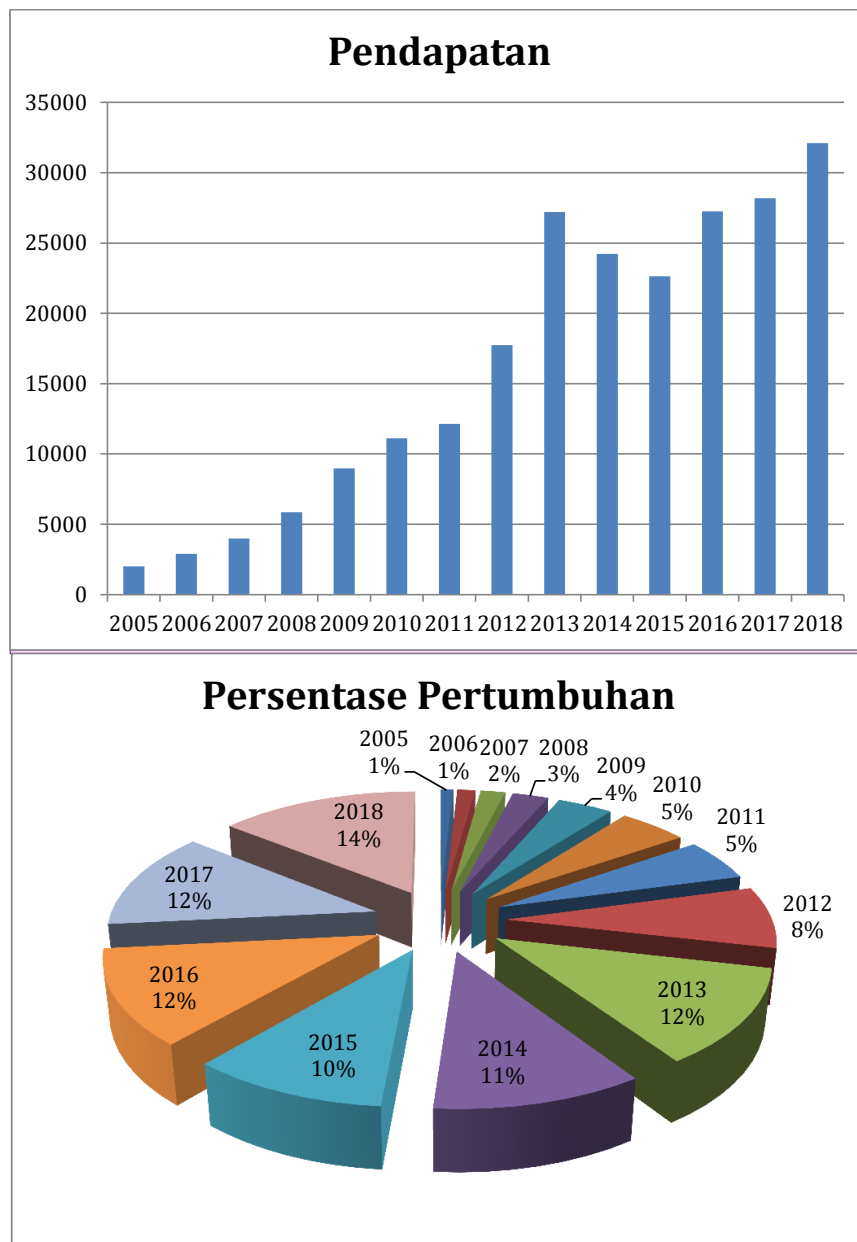
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Comment [U2]: Not listed in the reference

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Comment [U3]: -Title in English

Comment [U4]: Title in English

Figure 1. Development of income and Growth Percentage of Sharia Banks (Rupiah Trillion)
Source : Sharia Banking Statistics, 2018

Islamic Banking Statistics Data (2016) states that there is growth in the number of assets and market share in Indonesia. Sharia Banking's total assets grew by 50 percent. This shows the high of enthusiasm of the people towards Islamic Banking. Not only that, the concept of prohibiting usury or interest in the Islamic economy has implications for encouraging maximizations for encouraging maximizations of real economic activity in every Sharia Banking activity. The application is the clarify, transparency, and consistency of each contract agreement agreed upon by the customer and the Sharia Bank (Djuwita & Mohammad, 2016).

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Sharia Banking Market Share has increased every year. The biggest increase that occurred in 2016, which rose by 0.45 percent, but this number is still very small when compared to the conventional banking market share. Even in 2016, the Conventional Banking Market share was 94.67 percent.

Table 2. Sharia Banking Market Share

Year	Market share
2005	1.42
2006	1.58
2007	1.84
2008	2.14
2009	2.61
2010	3.24
2011	3.98
2012	4.57
2013	4.89
2014	4.85
2015	4.88
2016	5,33
2017	5.44
2018	5.50

Source: Sharia Banking Statistics, 2017

Comment [U8]: Not listed in the reference

Different from total assets, total conventional bank financing, or better known as credit, has a greater total credit compared to Islamic banks. Although it has increased from year to year, the total financing of Islamic banks is still far below conventional banks. Based on Table 3, it can be seen that although the total financing of Islamic Banks is still below that of Conventional Banks, the total growth of financing of Islamic Banks is faster than Conventional Banks. This is because Islamic Banking financing does not use an interest system so that it encourages public enthusiasm which results in maximizing activities in Islamic Banking (Djuwita & Mohammad, 2016).

Table 3. Comparison of Total Sharia Bank Financing and Total Conventional Bank Loans

Year	Total Funding (Rp. Billion)		Total Credit (Rp. Billion)	
	Islamic Bank	%	Conventional Bank	%
2005	15232	1	695,648	2
2006	20,445	1	792,297	2
2007	27,944	1	1,002,012	3
2008	38,195	2	1,307,688	4
2009	46,886	2	1,437,930	5
2010	68,181	4	1,765,845	6
2011	102,655	5	2,200,094	7
2012	147,505	8	2,707,862	8
2013	184,122	10	3,292,874	10
2014	199,330	10	3,674,306	11
2015	212,996	11	4,057,904	13
2016	248,007	13	4,377,195	14
2017	285,695	15	4,737,972	15
2018	320,193	17	5,290,000	16

Source: Indonesian Banking Statistics (2018)

Comment [U9]: Not listed in the reference

Table 4 . show DPK Sharia Banks and Conventional Banks experienced a significant increase. Just like financing, Islamic Bank DPK is far below conventional banks, but the growth of Islamic banks is faster than conventional banks. The development of assets, financing, and third party funds is expected to continue to increase and experience relatively rapid growth each year. Thus, increasing total assets, total financing, and third party funds can increase the growth of Islamic banking in Indonesia. This is because the three variables are related to each other.

Table 4. Comparison of Total Third Party Funds of Sharia Banks and Conventional Banks

Year	Third Party Funds (Rp. Billion)			
	Islamic Bank	%	Conventional Bank	%
2005	15,593	1	1,127,937	3
2006	20,672	1	1,287,102	3
2007	28,012	1	1,510,834	4
2008	36,852	2	1,753,292	5
2009	52,271	2	1,950,712	5
2010	76,036	4	2,338,824	6
2011	115,415	5	2,785,024	7
2012	147,512	7	3,228,198	8
2013	183,534	9	3,663,968	10
2014	217,858	10	4,114,420	11
2015	231,175	11	4,413,056	11
2016	279,335	13	4,836,758	13
2017	334,719	16	5,289,209	14
2018	371,828	18	5,405,400	15

Source: Indonesian Banking Statistics, 2018

Comment [U10]: Not listed in the reference

2 . LITERATURE REVIEW

According to Law Number 10 of 1998 concerning Amendment to Law Number 7 of 1992 concerning Banking as a business entity that collects funds from the public in the form of deposits and distributes them to the public in the form of credit and or other forms (Hasyim, 2016) .

The classification of banks is not only based on the type of business activities, but also includes the form of legal entity, its establishment and ownership, target market, function, ownership status, operational activities, demand deposits, organization system, and geographical location. In terms of rewards or services for the use of funds, both deposits and loans, banks can be divided into conventional banks and Islamic banks (Hasyim, 2016).

The specific objective of the existence of Sharia Banking in addition to providing halal financial services for Muslim communities, the Sharia Banking system is expected to contribute to the achievement of the social (humanitarian) objectives of the Islamic economic system. Therefore, the emergence of banking institutions that use the name of sharia is not only based on market demand factors alone or financial and economic orientation, but is manifested on the basis of human values, which is able to solve the economic problems experienced by the community and is able to improve its human dignity, thereby the presence of Islamic Banking by itself will be able to bring changes in the economy of Muslim communities in a much better direction (Purwanda, 2012) .

Total Assets

According to Harahap, in Suhadi (2015) , assets are productive assets that are managed within the company and these assets are obtained from sources of debt or capital. While Muhammad, in Suhadi (2015) , defines assets as something that is capable of generating positive cash flow or other economic benefits, both with himself or with other assets, whose rights are obtained by Islamic Banking as a result of past transactions or events. The parts in total Islamic Banking assets are cash, placements with BI,

placements with other banks, financing provided, investments, allowance for possible losses on earning assets, fixed assets and inventory, and various types of assets (Suhadi, 2015) .

Total assets are the total assets owned by a company or financial institution that is used to support the operational of the company or financial institution (Arrazy, 2015) . Assets are resources that are controlled by a sharia entity as a result of past events and have future economic benefits for the sharia entity. Assets are included in the nominal debit balance. The higher the total value of the assets produced by the bank, the probability will increase.

Total Funding

Financing is the provision of money by the bank based on an agreement or agreement between the bank and another party, which requires the financed party to pay bills within a certain time period in return or profit sharing (Prasetyo, 2013) .

According to Law No. 21 of 2008 concerning Sharia Banking article 1 paragraph 25, it states: Financing is a provider of funds in the form of or equivalent claims in the form of: profit sharing transactions in the form of mudharabah and musyarakah, lease transactions in the form of ijarah or lease purchases in ijarah muntahiya bittamlik forms, sale and purchase transactions in the form of murabahah, salam and istishna receivables, as well as lending and borrowing transactions in the form of qardh receivables.

According to Prasetyo (2013) , Sharia Bank financing consists of three types, namely: murabaha financing, mudharabah financing, and musyarakah financing. Murabaha financing is financing using the principle of buying and selling and is often done in Islamic Banking. Murabahah itself consists of several schemes, namely *Cost Plus Margin* , *Installment Sale* , *As Salam* , and buying and selling by order (*Allstishna* '). *Cost Plus Margin* is a sale and purchase with payment at once in cash or a certain grace period according to the agreement. *BaiBitsaman Ajil* or *Installment Sale* is the sale and purchase of payments made in installments according to the agreement. The selling price is the base price plus the margin is the installment amount, so long as the installment agreement does not change.

Third-party funds

Based on Article 1 No. 20 Law No. 21 of 2008, third party funds represent funds entrusted by customers to Sharia Banks and / or UUS based on *wadi'ah* contracts or other contracts that are not in conflict with sharia principles in the form of demand deposits, savings, or other similar forms. In the banking world, third party funds consist of demand deposits (*demand deposits*), savings deposits (*saving deposits*), and *time deposits* .

Islamic banks are Islamic financial institutions, which are profit oriented (profile). Profit is not only for the benefit of the owner or founder, but also very important for the development of Islamic Bank business. Sharia Bank's profits are mainly derived from the difference between income from investment of funds and expenses incurred during a certain period. To obtain optimal results, Sharia Banks are required to manage their funds efficiently and effectively, both for funds collected from the public (DPK), as well as capital funds for owners / founders of Islamic Banks as well as for the use or investment of these funds.

Islamic banks can withdraw deposits from the public in the form of: (1) deposits (

wadiah) deposits that are guaranteed security and returns (*guaranteed deposit*) but without obtaining rewards or profits, (2) participation in sharing capital and sharing risks (*nonguaranteed accounts*) for investment general (*general investment account / Mudharabah mutlaqah*) where the bank will pay a proportionate profit in proportion to the portfolio funded with that capital, (3) *special investment account (Mudharabahmuqayyadah*). Where the bank acts as an investment manager to get a *fee* . So banks do not participate in investing while investors fully take risks on investments (Umiyati, 2017) .

FIRST RESEARCH

Agus (2015) analyzes the growth of Islamic Banking. The growth of Sharia Banking has increased along with the increase in Sharia Banking assets, this is because total assets are a benchmark of growth in Sharia Banking, so Sharia Banking has the potential and opportunity to advance. Total assets have a positive relationship to the growth of Islamic Banking.

Comment [U11]: -the first author's last name and the second author's first name
-Check your references

According to Lubis (2016) , assets and financing are interrelated with one another. If financing is slowing down, assets will also slow down. This is caused by financing is still the main choice of channeling Islamic Banking funds compared to deposits, current accounts, and other securities. Along with the increase in assets, the growth of Islamic Banking also increased. This is because assets and financing have a significant effect on the growth of Islamic Banking.

3 . METHOD

This study analyzes the effect of total assets, total financing, and DPK on the growth of Islamic Banking in Indonesia. The data used in this study are secondary data that is data obtained directly from agencies, or from the publication of official sites, such as total asset data, total financing, and Islamic Banking DPK 2005-2018 published on the Financial Services Authority website . The analysis technique used in this study is multiple linear regression analysis techniques. Regression models in this study are:

$$Y = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3$$

So the equation becomes:

$$TP_t = \beta_0 + \beta_1 TA + \beta_2 PB + \beta_3 DPK$$

Comment [U12]: Number each equation

Where:

TP: Sharia Bank total revenue; β : constants; X_1 : total assets of a Sharia Bank; X_2 : total Islamic bank financing; X_3 : Islamic Bank DPK

The Gauss-Markov hypothesis

Normality test

Test for normality to find out the normal distribution of disturbance factors (residual). There are two ways to detect whether residuals are normally distributed or not, namely by graphical analysis and statistical tests. Graph analysis is a histogram chart and looks at the normal probability plot by comparing the cumulative distribution with the normal distribution. While the statistical test is done by looking at the value of kurtosis and skewness of the residuals.

Comment [U13]: Source of the quote

Multicollinearity Test

Multicollinearity means there is a near perfect linear correlation between three or more independent variables. Multicollinearity test aims to test whether in the regression model that is formed there is a high or perfect correlation between independent variables or not. If in the regression model formed there is a high or perfect correlation between the independent variables, then the regression model is declared to contain multicollinear symptoms.

Comment [U14]: Source of the quote

Heteroskedasticity Test

The main assumption in the classic linear regression model is that the variance of each *disturbance term* that is limited by certain values of the independent variables is in the form of a constant value equal to σ^2 . This test assesses whether there is a variance in residual variance for all observations in the linear regression model. This is what is called the heteroskedasticity assumption or the same variant, using *Breusch-Pagan-Godfrey*.

Statistic test

F test

F test is done by comparing comparing F arithmetic with F tables. If F arithmetic > F tables, then H_0 is rejected and H_a is accepted. F arithmetic is the value of F from the calculation results of the analysis, which then the value will be compared with F tables in certain numerators and denominators. The numerator is also called the Degree of Freedom 1, while the denominator is the Degree of Freedom 2.

Comment [U15]: Source of the quote

T test

Like F arithmetic, t table is also used to measure the level of significance of an analysis, but the difference is, t table does not recognize the numerator and denominator itself, only the value of t at a particular Degree of Freedom.

Comment [U16]: Source of the quote

4. RESULTS AND DISCUSSION

Based on the calculation results using E-Views obtained by the entity equation model as follows:

$$\text{LNTP} = 0.377 + 5.751 (\text{LNTA}) - 2.873 (\text{LNBP}) + 3.811 (\text{LNDPK})$$

Comment [U17]: Number of equation

$$R^2 = 0.97$$

$$F_{\text{test}} = 99.15$$

$$D\text{-}W_{\text{test}} = 1.6$$

Based on the regression results, it can be seen if the total assets increase by 1 percent, then the total income will increase by 5.7 percent. If total financing has increased by 1 percent, then total revenue will decrease by 2.8 percent. And if DPK has increased by 1 percent, the total revenue of Islamic Banking will increase by 3.8 percent.

Normality test

The Jarque-Bera probability value of 0.76 is greater than the α level of 0.05 (significance level of 5%). The results of this study indicate that H_0 is accepted because the Jarque-Bera probability value is greater than α which means that the data in this normally distributed

research model or pass the normality test.

Autocorrelation Test

The results of the autocorrelation test are seen from the Chi-Square probability which is shown in Table 7 of 0.29 from the α level of 0.05, $0.29 > 0.05$, so there is no autocorrelation in the model.

Heteroscedasticity Test

The results of the calculation of heteroscedasticity test using *Breusch-Pagan-Godfrey* concluded that there was no heteroscedasticity problem or the data can be said to be homoscedasticity. The decision whether or not heteroscedasticity occurs in this linear regression model is by looking at the F-statistic probability value (F arithmetic). If the calculated F probability value $>$ from the level of $\alpha = 0.05$ (5%), it is accepted, which means there is no heteroscedasticity, whereas if the calculated F probability value $<$ of the level of $\alpha = 0.05$ (5%), it is rejected, which means heteroscedastic quality.

Multicollinearity Test

The model does not understand the problem of multicollinearity, it can be seen from the partial "r" value of the independent variable < 0.5 .

F test

The results of the F test (simultaneous test) for the regression model in this study can be seen in Appendix 2. Based on the regression results obtained a significant value of F of 0.000. Based on the calculation results, it means that the value of sig F < 0.05 (5%) so that it can be concluded that there is a significant effect between total assets, total financing, and third party funds together on the income of Islamic Banking.

T test

The results of the t-test in this study are the partial t probability of the total asset variable of 0.011, this means that H_0 is accepted because the probability of the *t-statistic* $< \alpha$ which means there is a significant or significant influence between total assets and the growth of Islamic Banking. This is due to the increasing public trust in Islamic Banking. So that banking assets continue to increase, resulting in increased Sharia Banking income.

The partial t probability value of the total financing variable is 0.00, this means that H_0 is accepted because the probability of the *t-statistic* $< \alpha$, which means there is a real or significant influence between total financing and the growth of Islamic Banking. This is because Islamic Banking financing does not use an interest system so that it encourages public enthusiasm which results in maximizing activities in Islamic Banking.

Based on the results of the t-test, namely the partial t probability of DPK variable is 0.004, this means that H_0 is accepted because the probability of *t-statistic* $< \alpha$, which means that there is a real or significant influence between DPK and the growth of Islamic Banking. This shows that more customers are interested in investing their money in Islamic Bank. The increase in the number of third party funds was due to a variety of products owned by Islamic Banking and relatively good services. The development of third party funds also shows that more people are depositing funds at Islamic Bank.

5. CONCLUSION

Based on the test results it can be seen that the magnitude of the *adjusted R-Square* is 0.9533 or 95 percent. This means that 95 percent of the dependent variable that is income of Islamic Banking can be explained significantly by the variation of the independent variables. The independent variables are total assets, total financing, and third party funds. Based on the results of the t test, the three independent variables namely total assets, total financing, and third party funds each have a significant influence on the income of Islamic Banking.

Based on the regression results, it can be seen if the total assets increase by 1 percent, then the total income will increase by 0.25 percent. If total financing has increased by 1 percent, then total revenue will decrease by 0.46 percent. And if DPK has increased by 1 percent, the total revenue of Islamic Banking will increase by 0.01 percent.

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[Editor Decision]

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Kepada: Mukhlis <mukhlis@fe.unsri.ac.id>

6 March 2020 08.39

Dear Mukhlis:

We have reached a decision regarding your submission to Jurnal Ekonomi Pembangunan, "Investigating the effect of total assets, financing, and third-party funds on Islamic Banking Revenue in Indonesia".

Our decision is to: Accepted

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Best Regards

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