ANALYSIS CALCULATION OF INTEREST ON CONVENTIONAL BANK AND PROFIT SHARING ON ISLAMIC BANK

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Abstract

The object of this research are to determine the interest rate on conventional banking system and the results of the Islamic banks. Development of banking in Indonesia is getting better. The development is indicated by the increasing number of banks both conventional banks and Islamic banks in Indonesia. The more rapid growth of Islamic banking in Indonesia is due to the increasing number of conventional banks to open Islamic banking in the form.

Analysis of research interest calculation in conventional banks and the aim of profit sharing in Islamic banks are to determine interest rate system on conventional banking system and profit sharing in Islamic banking.

Development of banking in Indonesia is getting better now, it's marked by increasing the number of banks in Indonesia and also started the development of Islamic banking in Indonesia. The development of Islamic banking in Indonesia is quite rapid, marked by every bank began opening in the form of Islamic banking in addition to conventional banks.

Keywords: bank interest, profit sharing, conventional bank, Islamic bank

1.1 Background

Condition of banking in Indonesia is better eventhough pressure of the crisis financial global more feels. We could see that things from decreasing tight of banking liquidity and growing of total credit banking. Indonesia economic are still fluctuation, goverment doing deregulations policy and debrocratitation run gradually in financial sector and economy. Means of deregulation policy and debicratitation is efforts for rising the good banking system, efficient and strong. Impact from over regulated to banking are stagnant condition and lost of inisiatif banking. Its encourage central bank doing deregulation of banking to modernization of banking based on demand citizen based on demand citizen, business and economic life on the period.

Development of islamic bank in Indonesia on the last quite rapidly. It looks from growing and blooming industry of islamic bank in Indonesia and increasing levels of public trust. Public was very need the rse of economic institution which can realizing the justice of economy for harrow the social gap. Crisi of economy since 1997's middle. It still continous till now, it had more awared about the importance the seeking and developing the system of alternatif economic, which can prevent the consentration of wealth in the hands of a few grews groups of people.

1.2 Literature review

Bank is a belief institution functioning as a intermediation institution, help the fluency of payment system and another important is the institution which is medium in implementation of government policy such as monetary policy. Because of its functions, the existence of good bank, whether individually or totality as a system, is prerequisite for a good economy. To crate good banking needed the arrangement and control of effective

bank. Banking's policy is defined and implemented by Bank of Indonesia which is basicly is a part of effort to create, to keep and to maintain the good banking system.

In implementing its effort, bank collects the fund from society/people and distributes it back in various of alternative investment. The definition of bank by UU No. 7/ 1992 about banking which has been changed by UU no 10/1998:

1. Bank is corporate for collecting fund from society in form of deposit and distributing it to society in order to improve of living standart for many people.
2. General bank is bank which implementing the business actvities conventionally and or based on islamic principal which is that activity is to give service in payment traffic.
3. BPR (Bank perkreditan rakyat) is a bank which implementing the business activity conventionall or based on islamic principal which is that activity did not give service in payment traffic.

1.2.2 Definition of Islamic Bank

Islamic bank is a banking system which is it business activity and operational are based on islamic. Islamic banking is also based on the rule of legislation that setting the mechanism of operational and banking islamic managment which appropriate with the predetermined conventional bank, except have contrary with islamic rules. Islamic bank effort activities to be well arranged in Indonesia public rules No. 10/ 1998 about banking that is (12)

"financing based on islamic principles is prepare of money or bill that the same point based on agreement or consensus between bank with other company who campulsory the company that costed to return money or bill after certain term with reward or profit sharing" (13)

Syariah principles are contract rules based on islamic rules between bank and others company for funding finance and or effort activities, or the others activities compatible with syariah, that are financing based on profit sharing principles (mudarabah), financing based on inclusion capital principles (musyarakah), the principles of selling goods to get

profit (murabahah), or financing of capital goods based on pure rent principles without options (ijarah), or with any options of transferring ownership of rent good from bank from other company (ijarah wa iqtina)

a. Vision of developing islamic banking

"Realization of Islamic banking system heathty, strong and balancing with syariah principles in justice framework, welfare in order to achieve the healthy community as materially and spiritually

b. Mission of developing islamic banking

"Realization the condusive atmosphere for developing syariah banking that are healthy, efficient and competitive are based onsyariah principles and carefully syariah, which are could support the riil sector through financing based on profit sharing and riil transaction, in order to push nasional economic growing"

Fatwa No : 15/DSN-MUI/IX/2000 about distribution system of profit sharing in syariah finance institution that are :

1. Basicly, LKS may use Net revenue sharing principles and profit sharing in distribution effort result with the customer.
2. Could see from al-ashlah, now enterprise sharing system should use net revenue sharing
3. Determining sharing system principles must be agreed in akad

Distribution Principles of operation are :

1. Revenue sharing

   Devided about revenue reduced HPP (Net revenue/gross profit)
2. Profit sharing

   Devided of profit

All syariah bank in Indonesia using revenue sharing principles in calculation profit sharing to third party funds

1.3 Research Methodology

To give clarity and describe about this research so the methode that writer used are :

1.3.1   Research object

In this research, writer doing calculation of interest using data from syariah bank and conventional bank

1.3.2   Data/Variable

Writer using table of interest saving conventional bank and sharing profit using BRI syariah bank

1.3.3   Collecting Methodology

Methodology of collecting data for this paper are :

a. Secondary data

Secondary data is the data that obtainable by browsing about the problems will be discussed

b. Literature study

Literature study is writer got all the object for this research. Referenced to the guide book and material reading that are related to the issues discussed

1.3.4   Instrument of analysis

In order to achieve the aim of this research , writer applying the instrument of analysis that are :

a. Conventional bank

Generally, there are 3 methods of calculating interest saving that are : Based on lowest balance, average balance and daily balance. Some banks applying 365 days in a year, but there are some banks applying 360 days in a year.

1. Interest calculation method based on lowest balance

In this method, interest in a month calculated based on lowest balance on that month.

The calculation of interest is :

$$Bunga = ST \times i \times \frac{t}{365}$$

ST   = lowest balance

i   = interest rate in a year

t   = total days in a month

365   = total day in 1 year

2. Interest calculation method based on average balance

    In this method, interest in 1 month calculate based on average balance in current month. Average balance calculated based on last total balance saving in daily on that current month, devide with total day in that month.

    $$\text{Bunga} = \text{SRH} \times i \times \frac{t}{365}$$

    SRH   = Average daily balance

    i   = interest rate in a year

    t   = total days in a month

3. Interest calculation method based on daily balance

    In this method interest calculated from daily balance. Interest balance on month proceed calculated by sum the interest gained everyday.

    Example : Balance less than Rp 5.000.000, interest = 3%pa and balance more than Rp 5.000.000, i = 5% pa

    Calculation method :

    1st day   : $\text{Rp.1 Juta} \times 3\% \times \frac{1}{365} = 82{,}19$

    2nd day   : $\text{Rp.1 Juta} \times 3\% \times \frac{1}{365} = 82{,}19$

    3rd day   : $\text{Rp.1 Juta} \times 3\% \times \frac{1}{365} = 82{,}19$

    4th day   : $\text{Rp.1 Juta} \times 3\% \times \frac{1}{365} = 82{,}19$

    5th day   : $\text{Rp.6 juta} \times 5\% \times \frac{1}{365} = 821{,}92$

b. Syari'ah bank

Syari'ah bank not applying interest system but applying profit sharing, that is managing fund system in islamic economy. Calculations are based on a sharing agreement with the bank customers who invest their funds in Islamic banks. The magnitude of the right customer to the bank in the calculation of that profit sharing, on the set with a rate ratio or scale a section called Nisbah.

The calculation of revenue sharing and interest income received by the Customer is calculated using the formula:.

$$\text{Profit sharing} = \frac{\text{total days X \%Rate Return X total So saving}}{365}$$

$$\text{interest} = \frac{\text{Total days X \% interest X total So.saving}}{365}$$

Distribution for the results to be obtained by the customer. Further to the results of the customer using the formula

$$\text{Profit sharing} = \text{\% Nisbah X Distribution of profit sharing}$$

$$\text{Rate Return} = \frac{\text{BBH}}{\text{SRH}} \text{ X } \frac{\text{total days in 1 year}}{\text{total day}} \text{ X 100\%}$$

Description : BBH = Profit sharing bonus

SRH = Average Daily Balance the 3rd Party

1.4 DISCUSSION AND ANALYSIS

1.4.1 THEORY OF CALCULATION FOR BRI Syariah

A. Provision Calculation of Profit Sharing Syariah bank

1. All DPK (third party funds) are mixed into pooling funds

2. Pooling funds become DPK are given to finance funds

3. Finance funds produce revenue which mix into the main revenue operations

4. PUO are calculated with financing to deposit ratio (FDR) become PUO that has been distributed

5. Distribution profit process into distribution profit table

6. Ditribution profit is given to DPK Mudharabah and bank

PUO → **1. Funding = Financing** → **PUO has been distributed**
2. Funding < Financing
3. Funding > Financing

Description :

First, Revenue that will shared have to calculated with average position of funding Vs financing, that are :

1.   Funding = financing

Revenue that will shared are revenue from financing which the source of fund from DPK

2.   Funding < Financing

Revenue that will shared are revenue from financing which the source of fund from DPK but only afew from DPK

3.   Funding > Financing

Revenue that will shared are the revenue from activa procutive (financing etc) which the source from DPK

Table 1.41 PUO Sharing

No	Funding	Financing	financing revenue	Revenue Sharing	Describe
1	150,000	150,000	**2,250**	**2,250**	• **All revenue financing are shared**
2	150,000	**175,000**	**2,625**	**2,250**	• **2,625 x 150,000 /175,000** • **Revenue financing will be shared like DPK portion**
3	150,000	**125,000**	**1,875**	**1,875 + …**	• **All revenue financing are shared** • **Added other productive revenue activa which the source from DPK.**

1.4.2 Table of Distribution Profit

Kinds of saving	Average balance	Revenue are shared	Portion of the funds owner			Portion Bank	
			Nisbah	Nominal	% p.a	Nisbah	Nominal
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
Giro Wadiah	A1	B1 = A1 / ΣA x B	C1	D1 = B1 x C1	E1 = D1 / A1 x 100% x 12	F1 = 100% - C1	G1 = B1 – D1
Giro Mudharabah	A2	B2 = A2 / ΣA x B	C2	D2 = B2 x C2	E1 = D1 / A1 x 100% x 12	F2 = 100% - C2	G2 = B2 – D2
Wadiah saving	A3	B3 = A3 / ΣA x B	C3	D3 = B3 x C3	E3 = D3 / A3 x 100% x 12	F3 = 100% - C3	G3 = B3 – D3
Mudharabah saving	A4	B4 = A4 / ΣA x B	C4	D4 = B4 x C4	E4 = D4 / A4 x 100% x 12	F4 = 100% - C4	G4 = B4 – D4
Mudharabah deposit							

1 month	A5	B5 = A5 / ΣA x B	C5	D5 = B5 x C5	E5 = D5 / A5 x 100% x 12	F5 = 100% - C5	G5 = B5 – D5
3 months	A6	B6 = A6 / ΣA x B	C6	D6 = B6 x C6	E6 = D6 / A6 x 100% x 12	F6 = 100% - C6	G6 = B6 – D6
6 months	A7	B7 = A7 / ΣA x B	C7	D7 = B7 x C7	E7 = D7 / A7 x 100% x 12	F7 = 100% - C7	G7 = B7 – D7
12 months	A8	B8 = A8 / ΣA x B	C8	D8 = B8 x C8	E8 = D8 / A8 x 100% x 12	F8 = 100% - C8	G8 = B8 – D8
	Σ A	B		ΣD			ΣG

Describing table :

1. Colomn –A (month average balance daily)
   - Source : from SSL balance concerned
   - Ex : last balance date 1 = a1, date 2 = a2 etc … date 31 = a31
   - calculation :

$$\frac{a1 + a2 + a3 + \ldots\ldots\ldots.. + a31}{\text{number of days in that month}}$$

2. Colomn – B (shared revenue)

   - Revenue activa production portion will be distributed (as a component of revenue in sharing profit distribution/revenue)

   - The source from SSL → first gets the data B

   - Revenue in the form :
     a. Margin (Principles of sale and rent)
     b. Profit sharng (principle of sharing)
     c. Calculation :
        Ex. Mudharabah saving – B4, revenue in each product are :

$$B4 = A4 / \Sigma A \times B$$

3.   Colomn – C (Nisbah customer)

Portions share for customers who have agreed from the beginning

4.   Colomn – D (revenue's customer)

Calculation of customer revenue in dollars (nominal):

$$D4 = B4 \times C4$$

5.   Colomn – E (equivalent rate for each product), that are :

$$E4 = D4 / A4 \times 100\% \times 12^*)$$

*calculation each year

1.4.2 APPLICATION CALCULATION OF PROFIT SHARING

1. Period Profit Sharing

Usually do in 1 (one) time in 1 (one) month.

2. Income that has been distributed

All income activa produtive (financing, etc.) which the source comes from DPK will shared to DPK with mudharabah's contract.

Table 1.4.3 Calculation Profit Sharing

Kinds of saving	Average balance	Revenue are shared	Portion of the funds owner			Portion of Bank	
			Nisbah	Nominal	% p.a	Nisbah	Nominal
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
Giro Wadiah	5000					100%	
Giro Mudharabah	25.000					75%	

Wadiah saving	5.000					100%	
Mudharabah saving	20.000					70%	
Mudharabah Deposit							
1 month	20.000					55%	
3 months	25.000					54%	
6 months	30.000					53%	
12 months	10.000					52%	
	Σ A	B		Σ D			Σ G

STEP 1

Calculate the Main Operating Income (PUO) which would been distributed

(using Table Composition vs Funding. Financing)

PUO which would been distributed is

= PUO x Funding / Financing

= 2.625 x 150 000/175 000

= 2,250

STEP 2

Enter PUO were distributed to the Profit Distribution Table

STEP 3

Calculate Shared Revenues for each product DPK

How to Calculate

Revenue are shared (Colomn B)

- Revenue activa production portion will be distributed (as a component of revenue in sharing profit distribution/revenue)

-          The source from SSL → first gets the data B

-          Revenue in the form :

1.   Margin (Principles of sale and rent)
2.   Profit sharng (principle of sharing)
3.   Calculation :

Ex. Mudharabah table – B4, revenue in each product are :

$$B4 = A4 \, / \, \Sigma A \times B$$

STEP 4

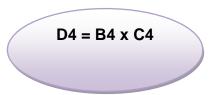Calculate Nominal profit sharing for :

1.   Customer portion
2.   Bank portion

How to calculate :

✓   Customer nisbah (colomn – C)

    Portions division for customers who have agreed from the beginning

✓   Customer revenue (colomn - D)

-     Customer revenue in rupiah (nominal)

-     Calculation :

$$D4 = B4 \times C4$$

STEP 5

Calculate the rate of return equivalent to the Customer

How to Calculate

Equivalent rate Calculation of each product (Column E) is:

*Calculate each year

E4 = D4 / A4 x 100% x 12*) *)

Table 1.4.4 Equivalent Rate of return

Kinds of saving	Average balance	Revenue are shared	Portion of the funds owner			Portion of Bank	
			Nisbah	Nominal	% p.a	Nisbah	Nominal
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
Giro Wadiah	5000	75	0%	-	0%	100%	75
Giro Mudharabah	25.000	375	25%	93.75	4.5%	75%	281.25
Wadiah saving	5.000	75	0%	-	0%	100%	75
Mudharabah saving	20.000	450	30%	135	5.4%	70%	315
Mudharabah deposit							
1 month	20.000	300	45%	135	8.1%	55%	165
3 months	25.000	375	46%	172.5	8.28%	54%	202.5
6 months	30.000	450	47%	211.5	8.46%	53%	238.5
12 months	10.000	150	48%	72	8.64%	52%	78
	150.000	2.250		819,75			1.430,25

Another way:
1. Index investment per thousand (HI per mile)

= revenue are shared X 1.000

Total funding

2.　　　Calculate HI per mil

= 2.250 X 1000

150.000

Tabel 1.4.5 Table Distribution profit + index HI per MIL

Kinds of saving	Average balance	Revenue are shared	Portion of the funds owner			Portion of Bank	
			Nisbah	Nominal	% p.a	Nisbah	Nominal
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
Giro Wadiah	5000	75	0%	-	0%	100%	75
Giro Mudharabah	25.000	375	25%	93.75	4.5%	75%	281.25
Wadiah saving	5.000	75	0%	-	0%	100%	75
Mudharabah saving	20.000	450	30%	135	5.4%	70%	315
		300					
Mudharabah deposit							
1 month	20.000	300	45%	135	8.1%	55%	165
3 months	25.000	375	46%	172.5	8.28%	54%	202.5
6 months	30.000	450	47%	211.5	8.46%	53%	238.5
12 months	10.000	150	48%	72	8.64%	52%	78
	150.000	2.250		819,75			1.430,25

Index HI per mil = 15

If the average balance Mudaraba Savings Mr. Abdullah is Rp.10, 000, then profit sharing is:

Eq. Rate Method $\rightarrow$ $\dfrac{10.000 \times 5.4\%}{12}$ = Rp 45

HI per mil Method $\rightarrow$ $\dfrac{10.000 \times 30\% \times 15}{1.000}$ = Rp 45

1.5 Conclusions

From the research it can be concluded that:

1. In Islamic banks use profit-sharing system in which all deposits (third party funds) mixed into pooling funds then become DPK are distributed on financing (finance funds) and generate revenue (revenue) were mixed in the main operating income (PUO) which PUO calculated with financing to deposit ratio (FDR) becomes PUO profit sharing

2. In conventional bank use a system which there are 3 methods of calculating interest saving there are : based on lowest balances, average balances and daily balances. Some banks apply the number of days in 1

3. In islamic bank quantity, revenue shared is revenue from financing which the source from DPK, but only a portion of DPK

4. In conventional bank, interest rates have been set.

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