

The Influence of Bank Indonesia Sukuk and Third Party Funds on Islamic Banking Financing in Indonesia

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ABSTRACT

This study aims to determine the effect of Bank Indonesia Sukuk and Third Party Funds on Islamic Banking Financing in Indonesia. The samples used were Bank Indonesia Sukuk, third party funds and Islamic banking financing from 2016 to 2023. The research approach used is quantitative research with multiple regression analysis, using the E-Views Version 10 application. The results showed that Bank Indonesia Sukuk had a positive and insignificant effect on Islamic banking financing in Indonesia with a coefficient value β_1 of 0.661302 with a probability of 0.1519, this is evidenced by the results of the t test with no significance of 0.1519, a significance value of 0.1519, the significance value is greater than 0.05 (5%). While Third Party Funds have a positive and significant effect on Islamic banking financing in Indonesia, with a coefficient value β_2 of 0.231792 with a probability of 0.000, this is evidenced by the results of the t test with a significance of 0.000, the significance value is less than 0.05 (5%), and simultaneously shows that Bank Indonesia Sukuk and Third Party Funds affect Islamic Banking Financing in Indonesia.

Keywords: Bank Indonesia Sukuk, Third Party Funds, Islamic banking financing.

Proceeding Medan International Conference Economics and Business

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INTRODUCTION

Sukuk is one of the Islamic financial instruments that is growing very rapidly today. Sukuk was used by traders at that time as a document indicating financial obligations arising from trade and other commercial activities. Sukuk has become an investment instrument that has very bright prospects. In simple terms, sukuk or Islamic bonds are defined as long-term securities based on sharia principles, issued by issuers to holders of Islamic bonds (sukuk), the importance of the use of sukuk, especially the known state sukuk (Surat Berharga Syariah Negara), in Indonesia's economic development. (Beik, I. S. 2019).

Sukuk comply with sharia principles, which means sukuk do not have things that are prohibited in Islamic law such as *riba* (interest), *gharar* (uncertainty), *maysir* (speculation) and *haram*. Sukuk must comply with sharia provisions and real asset-based transactions. The Indonesian government in developing sovereign sukuk; to provide alternative solutions and produce a draft strategy that can be applied; and to find out the determinants in the development of sovereign sukuk. (Lailaa, N., & Anshorib, M. 2020). Sukuk as an alternative to Islamic finance is also highly regarded by the way sukuk investment is carried out by third parties.

Third parties have an important role in improving the performance of Islamic banking. Many factors can affect the growth and volume of deposits in Islamic banking in Indonesia. As for what internal factors can affect the growth of Third Party Funds in Islamic banking in Indonesia. Internal factors that are thought to have an effect include: Operating Expenses Operating Income (BOPO), Education and Training Costs, Promotion Costs, Financing to Deposit Ratio (FDR), Number of Office Networks, and Non Performing Fianncing (NPF). (Setiawan, S. 2018).

Islamic banking third party funds obtained data from the official website of the financial services authority that Islamic banking third party funds experienced positive and very significant growth. The Islamic banking third party funds variable has no effect and is not significant to the Gross Domestic Product (GDP) variable. Furthermore, the conventional banking third party funds variable and the Islamic banking third party funds variable simultaneously significantly affect the Gross Domestic Product (GDP) variable. (Ningsih, S., & Syahputra, D. 2020).

Islamic banking financing is dominated by *mudharabah* financing. One of the advantages of Islamic banking lies in its profit-sharing system, so it is not wrong for people to call Islamic banks profit-sharing banks, but in reality financing in Islamic banking is not dominated by *mudharabah* financing with its profit-sharing concept, but is more dominated by *murabaha* financing. *Murabahah* financing as the *prima donna* financing of Islamic banking can be maintained and does not tarnish the image and authority of Islamic banking so that there is no impression that Islamic banks are the same as conventional banks. (Afrida, Y. 2016).

Financing or financing is funding provided by one party to another to support planned investments, whether carried out alone or by institutions, in other words, financing is funding issued to support planned investments. Every realization of financing to sharia bank customers must remain guided by Islamic sharia and economic aspects, namely still considering the acquisition of profits, both for sharia banks and for sharia bank customers. (Ulpah, M. 2020).

Islamic banking financing products theoretically still refer to *muḍārabah* and *musyārahah* financing as the core contracts in the profit and loss sharing system. In the profit-sharing system, the determination of the amount of profit-sharing ratio or ratio is made at

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the time of the contract based on the possibility of profit and loss. So in a project carried out by the customer, if there is a loss, it will be borne together. The characteristics of Islamic banking are different from banking based on the interest system, Islamic banking is actually based on the core product of profit-sharing financing developed in the financing products of *musyarakah* and *muḍārabah*. So that the presence of Islamic banking should have a major impact on the growth of the real sector (Kara, M. 2013).

Table 1. Development of Islamic Bank Financing and Sukuk and Third Party Funds (DPK) for the period 2016-2023 in Indonesia (In Billion Rupiah)

Year	Financing	BI Sukuk	Third party funds
2016	234.643	11.267	279.335
2017	272.453	12.562	334.888
2018	306.996	15.728	371.828
2019	344.000	20.738	416.558
2020	368.850	42.571	464.193
2021	458.829	61.112	483.182
2022	571.433	53.123	512.065
2023	682.734	65.276	673.241

Source: Islamic Banking Statistics, Bank Indonesia.

One form of distribution of funds at Islamic banks is through *murabahah* financing products. *Murabahah* is the sale and purchase of goods at the original price with an additional agreed profit. The characteristic of *murabahah* is that the seller must inform the buyer of the purchase price of the product by stating the amount of profit added to the cost. The characteristic of *murabahah* is that the seller must inform the buyer of the purchase price of the product by stating the amount of profit added to the cost. *Murabahah* can be done in two ways, namely purchases with orders and without orders. Some survey results show that many Islamic banks both in Indonesia and abroad apply *murabahah* as their main financing method. (Nasution, S. F. 2021).

From several previous studies that discuss financing and sukuk, there is not much literature so that the authors try to find differences from previous studies, so that a discussion is obtained regarding the effect of BI sukuk, third party funds on Islamic banking financing in Indonesia.

In this study, it will be discussed how much influence BI Sukuk has on Islamic banking financing in Indonesia and how much influence third party funds have on Islamic banking financing in Indonesia. So that the objectives of this study include a positive and significant influence of BI Sukuk and third party funds on Islamic banking financing in Indonesia.

METHOD

This research was conducted using a descriptive quantitative research approach, namely to answer the formulation of problems and research objectives, namely BI Sukuk and Third Party Funds (DPK) on Islamic banking financing in Indonesia for the 2016-2023 period. The research approach used in this research is a quantitative research approach. Quantitative research methods are characterized by dealing with numerical data and are objective. The facts or phenomena observed have an objective reality that can be measured. Research variables can be identified and variable intercorrelations can be measured. Quantitative researchers use their side of the view to study the subjects they study. (Basuki, B. 2023)

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RESULT AND DISCUSSION.

Research Results

Multiple Linear Regression Analysis.

The research conducted was to examine the effect of Bank Indonesia Sukuk and third party funds on Islamic banking financing in Indonesia. To obtain the results of multiple linear regression analysis between the dependent variable of financing (Y) with the independent variables of BI Sukuk (X_1) and Third Party Funds (X_2), processed using the help of the Eviews 10 computer program using the Ordinary Least Square (OLS) method. Furthermore, the results of data processing presented in this chapter are considered the best estimation results because they can meet the criteria of economic theory, statistics and econometrics. These estimation results are expected to answer the hypotheses proposed in this study, which will be displayed in the table as follows:

Table 2. Multiple Linear Regression Results on the Effect of Bank Indonesia Sukuk and Third Party Funds on Islamic Banking Financing in Indonesia period 2016-2023.

Dependent Variable: Y

Method: Least Squares

Date: 07/26/24 Time: 05:07

Sample: 2016 2023

Included observations: 8

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	156.9094	77.49612	2.024738	0.0988
X1	0.661302	0.391382	1.689657	0.1519
X2	0.231793	2.822265	0.08213	0.0001
R-squared	0.877868	Mean dependent var		441.5
Adjusted R-squared	0.829016	S.D. dependent var		122.1089
S.E. of regression	50.49233	Akaike info criterion		10.96152
Sum squared resid	12747.38	Schwarz criterion		10.99131
Log likelihood	-40.84607	Hannan-Quinn criter.		10.76059
F-statistic	0.001771	Durbin-Watson stat		1.884466
Prob(F-statistic)	0.005213			

Source: Results of Eviews 10, 2024

Based on the table above, the following equation is known:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2$$

$$Y = 156,9094 + 0,661302X_1 + 0,231792X_2$$

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From the equation above, it can be seen the influence of the two variables that affect the unemployment rate. Both variables have a positive influence on the unemployment rate in Indonesia for the period 2016-2023.

Regression Coefficient

According to the function of the equation above, the coefficient value of each variable can be seen. The following will explain the purpose of the coefficient value of each variable, namely:

1. The constant β_0 of 156.9094 means that if the variables of BI Sukuk and Third Party Funds, are assumed as *ceteris paribus* independent variables that are considered constant or zero), then the value of financing is 156.9094.
2. The coefficient value of β_1 is 0.661302 with a probability of 0.1519, meaning that the BI Sukuk variable (X_1) has a positive and insignificant effect on Islamic banking financing (Y). An increase in Sukuk BI by 0.661302 percent will increase the amount of Islamic banking financing in Indonesia by 0.661302 assuming other variables are held constant.
3. The coefficient value of β_2 is 0.231792 with a probability of 0.000, meaning that the Third Party Fund variable (X_2) has a positive and significant effect on Islamic banking financing (Y). An increase in Third Party Funds of 0.231792 percent will increase the total level of Islamic banking financing in Indonesia by 0.231792 assuming other variables are held constant.

Statistical Test**The t-test**

The t test is used to test hypotheses about parameter values, a maximum of 2 populations and from a small sample. To test or analyze the significance of the effect of the independent variable on the dependent variable by holding the other independent variables constant. For the validity of the effect of the independent variable, a two-sided t test is used. Determining the level of significance ($\alpha = 0.05$), with the criteria H_0 is accepted if: probability $t > \alpha$ and H_0 is rejected if: probability $t < \alpha$.

The following is an explanation of the t test:

1. The effect of Sukuk BI (X_1) on Islamic banking financing in Indonesia (Y) Based on the results of the t test (partial), it can be seen that the probability value of Sukuk BI is 0.1519 (see table 4.1.1). probability of $0.1519 > 0.05$ then H_0 is accepted. This means that partially Sukuk BI (X_1) has a positive and insignificant effect on Islamic banking financing in Indonesia (Y).
2. The effect of Third Party Funds (X_2) on Islamic banking financing in Indonesia (Y). According to the results of the t test (partial), it can be seen that the probability value of economic growth is 0.000 (see table 4.1.1). probability of $0.000 < 0.05$ then H_0 is rejected. This means that partially Third Party Funds (X_2) have a positive and significant effect on Islamic banking financing in Indonesia (Y).

F test

The F distribution or F test can be used as a criterion for testing hypotheses. The F test is used to test all the effects of all independent variables on the dependent variable together or test whether the model used exists or not on the dependent variable. The provisions in this test are:

If $F \text{ Prob} < \alpha$ (0.05) then H_0 is rejected

If $F \text{ Prob} > \alpha$ (0.05) then H_0 is accepted

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From the results of the F test (simultaneous test), it is known that the F probability value is 0.001771 (see table 4.1.1). The probability of $0.001771 < \alpha (0.05)$ then H_0 is rejected or H_a is accepted. This means that the BI Sukuk variable (X_1) and Third Party Funds (X_2) have a positive and significant effect on Islamic banking financing in Indonesia (Y).

Determination Test (R^2)

The coefficient of determination (R^2) which can be used to predict or estimate how much contribution the influence of the independent variable has on the dependent variable provided that the F test results are significant. Conversely, if the F test is not significant, the R^2 coefficient cannot be used to predict the contribution of the influence of the independent variable on the dependent variable.

Based on the processed results, it can be seen that the R^2 value is 0.877868. It can be said that 87.7% of the independent variables (BI Sukuk and Third Party Funds) have represented or replaced to explain the independent variable (unemployment rate in Indonesia). While the remaining 08.1% is explained by variables outside the model.

Classical Assumption Test

Normality Test

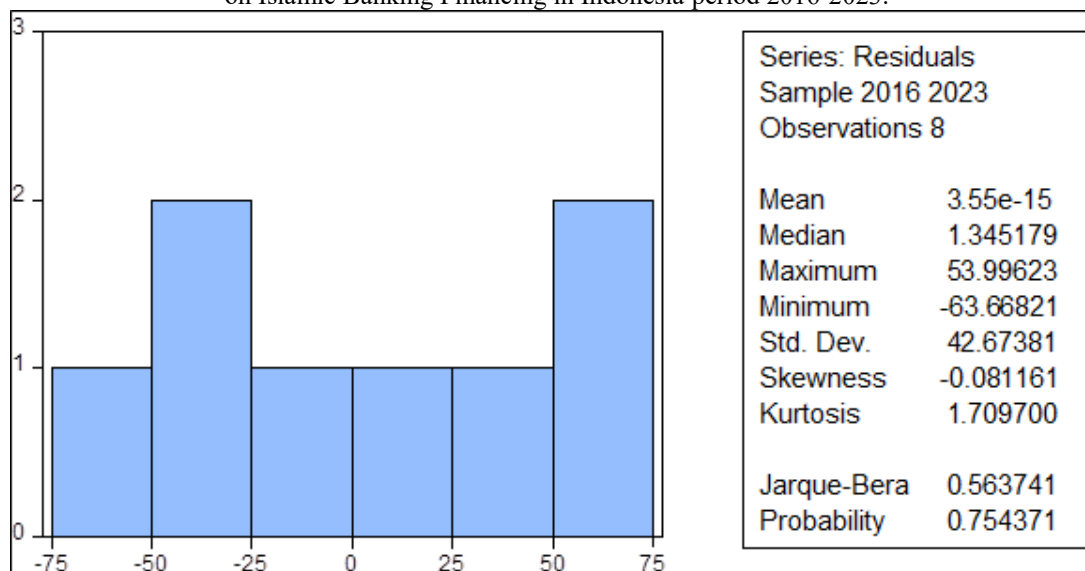
Normality test is used to assess the distribution of data on a variable data whether the data is normally distributed or not. The method used to determine whether it is normal or not is to use the residual distribution, among others, the Jarque-Bera Test (J-B Test). The hypothesis used in the normality test is H_0 : normally distributed data and H_a : data that is not normally distributed.

To see whether the data is normally distributed or not, namely:

- If the Jarque-Bera Test value $< \chi^2$ table then H_0 is accepted (normally distributed data).
- if the Jarque-Bera Test value $> \chi^2$ table, then H_0 is rejected (normal distributed data).

Instead of that if the probability value $> \alpha (0.05)$ then the data is normally distributed and vice versa if the probability value $< \alpha (0.05)$ then the data is not normally distributed.

Table 3. Normality Test Results on the Effect of Bank Indonesia Sukuk and Third Party Funds on Islamic Banking Financing in Indonesia period 2016-2023.



Source: Eviews 10 Data Processing Results, 2024.

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From the regression estimation results above, the decision whether the residuals are normally distributed or not can be done in a simple way, namely by comparing the calculated Jarque-Bera Test probability value with the α (Alpha) level. The Jarque-Bera Test value is 0.563741 with a probability of 0.754371. So it can be read that the probability of the Jarque-Bera Test of 0.754371 is greater than α (Alpha) 0.05. This means that the residuals are normally distributed. But if seen using the Jarque-Bera test, it can be seen that the JB value is 0.563741 and the Chi Square value is 12.5916. This means that the Jarque-Bera value is smaller than the Chi Square value, so H_0 is accepted and the data is not normally distributed.

Multicollinearity Test

The multicollinearity test is used to see a condition or situation where there is a perfect or near perfect linear relationship between the independent variables in the regression model. If there is a high correlation between the independent variables, the relationship between the independent variable and the dependent variable can be disrupted. Testing the presence or absence of multicollinearity symptoms is done using the VIF (Variance Inflation Factor) value with the following conditions:

- a). VIF value < 10, then not exposed to multicollinearity. b). VIF value > 10, then exposed to multicollinearity.

Table 4. Multicollinearity Test Results on the Effect of Bank Indonesia Sukuk and Third Party Funds on Islamic Banking Financing in Indonesia period 2016-2023.

Variance Inflation Factors

Date: 07/26/24 Time: 05:09

Sample: 2016 2023

Included observations: 12

Variable	Coefficient Variance	Uncentered VIP	Centered VIP
C	0.900301	49.81991	NA
X1	0.004310	7.002269	1.077156
X2	0.031112	53.04679	1.007255

Source: EvIEWS 10 Data Processing Results, 2024

Based on the results of the data processing above, it is known that the VIF value of the independent variables is VIF X_1 and X_2 1.071756 and VIF X_2 is 1.007255.

It can be seen that the VIF value of the two independent variables is smaller than 10, which means that the two variables are free from multicollinearity.

Heteroscedaticity Test

This heteroscedaticity test is used to assess whether there is no similarity in the variance of the residuals for all observations in the linear regression model. To determine the presence of heteroscedaticity in this study, testing was carried out using the White Test, where the hypothesis to be proposed is as follows:

Hypothesis: H_0 : There is no Heteroscedaticity

H_a : There is Heteroscedaticity.

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Table 5. Heteroscedaticity Test Results on the Effect of Bank Indonesia Sukuk and Third Party Funds on Islamic Banking Financing in Indonesia period 2016-2023.

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	15.10205	Prob. F(2,5)	0.0076
Obs*R-squared	6.863769	Prob. Chi-Square(2)	0.0323
Scaled explained SS	0.95141	Prob. Chi-Square(2)	0.6214

Source: Eviews 10 Data Processing Results, 2024

Based on the results of the data processing above, it is known that the Prob. Chi-Square (5) on Obs * R-Squared is 0.0323. Because the value is $0.0323 > 0.05$, H_0 is accepted, which means that the model is not affected by heteroscedaticity symptoms because the requirement is the Prob value. Chi-Square (5) on Obs*R-Squared is 0.0323 is not significant and must be greater than 0.05.

Autocorrelation Test

Detecting the presence or absence of autocorrelation can be done by using the Durbin Watson test. This study was conducted to determine whether in one linear regression model there is a correlation or no correlation between the disturbance or problem variables and other disturbance or problem variables. The best regression model is free from autocorrelation.

The Durbin Watson test method is as follows:

- If $DW < DL$, H_0 is rejected, stating that positive autocorrelation occurs.
- If $DW > 4-DL$, H_0 is rejected, stating that negative autocorrelation occurs.
- If $DU < DW < 4-DU$, H_0 is accepted, stating that there is no positive or negative autocorrelation.
- If DW lies between DL and DU or between $(4-DU)$ and $(4-DL)$ then it does not produce a definite conclusion.

DISCUSSION

This study has shown that the effect of inflation and economic growth on the unemployment rate in Indonesia in the discussion produces the following research hypothesis:

The Effect of Bank Indonesia Sukuk on Islamic Banking Financing in Indonesia

From the partial test regression results, it can be seen that the BI Sukuk variable has a positive and insignificant effect on Islamic banking financing.

This means that the level of sukuk has a positive effect and economic growth has a positive effect. These results indicate that all the factors studied have an effect and are significant to the third party funds of Islamic banking. (Aldiansyah, C. Rahma, T. I. F. 2023).

The findings of this study support previous research by Kharissa Dinna Kartika (2019) entitled The Effect of Sharia Stocks, Sharia Bonds, Sharia Mutual Funds, and Inflation on Indonesia's Economic Growth in 2011-2017, which found that Sharia Bonds (sukuk) have a positive and significant impact on economic growth.(kartika, 2019). The independent variables of corporate sukuk and total Islamic banking assets have a significant and simultaneous effect on economic growth. (Dongoran, R. N. 2022).

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The Effect of Third Party Funds on Islamic Banking Financing in Indonesia

From the partial test regression results, it can be seen that Third Party Funds have a positive and significant effect on Islamic banking financing. This means that if the Third Party Fund in Indonesia increases, it will increase Islamic banking financing in Indonesia. The results of this study are in line with the results of research conducted by Hamsia that there is a significant influence between Third Party Funds (DPK) and Financing (PM) simultaneously on Islamic banking financing. (Buamona, H. 2022). Third Party Funds, NFP Murabahah, and Inflation together have a significant effect on Murabahah Financing. (Triuspitorini, F. A. 2019).

The difference in the results of this study with research by Angraini, D. (2018), Third Party Funds do not have a negative influence on Financing. Where if there is an increase in Third Party Funds, it is not certain that it will reduce Islamic banking financing in Indonesia.

Then the difference between this study and Thohari, A. A. (2018), partially Third Party Funds have a negative and insignificant effect on Musyarakah Financing, and simultaneously show that Third Party Funds and Non Performing Financing affect musyarakah financing.

The size of the funds raised by a bank is a barometer in assessing the level of public trust in the bank concerned. Third party funds are the main source of bank funds, which can be compared to blood in the human body. So if in a bank, the growth of DPK shows a downward trend, it can weaken the bank's operational activities. Therefore, the more DPK collected by the bank, the more funds will be channeled by the bank.

Sharia has its own point of view in managing entities including funds entrusted by the public to banks or known as Third Party Funds (DPK) which support the assets of a banking entity. Asset is one of the appeal tools that determine the position of an entity. According to Muhammad, the size of an organization is determined by the value of its assets. From here we can see that assets have a very important role in the continuity of an entity (going concern).

Third Party Funds (DPK) are funds obtained from the public, in the sense of society as individuals, companies, governments, households, cooperatives, foundations, and others both in rupiah and in foreign currencies. Financing is one of the main tasks of the bank, namely providing funding facilities to meet the needs of parties who are deficit units.

In principle, the process of collecting funds from the public carried out by Islamic banks is almost the same as conventional banks, meaning that the Islamic banking system is known for products in the form of demand deposits, savings (saving deposits), deposits (time deposits), as a means of raising public funds.

In the management of third party funds which will ultimately be accountable to interested parties to the entity, conventionally the responsibility is only to humans and humans. Islam or in the context of sharia has its own point of view regarding accountability, because in Islam everything entrusted to humans is a mandate.

But according to Destiana, R. (2016) that shows that both DPK and risk, both have a positive effect on mudharabah and musyarakah financing in Islamic banks in Indonesia.

Third party funds in the form of savings, current accounts and deposits are a source of banking funding from the public or customers. This third party fund is the largest source of funding from banks which reaches 80 to 90% (Irham, 2015).

Third party funds are funds obtained / collected by banks from the public or customers, both individual and institutional. The development of third party funds is an

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indicator of the growth of the bank, meaning that the higher the third party funds owned by the bank, the bank will have a great opportunity to channel financing to customers.

The better the level of liquidity of Islamic banks, it will increase public confidence to put their funds in the form of savings and deposits so that it will increase the third party funds of the Islamic bank and ultimately more opportunities in financing activities to customers who need it. This research is in line with (Zaini, 2014) and contradicts the results of research from (Annisa, Riduan, & Amanah, 2013).

CONCLUSION

Based on the results of research on the effect of Bank Indonesia Sukuk and Third Party Funds on Islamic Banking Financing in Indonesia, it can be concluded as follows that the BI Sukuk variable has a positive and insignificant effect on Islamic banking financing. This means that if Sukuk BI increases, Islamic Banking Financing will also increase. Then on the contrary, if Sukuk BI goes down, Islamic Banking Financing will also go down. The Third Party Fund variable has a positive and significant effect on Islamic banking financing in Indonesia. Which means that if the Third Party Fund increases, Islamic Banking Financing will also increase. Then on the contrary, if the Third Party Fund decreases, Islamic Banking Financing will also decrease.

SUGGESTION

The suggestions that the authors can submit in researching the effect of Bank Indonesia Sukuk and Third Party Funds on Islamic Banking Financing in Indonesia are that with a positive relationship between BI Sukuk and Islamic Banking Financing in Indonesia, the government should concentrate or focus more on methods to balance BI Sukuk in Indonesia. Because the issue of Islamic Banking Financing is not an easy problem that is simply ignored. To reach high Third Party Funds, the government should be able to form regulations and do so consistently to increase public income.

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