International Journal of Islamic Economics volume 4, nomor 01, (2022), pp.19-33
DOI: https://doi.org/10.32332/ijie.v4i01.4751

Determinant Islamic Banking Financing during COVID-19 Pandemic

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Submitted : Maret 2022
Accepted : Mei 2022
Published : Juni 2022

Abstract.
The spread of COVID-19 is becoming one of the biggest threats to the global economy and financial markets in the world. This study is conducted to determine the effect of the factors that influence profit-sharing financing during the COVID-19 pandemic on Islamic banking in Indonesia. This study uses a sample of 13 Islamic Commercial Banks and 20 Sharia Business Units and the time period is quarter I-IV 2020. The analytical tool used in this study is panel data regression with the Random Effect Model (REM) approach. The results indicate that DPK, NPF, FDR, ROA, GDP, inflation and the money supply simultaneously has an effect on profit sharing financing. For the partial estimation results, the variables of DPK, FDR, and ROA have a significant and positive effect on profit sharing financing. While the variables of NPF, GDP, inflation, and the money supply have no significant effect on profit sharing financing

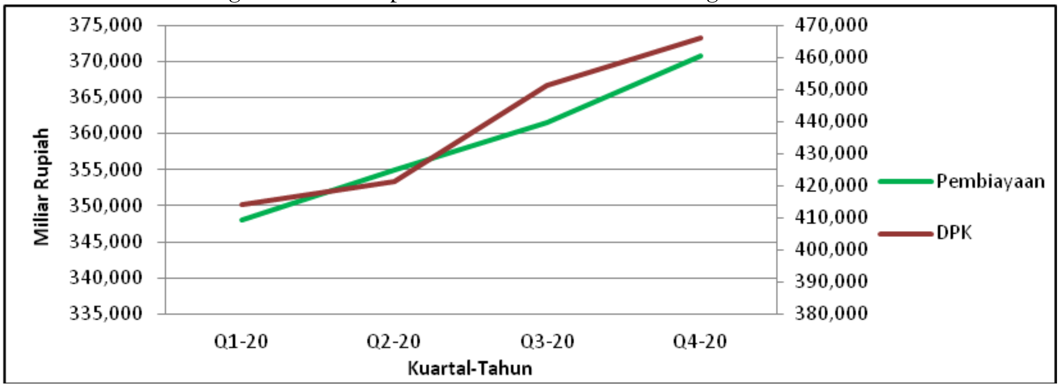
Keywords: *COVID-19, financial performance, Islamic banking financing, macroeconomics, panel data*

A. Introduction

Banking is a financial institution that brings together entities that have excess funds which will later be given to entities that need funds for certain purposes. The banking system in Indonesia uses two types of banking systems that go hand in hand, namely conventional banking and Islamic banking as stipulated in Law No. 10 of 1998. The spread of COVID-19 is one of the biggest threats to the global economy and financial markets in the world. Coronavirus Disease 2019 (COVID-19) is a new type of disease originating from a virus that is capable of causing mild to severe symptoms such as death (Ministry of Health 2020). This virus originating from China has affected the movement of communities, businesses, organizations, and indirectly affected financial markets and the global economy (Nicola et al. 2020). The first case of COVID-19 in Indonesia began to enter on March 2, 2020 (Ministry of Health 2020). The World Health Organization (WHO) has announced that COVID-19 is officially considered a global pandemic.

Indonesia's economic growth experienced a recession after two quarters of negative growth, with 5.32 percent in the second quarter and 3.49 percent in the third quarter (BPS 2020). The Open Unemployment Rate (TPT) in August 2020 increased 1.84 percent on an annual basis to 7.07 percent. Along with the weakening of people's purchasing power, the inflation rate in May 2020 was recorded to have weakened to 0.07 percent on a monthly basis and 2.19 percent on an annual basis. The money supply also experienced a significant decline of 3.4 percent in April compared to the previous month. However, this is different in Islamic banking, the amount of financing disbursed during the COVID-19 pandemic continues to increase.

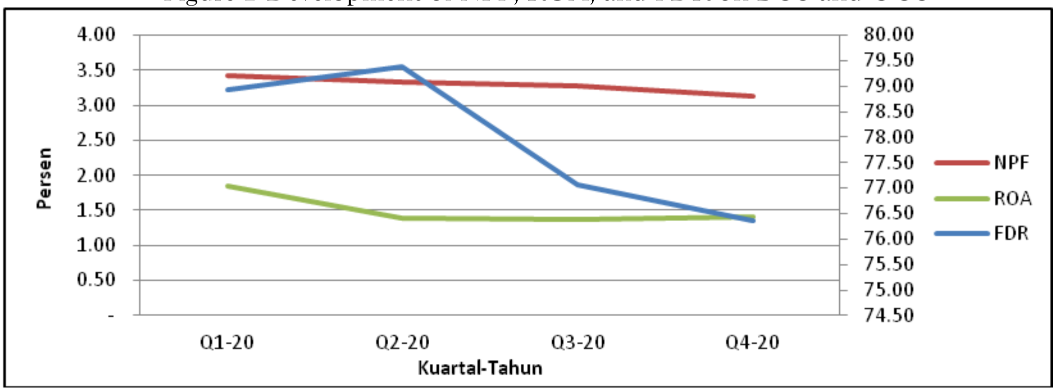
Figure 1 Development of TPF and financing at BUS and UUS



Source: OJK Sharia Banking Statistics December 2020 (processed)

Figure 1 shows the characteristics of BUS and UUS as seen from the total Third Party Funds (DPK) and financing that continues to develop during COVID-19. Total DPK in the first quarter of 2020 was recorded at IDR 414,057 billion and in the fourth quarter of 2020 it reached IDR 465,977 billion, meaning an increase of 12.54 percent. This increase in the number of deposits was also followed by the growth of financing carried out by Islamic banking, recorded in the first quarter of 2020 reaching IDR 348,019 billion and in the fourth quarter of 2020 reaching IDR 370,740 billion, meaning an increase of 6.5 percent.

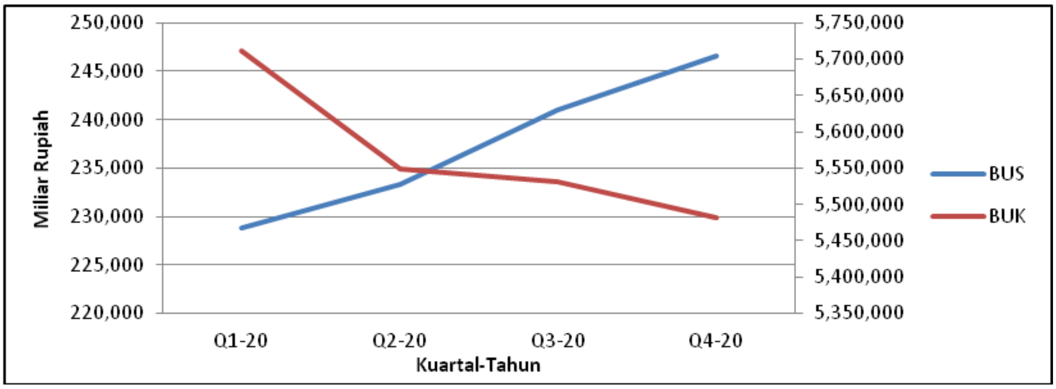
Figure 2 Development of NPF, ROA, and FDR on BUS and UUS



Source: Banking Statistics0Sharia OJK December 2020 (processed)

Figure 2 shows the characteristics of BUS and UUS as seen from the financial ratios in each quarter of 2020. The value of Non Performing Financing (NPF) decreased by 8.72 percent, starting from 3.43 percent at the beginning of the period to 3.13 percent in the final quarter 2020. Likewise, the Return On Assets (ROA) ratio decreased by 24.41 percent starting from 1.86 percent to 1.40 percent at the end of the period. In addition, the value of the Financing to Deposit Ratio (FDR) even though it had increased, this ratio also experienced a downward trend during the second-fourth quarter of 3.26 percent, which started from 78.93 percent to 76.36 percent. The FDR graph which has a downward trend is due to the fact that during the same period, public funds collected by Islamic banking were much higher than the amount of financing provided.

Figure 3 Development of BUK credit and BUS financing



Source: Banking Statistics Sharia OJK December 2020 (processed)

Based on Figure 3 shows that Islamic Commercial Bank (BUS) financing is growing more rapidly than conventional Commercial Bank (BUK) loans. In the first quarter of 2020, conventional commercial banks experienced a significant decline of 4.03 percent while Islamic commercial banks experienced an increase of 7.73 percent. Bilgin (2020) finds that increasing economic uncertainty significantly reduces credit growth for conventional banks but does not have a significant impact on credit growth for Islamic banks. The Islamic banking sector is a sector that is more stable during a crisis (Smolo et al. 2010; Chapra 2011; Tabash and Dhankar 2014). Credit and asset growth in Islamic banking also performed better than conventional banking during the 2008–2009 crisis, which contributed to financial and economic stability (Hasan and Dridi 2011). Khan and Mirakhor (1989) argue that, the model of implementing a profit-sharing system and the diversity of financing schemes, makes Islamic banking superior to conventional banking in terms of adapting to external shocks that can cause a banking crisis..

Table 1 Composition of BUS and UUS financing by contract

Akad	Kuartal (Miliar Rp)			
	Q1-20	Q2-20	Q3-20	Q4-20
Mudharabah	12.486	10.934	11.263	10.918
Musyarakah	154.104	160.989	161.168	166.147
Murabahah	159.895	163.379	168.952	172.548
Salam	-	-	-	-
Istishna	2.156	2.222	2.280	2.348
Ijarah	8.964	8.317	7.953	8.020
Qardh	10.414	9.174	9.906	10.759
Total	348.019	355.015	361.522	370.740

Source: OJK Sharia Banking Statistics December 2020 (processed)

Based on Table 1, it shows that the movement of sharia financing during the COVID-19 pandemic continues to increase, which is dominated by financing with a buying and selling scheme (murabahah) with a share of 46.54 percent and financing with profit sharing schemes (musyarakah and mudharabah) of 44.81 percent and 2.98 percent of the total financing. Total financing growth when compared to 2019 even increased by 7.77 percent. Since the COVID-19 pandemic, the economy as a whole has experienced negative movements such as a weakening GDP value, an increasing unemployment rate, declining inflation, and a declining money supply. Profit sharing financing which is the original nature of Islamic banking continues to increase. Keeton (1999) emphasizes the close relationship between the business cycle and loan growth; loan growth tends to be high during business expansion, while loan losses tend to be high during business contraction. Cucinelli (2015) found that when the financial crisis occurred, the credit trend decreased and banks were less willing to provide credit due to the high credit risk. However, this is different for Islamic banking financing, which experienced an increasing trend during the COVID-19 pandemic. The development of Islamic banking is able to support macroeconomic efficiency which can be measured by financing (Gheeraert and Weill 2015). The increase in financing in the midst of this economic instability indicates that there are a number of factors that can influence the amount of funds disbursed by banks, both from the internal banking side and from the external banking side. Internal factors can be seen from the financial performance of Islamic banking, while external factors can be seen from macroeconomic conditions.

B. Literature Review

The Financial Services Authority (OJK) defines a bank as an institution that carries out an intermediation mission in terms of raising funds from the public in the form of financing. Based on Law no. 21 of 2008 sharia banking consists of sharia banks and sharia business units which include institutions, business activities, as well as methods and processes in carrying out their business activities. Sharia bank is a bank that carries out business activities based on sharia principles and by type consists of BUS, UUS, and BPRS. BUS is a sharia bank which in its activities provides services in payment traffic. BPRS is a sharia bank which in its activities does not provide services in payment traffic. UUS is a work unit from the head office of a Conventional Commercial Bank (BUK) which acts as the main office that conducts business activities based on sharia principles.

Financing based on sharia principles can be interpreted as an agreement between the bank as the party providing the funds and the customer as the party applying for the financing and within the agreed time period the customer must return the funds to the bank in the form of profit sharing (Law Number 10 of 1998). The contract or principle that forms the basis of Islamic banking operations in distributing financing according to Karim (2008) is divided into 4 types, namely, the principle of profit sharing or syirkah (profit sharing), the principle of buying and selling, the principle of lease, and the principle of complementary contracts. In the profit sharing system there are two types of contracts. First, mudharabah is a form of financing with a profit-sharing scheme (syirkah). The bank as shahibul maal places funds as capital for the customer's business and the customer as (mudarib) contributes both in the form of energy and skills. This form of cooperation emphasizes that 100 percent of the capital contribution comes from the shahibul maal while the mudharib provides his expertise. Both musharaka are cooperation contracts between two or more people who jointly contribute capital for a particular project and will share profits and losses with each other. Each party involved in fundraising has the right to determine the business policy to be carried out.

The financial performance of a bank is a description of the bank's monetary condition over a certain period of time, namely the extent to which the bank's ability to increase assets and distribute reserves, which is usually estimated by the bank's capital adequacy, liquidity, and profitability (Jumingan 2006). The financial performance of banks in this discussion refers to Bank Indonesia Guidelines Number 6/10/PBI/2004 concerning the bank soundness assessment system which explains that banks need to direct the soundness of banks on a quarterly basis in their financial statements. Return on Assets (ROA) serves to measure the bank's achievement in generating profits. This lower proportion indicates the bank's lack of ability to monitor resources to increase revenue and reduce costs. Non-performing financing (NPF) states the amount of financing0 that the customer or debtor is unable to pay off within a certain period of time. A high NPF* value indicates an unhealthy banking performance because it can have an impact on the amount of profit that can be generated by banks. Financing to Deposit (FDR) can be defined as the proportion used to measure the size of the financing arrangement which is complemented by the size of the assets and capital claimed or used. According to Danupranata (2013) the amount of FDR indicates the soundness of the bank in providing financing. In order to support the operational activities of a bank for disbursing funds, banks need sufficient sources of funds, one of which is through Third Party Funds. According to Law no. 21 of 2008 article 1 deposits in Islamic banks are the amount of funds that customers entrust to Islamic banks and/or UUS based on wadi'ah contracts or other contracts that do not conflict with sharia principles in the form of demand deposits, savings, or others.

Mankiw (2009) explains that macroeconomics is the study of the economy as a whole, including income growth, price changes, and the unemployment rate. Macroeconomics means a branch of economics that looks at the economy broadly and in aggregate. Inflation is widely used as an external variable in research on Islamic banking. Inflation is a tendency to increase the price of goods and services in general which takes place continuously (BPS 2020). If the price of goods and services in the country as a whole increases, it will increase. The increase in the price of goods and services in general causes a decrease in the value of money. The growth rate of Gross Domestic Product (GDP) or Gross Domestic Product (GDP) is one of the most commonly used as macroeconomic indicators to measure economic activity in a country's economy. There are two types of GDP, namely GDP at current prices and at constant prices. According to BPS, GDP is basically the total value added obtained by all business units in a given country or the total value of final goods and services obtained by all economic units. The money supply or money supply is one of the most crucial indicators in determining monetary policy. Huda et al. (2008) explained that the main function of money in Islam is only as a medium of exchange. The money used by the community consists of various types. According to Solikin and Suseni (2002), money that is on hand (outside commercial banks) and ready to be spent at any time, especially for payments in small amounts is called cash.

C. Research Methodology

The type of data used as the focus of this research is secondary data. Data collection was obtained from the quarterly financial reports of each bank's sharia banking, the Financial Services Authority, Bank Indonesia (BI), and the Central Statistics Agency (BPS). The data collected is panel data, which is a combination of time series data for quarter I – IV 2020 and cross section data for 13 BUS and 20 UUS. The sample selection in this study used a non-probability sampling method with a purposive sampling technique, which means the sampling technique of data sources with certain considerations (Sugiyono 2013). The consideration of the criteria needed is that the bank publishes quarterly financial reports regularly to the OJK during the quarter I-IV 2020 period, the Bank is not in a condition of revoking its business license or in a state of ownership transfer during the observation period, and the availability of research data variables during the observation period.

Panel data is a regression model that combines time series data and cross section data. According to Biorn (2017) panel data often contributes to reducing collinearity between explanatory variables and allows for a wider test of competing model specifications. There are several methods that are often used to estimate the parameters of the static panel data model, namely pooled least square, fixed effects model and random effects model. In selecting the right model, several specification tests are needed, such as the chow test, hausman0test, breusch-pagan lagrangian multiplier test. The models used are as follows:

$$LN\_FIN_{i,t}=\alpha+\alpha_1\beta_1ROA_{i,t}+\alpha_2 0\beta_2FDR_{i,t}+\alpha_3 0\beta_3NPF_{i,t}+\alpha_4\beta_4LN\_DPK_{i,t}+\alpha_5\ \beta_5INF_{i,t}+\alpha_6\beta_6\ LN\_PDB_{i,t}+\alpha_7\ \beta_7\ LN\_JUB_{i,t}+e_{i,t}$$

Information :

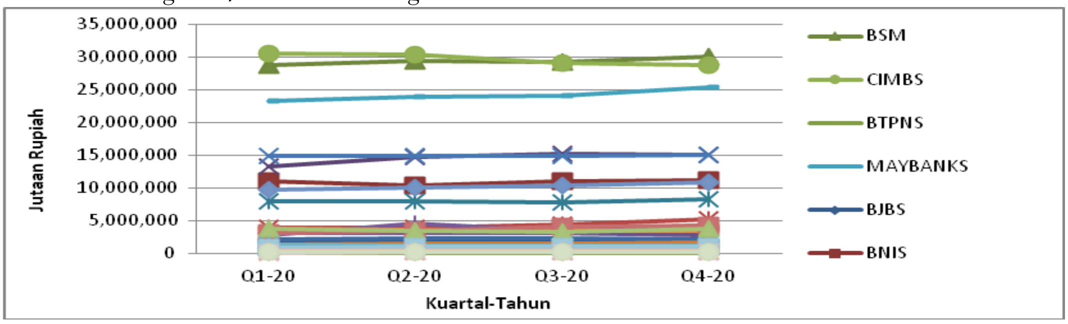
LN_FINi,t	=	Total profit sharing financing (%)
ROAi,t	=	Return on bank assets (%)
FDRi,t	=	Financing0to0deposit0ratio)(%)
NPFi,t0	=	Non0performing0financing0bank0i at time t (%)
LN_DPKi,t	=	Bank i's third party funds at time t (%)
INFi,t	=	Inflation growth0i0at0time0ke0t0 (%)
LN_PDBi,t	=	Gross domestic growth i at time t (%)
LN_JUBi,t	=	Money supply (%)
α	=	Regression coefficient
e	=	Residual
i,t	=	Islamic bank i, t quarter

D. Results And Discussion

1 Overview of Islamic Banking Profit Sharing Financing

Based on 2008 article 19 paragraph 1, sharia banks as financial institutions have a role in collecting funds and distributing funds in the form of financing. The types of financing offered by banks to the public have four different types of financing, namely profit sharing schemes (musyarakah and mudharabah), buying and selling (murabahah, salam, istishna), rental (ijarah and ijarah vomiting bittamlik), and loans (qardh). According to data from the Financial Services Authority (OJK), total financing in Islamic banking increased to Rp. 370.74 trillion as of the fourth quarter of 2020. The type of financing with the principle of profit sharing (musyarakah and mudharabah) is the second largest portion of total financing disbursement. given after the portion of the murabahah contract. Financing with musyarakah contracts is 44.81 percent and mudharabah is 2.98 percent. Based on Figure 3, it can be seen that the financing of the profit sharing scheme has an average distribution of Rp. 5.53 trillion during 2020.

Figure 4 Total financing for the results of BUS and UUS in Indonesia



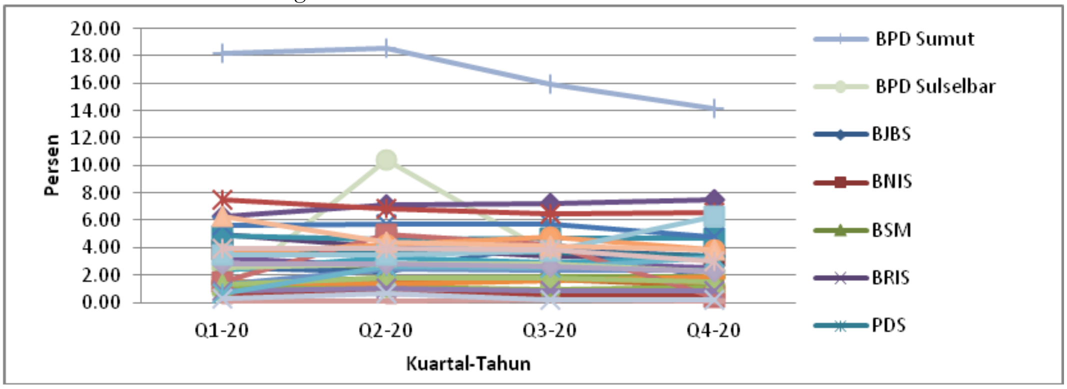
Source: Islamic banking financial reports (processed)

Figure 4 shows that Bank Syariah Mandiri (BSM) and UUS CIMB Niaga (CIMBS) have a large and relatively increasing amount of profit-sharing financing distribution in each quarter of 2020, which is above Rp28 trillion. As for the Sharia National Pension Savings Bank (BTPNS), the amount of profit-sharing financing disbursed is less than in other Islamic banks studied with the smallest value reaching only Rp. 8.3 billion in the fourth quarter of 2020.

2 Development of Islamic Banking Financial Performance

Non-Performing Financing (NPF) is one of the financial ratios used as an indicator to show the quality of the assets owned by banks. NPF is commonly used to measure the level of non-performing financing experienced by banks, the higher the NPF level, the efficiency of Islamic bank financing decreases.

Figure 5 NPF ratio of BUS and UUS in Indonesia

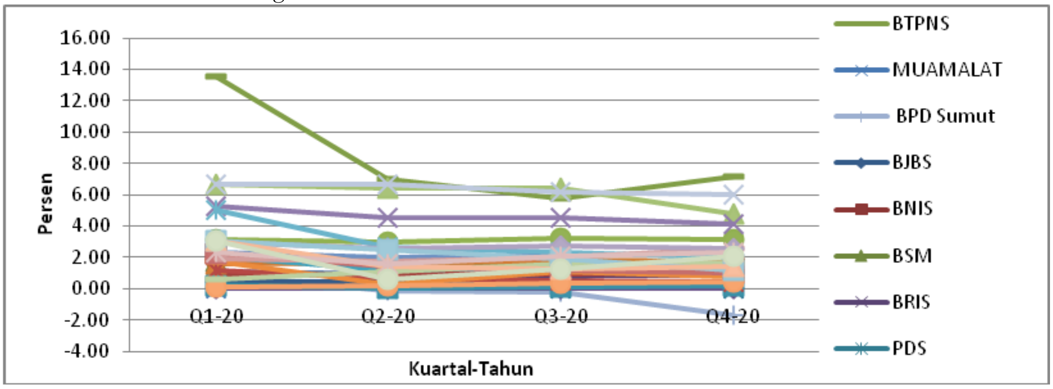


Sumber: Laporan keuangan perbankan syariah (diolah)

Based on Figure 5, the NPF owned by 33 Islamic banks in Indonesia on average has a fairly stable NPF value of 3.37 percent or below 5 percent, as determined by Bank Indonesia the reasonable limit for banking NPF to be said to have a healthy NPF ratio. UUS BPD Jambi was able to maintain the lowest NPF value during the study period, which was in the range of 0.03-0.18 percent, meaning that the level of financing disbursed was very small for non-performing financing. However, the UUS BPD North Sumatra (North Sumatra) has a very high NPF value of 18.22 percent at the beginning of the observation period (first quarter 2020) and increased by 1.81 percent to 18.55 percent in the second quarter of 2020. In addition, the UUS BPD Sulawesi South and West Sulawesi (Sulbselbar) experienced a significant increase in the middle of COVID-19 (second quarter 2020) of 1331.51 percent from 0.73 percent to 10.45 percent. There was a sharp increase in the NPF level experienced by UUS BPD Sulselbar and the NPF value for UUS BPD North Sumatra indicated a decline in the quality of financing. A bank that has an NPF ratio above 5 percent means that the bank's NPF value is in the unreasonable and uncontrollable category. If the NPF expansion is not controlled, it will allow the emergence of non-performing financing which can reduce the ability of the bank's duties. Non-performing financing will have an impact on the public's view of the performance or reputation of the bank due to the inability of Islamic banks to carry out their functions.

Return on Assets (ROA) is a proportion that indicates the ability of banks to earn large profits. In terms of the greater the proportion of ROA owned by the bank, the level of benefits achieved and the resources claimed by the bank are increasing. The ROA value describes the level of profit efficiency in managing bank assets. Based on Figure 8, the average ROA value for BUS and UUS throughout 2020 is in the range of 2 percent. This value indicates the average ROA of Islamic banking is in the very healthy category or above 1.5 percent. BTPNS has the most superior average ROA ratio compared to all banks, amounting to 9.42 percent.

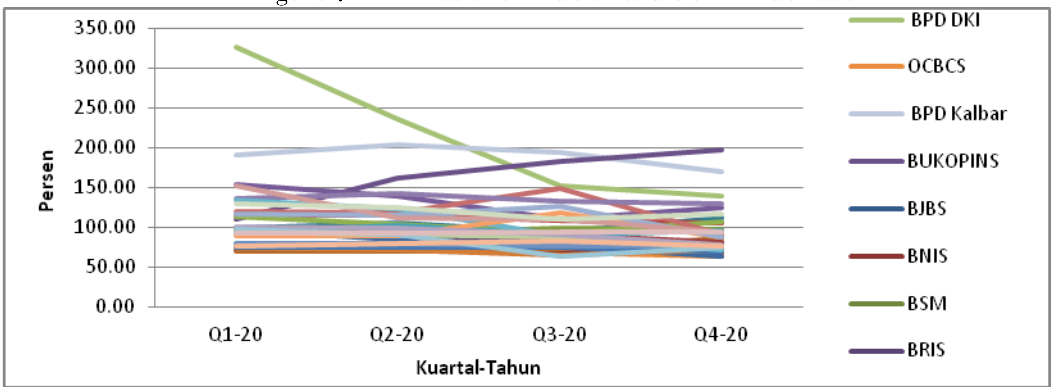
Figure 6 ROA Ratio for BUS and UUS in Indonesia



Source: Islamic banking financial reports (processed)

This is in line with the financial performance report of BTPNS which posted a profit of Rp.854.61 billion during 2020. A large ROA value indicates a high rate of return on assets or asset turnover of Islamic banks. The lowest ROA value is owned by UUS BPD North Sumatra (North Sumatra) with a ratio below 0.00 or minus from the II-IV 2020 quarters, while in the first quarter of 2020 it was owned by Bank Muamalat at 0.03 percent. During the COVID-19 pandemic, UUS BPD Sumut experienced a negative profit or a sizable loss with a total of Rp.43,472 million, while at Bank Muamalat the profit obtained was not equivalent to the number of existing assets, total assets of Rp.51,241 billion while the profit earned only Rp. 10,020 million. A low ROA value indicates the bank's inability to obtain optimal profits from its total assets.

Figure 7 FDR Ratio for BUS and UUS in Indonesia

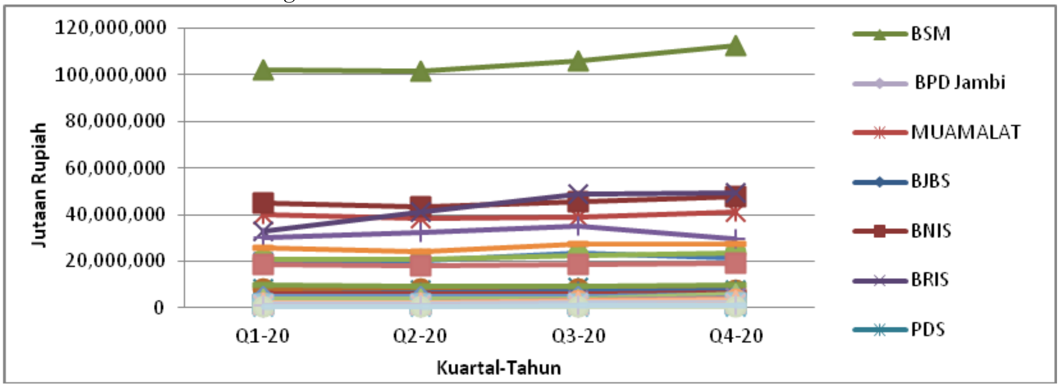


Source: Islamic banking financial reports (processed)

Financing to Deposit Ratio (FDR) describes the actions of Islamic banks on the number of available resources that can be used to direct assets through financing. This proportion can explain the bank's capability in channeling its funds to the general public. Based on Figure 7, the DKI UUS BPD has experienced a drastic decline in FDR by 57.53 percent since the COVID-19 pandemic, from 326.06 percent in the first quarter of 2020 to 138.48 percent in the fourth quarter of 2020. The downward trend in the percentage of FDR can be caused by expansion in the amount of third party funds without being followed by an increase in the size of the financing, but the value of the FDR UUS BPD DKI is still too high and exceeds the reasonable limit. The FDR value that is too high illustrates the ability of the bank to be less effective in disbursing financing, meaning that the bank distributes most of its funds.

The bank that has the lowest FDR value is UUS Bank OCBC NISP (OCBCS) at 63.62 percent in the fourth quarter of 2020 and is always below the reasonable limit of 85 percent in other quarters. The FDR value that is too low indicates that the bank is capable of experiencing liquidity risk, meaning that the bank will face problems in collecting bank liabilities that have been developed from income and liquid resources so that it can disrupt daily banking operations. However, when viewed from the average value of 33 Islamic banks in the period studied, which is 102.94 percent, it shows that Islamic banking is still classified as healthy as seen from the average FDR which is still at the standard value set by BI, namely 85 – 110 percent.

Figure 8 Total TPF for BUS and UUS in Indonesia



Source: Islamic banking financial reports (processed)

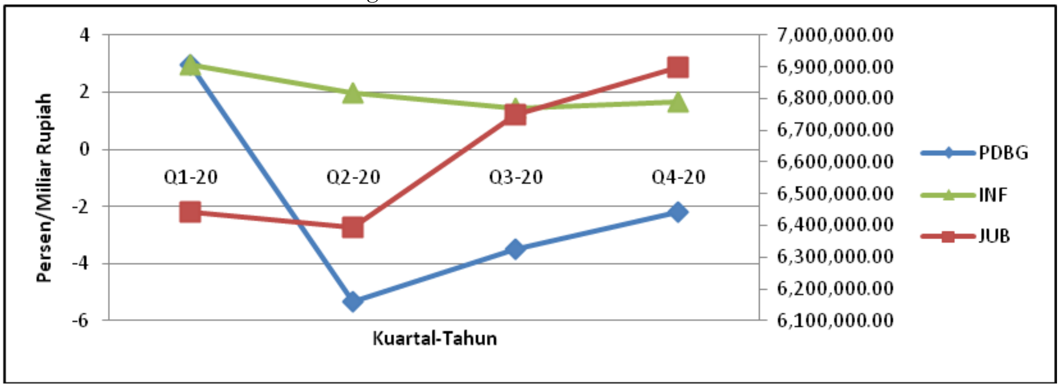
The number of bank deposits shows the amount of funds owned by banks, most of which come from general deposits such as savings, current accounts, and time deposits. Based on Figure 8, at the beginning of the research period until the fourth quarter of 2020, on average, BUS and UUS had a total TPF of Rp13.31 trillion. During the observation period, the largest total TPF was always owned by BSM with the highest value of Rp. 112.58 trillion in the fourth quarter of 2020. The high total TPF owned by BSM from the initial period of observation to the fourth quarter of 2020, cannot be separated from the length of time the bank was established. BSM is the second bank to implement sharia principles in Indonesia in 1998 after BMI was established. Although the position of BSM is not as a pioneer in the establishment of Islamic banks in Indonesia, but BSM can become a sharia bank with the highest total TPF in Indonesia. The composition of BSM TPF is mostly held by mudharabah deposits and mudharabah savings, which are 38.67 percent and 34.94 percent, respectively. The lowest DPK during the observation period was owned by UUS BPD Jambi with a value of IDR 384.22 billion in the first quarter of 2020

3 Development of Macroeconomic Conditions

Financial development is an important factor in describing the macroeconomic condition of a country. The pace of Indonesia's financial development experienced a decline during 2020. Based on Figure 9, the lowest GDP value occurred in the third quarter, which was still at -3.49 (yoy) and the lowest GDP level was shown in the second quarter of 2020 at Rp.2589.60 trillion or -5.32 percent (yoy). This value is very far from the lowest GDP goal that has been designed in the 2020-2024 National Medium-Term Development Plan (RPJMN), which is 5.2 percent for 2020. This decline is due to Indonesia's economic growth experiencing severe pressure due to the pressure of the COVID-19 outbreak.

The spread of this virus has caused uncertainty in world financial markets which also has implications for the Indonesian economy. Indonesia's financial performance is inseparable from the government's role in controlling the inflation rate. Inflation can be interpreted as an increase in prices that occurs in general and continuously. The average inflation ratio is at the level of 2 percent with a standard deviation of 0.673 percent during the observation period. The most soaring increase in inflation occurred in the first quarter of 2020 with an expansion rate of 2.96 percent while the smallest development occurred in the second quarter of 2020 with an expansion rate of 1.42 percent. There was a downward trend from the I-III quarters reaching 52.03 percent, although in the fourth quarter there was an improvement to 1.68 percent. The decline in inflation during the COVID-19 pandemic indicates that many people choose not to spend their money so that there is no general increase in the price of goods.

Figure 9 Macroeconomic Conditions



Source: Central Bureau of Statistics (processed)

The liquidity of a country's economy can be seen from the amount of money circulating in a wheel of economic life. The lowest JUB in a broad sense (M2) occurred in the second quarter of 2020 at IDR 6,393,743.80 billion. The slowdown in M2 was caused by components of both money supply in a narrow sense, quasi-money and securities other than shares. When the COVID-19 pandemic just entered Indonesia, the demand for goods and transactions decreased, resulting in a low amount of money in circulation. Then along with the improvement in economic activity and people's daily activities, the money supply also increased by 7.92 percent to Rp.6,900,049.49 billion which occurred in the fourth quarter of 2020. This percentage is supported by M1 which consists from the number of currency held by the public and demand deposits (including electronic money issued by banks) grew by 13.3 percent compared to the second quarter. This is in line with the increasing needs of the community towards the end of the year. The following table illustrates descriptive statistics of gross domestic product, amount of money (in circulation, and inflation during the COVID-19 pandemic).

4 Model Estimation Results

The test in the first stage, namely the Chow test, is carried out in determining which model is the best between PLS or FEM. Meanwhile, the results of the Chow test showed that the Prob-F value (0.0000) was less than the significance level (α) 0.05, meaning that there was sufficient evidence to reject H0 that the estimation results using the FEM model were better than PLS. The second stage, the use of the LM test in comparing the best model between PLS and REM resulted in the LM test showing a Prob-F value of 0.0000 or lower than the 0.05 level of significance, meaning that the use of the REM model is considered better than the use of the PLS model. The third stage, the Hausman test is carried out in determining which model is the best between REM and FEM. The Hausman test results show that the Prob-F value is 1.00 or greater than the 0.05 level of significance, so the approach to the model chosen is the REM model.

Classical assumption tests that must be estimated in the REM model are normality and multicollinearity tests. Based on the Geary run Test, the probability value shows the number 0.000, smaller than the 0.05 (5%) significance level, so that there is a rejection of H0 and the data in the research model does not meet the criteria for normality. However, based on Minium and Clarke (1982) in Asmadia Alsa, it is said that the larger the sample size, the distribution of the average examination will be close to normal in each event, even for an unusual population size, so the presumption of normality can be ignored. In this study, the symptom of multicollinearity is seen from the value of the correlation coefficient between the variables. Based on the results of the Pearson correlation matrix test in the research results, the correlation value between independent variables or independent variables in the model does not exceed 0.8. This value has met the requirements for the fair limit of the multicollinearity value as described by Ghozali (2016), so it can be concluded that there is no violation of the mutilinearity assumption in the REM model. The results of the estimation of the REM model in the study of the factors that influence Islamic banking financing during the COVID-19 pandemic are presented in the table below. The estimation of the model that has been carried out produces an R-Squared value of 0.428833. So that the resulting interpretation, the independent variables in the model can properly explain 42.88 percent and 57.12 percent can be explained by other variables or factors that are outside the model. Based on the estimation results, it shows that there are three variables that have a significant effect on profit sharing financing, namely TPF, ROA, and FDR because they have a t-statistic value that is smaller than the alpha value of 5 percent. The following is an explanation of the results of the analysis of each variable that affects the financing for the results of BUS and UUS in Indonesia.

Table 2 Estimation Results of REM Model

0Variabel0	Koefisien0	Std. Error0	0Prob. 0
C	2.605234	7.985269	0.7448
LN_DPK	0.921981	0.093080	**0.0000**
NPF	0.007580	0.011911	0.5257
ROA	0.083856	0.016832	**0.0000**
FDR	0.004850	0.000843	**0.0000**
LN_PDB	-1.114057	1.005078	0.2698
LN_JUB	0.357446	0.862229	0.6792
INF	-0.018832	0.034319	0.5842

Source: The results of the author's analysis (2021, processed)

5 The Effect of Third Party Funds (TPF) on Profit Sharing Financing

Judging from the results of the assessment, the prob. LN_DPK is 0.0000 meaning that the size of Third Party Funds (TPF) has a significant effect on the 5 percent level of significance (=5%). The coefficient value of LN_DPK in the model is 0.921, which means that if TPF increases by 1 percent (=1%), profit sharing financing will increase by 0.921 percent (=0.921%). This value indicates that the amount of TPF claimed by Islamic banks has a positive effect on profit sharing financing. The consequences of this observation are in accordance with the exploration conducted by Wardiantika and Kusumaningtias (2014). Third Party Funds are funds collected from the public which have an important role in the operation of a bank's operational activities because the amount is dominant. In the event that the third party claimed by the bank increases, the bank's capital will also increase. The capital owned by the bank is not fully used for bank operations, but some is channeled back to the community. The distribution of financing to the public will be provided by banks in various types of financing contract schemes, one of which is profit sharing financing. This means that the more TPF that the bank has collected, the greater the distribution of profit-sharing financing that the bank can provide.

6 Effect of Return on Asset (ROA) on Financing Share Return

Based on the results of the assessment, the prob. ROA is 0.0000 meaning that the amount of Return On Assets (ROA) has a significant effect on the 5% significance level (= 5%). The ROA coefficient value in the model is 0.083, which implies that if ROA increases by 1% (=1%), profit sharing financing will increase by 0.083 percent (=0.083%). This shows that the proportion of ROA claimed by Islamic banks has a positive effect on profit sharing financing. The results of this examination reinforce previous research conducted by Nastiti and Kasri (2019), Giannini (2013), and Arif and Nurhikmah (2017). Banks need to focus on ROA in the delivery of profit-sharing financing considering the higher the level of profit (ROA) obtained by the bank, the greater the bank's operations to generate efficient profits. Higher bank profitability is an opportunity for banks to expand financing distribution, including profit-sharing financing.

7 Effect of Financing to Deposit Ratio (FDR) on Profit Sharing Financing

Judging from the results of the assessment, the prob. FDR of 0.0000 indicates that the size of FDR has a significant effect on the level of significance level of 5 percent (=5%) with a variable coefficient in the model of 0.004 which implies that assuming FDR has an expansion of 1% (=1%) profit sharing financing will increase by 0.004 percent (=0.004%). This shows that an increase in the proportion of FDR has a positive effect on profit-sharing financing. The consequences of this examination are in accordance with previous research conducted by Nastiti and Kasri (2019). FDR describes the percentage of the amount of financing given to the amount of funds owned. This result is in accordance with the hypothesis that the higher the FDR, the financing disbursed will also increase, and vice versa if the FDR ratio decreases, the profit sharing financing to be distributed will also decrease.

E. Conclusion

Based on the analysis results from testing the variables that are able to influence the financing of profit sharing schemes for BUS and UUS in Indonesia during COVID-19, here are some ideas that can be made. Financing with profit sharing schemes (mudharabah and musyarakah) is the dominant financing after financing with buying and selling schemes (murabahah). Internal factors (financial performance) that affect profit-sharing financing for Islamic Commercial Banks and Sharia Business Units in Indonesia during the COVID-19 pandemic are TPF, ROA, and FDR. The NPF does not include variables that have a significant effect. The DPK-free variable shows the most optimal effect on profit-sharing financing for Islamic banks during the COVID-19 pandemic compared to several other factors tested in the model. None of the external factors (macroeconomic conditions) tested in this study affected the financing of profit-sharing for Islamic Commercial Banks and Sharia Business Units in Indonesia during the COVID-19 pandemic, meaning that Islamic banking during the COVID-19 pandemic was not influenced by fluctuations in macroeconomic conditions.

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