

Influence Level of Indonesian Bank Interest Rate and Profit Sharing to Growth of Time Deposit Mudharabah at Islamic Banking in Indonesia

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Abstract

Object in this research is the growth of time deposit mudharabah in Indonesia during the year 1997-2011 with variable influencing it and level of Indonesian Bank interest rate and profit Sharing. The method applied in this research is analytic descriptive research method. Result of research indicates that level of Indonesian Bank interest rate and profit sharing in short term do not have an effect to the growth of time deposit mudharabah at Islamic Banking in Indonesia. While in a long term, level of Indonesian Bank interest rate has an effect on significant negativity and positive, significant and influential profit sharing to the growth of time deposit mudharabah at Islamic Banking in Indonesia during the year 1997-2011.

Keywords: Mudaraba Savings Deposit, Indonesian Bank Interest Rate, The Rate of Profit Sharing.

1) INTRODUCTION

In Indonesia, the number of banks is quite a lot, which reach 240 banks prior to liquidation of bank at first period in 1999. However, the economic crisis has not been the end, more and more banks are troubled . One problem that arises is the bank faced negative spread, where the saving rate is greater than the interest rates on loans, bank ultimately gets difficulty to make a profit .

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Islamic banking is the only one at that time that had shown its existence as a bank that applied the principles of Shariah compliance, and proved that the Islamic banking system has been able to overcome the economic crisis. The existence of Islamic banks is able to survive in the crisis that made Indonesian people glance at the performance of Islamic banks .

In the economic history of Muslim, practices accept deposits property, lending money for consumption purposes and for business purposes, as well as transferring money made in accordance with the contract that has become part of the Islamic tradition of Muslims since the days of Muhammad SAW. Thus, the main functions of modern banking are to accept deposits, transfer funds and become an integral part of Muslims' lives.

The presence of Islamic banks in Indonesia is still new, in the early 1990s, although the people of Indonesia are the largest Muslim communities in the world. Initiative to set up Islamic bank in Indonesia was by the Indonesian Ulema Council (MUI) on 18-20 August 1990. However, discussion of Islamic banks as the basis of Islamic economics has been started in the early 1980s. The first Islamic bank in Indonesia is the result of banking teamwork of Indonesian Ulema Council (MUI), namely the establishment of PT. Bank Muamalat Indonesia (BMI) of which founding deed was signed on November 1, 1991. This bank was growing quite rapidly, so that the current BMI already has the largest branch in some major cities, such as Jakarta, Surabaya, Bandung, Makassar and other cities.³

In a further development, the presence of Islamic banks in Indonesia in particular is quite encouraging. Besides BMI, Islamic bank today has established state Islamic bank such as Bank Syariah Mandiri (BSM). And there are the upcoming Islamic banks as branches of the existing conventional banks, such as Bank BNI, Bank IFI, and BPD Jabar. Other Islamic banks would open branches

³Kasmir, 2008: 188 – 189, Bank dan Lembaga Keuangan Lainnya: Edisi Revisi, Jakarta: PT Raja Grafindo Persada.

are BRI, Bank Niaga and Bank Bukopin.⁴ Indeed, at present all the banks already have sharia bank branches.

Table 1: Network Development Office and Bank Syaria in Indonesia

Year	Bank Group	Bank Umum Syariah (BUS)		Unit Usaha Syariah (UUS)		Bank Perkreditan Rakyat Syariah (BPRS)	
		Number of Bank	Number of Office	Number of Bank	Number of Office	Number of Bank	Number of Office
1997		1	-	-	-	-	-
1998		1	-	-	-	-	-
1999		2	-	1	-	78	-
2000		2	-	3	-	78	-
2001		2	-	3	-	81	-
2002		2	-	6	-	83	-
2003		2	-	6	-	84	-
2004		3	-	15	-	86	-
2005		3	304	19	154	92	-
2006		3	349	20	183	105	-
2007		3	401	25	196	114	185
2008		5	581	28	241	131	202
2009		6	711	25	287	138	25
2010		11	1.215	23	262	150	154
2011		11	1.349	23	300	286	382

Source: BI Islamic Banking Statistics

⁴Kasmir, 2008: 189, Bank dan Lembaga Keuangan Lainnya: Edisi Revisi, Jakarta: PT Raja Grafindo Persada.

Islamic banking system is a system that could be a solution to economic problems. Currently, the application of Islamic economics is increasingly widespread. This can be seen from the number of syariah-based financial institutions and development of Islamic banking office network.

From Table 1, it can be seen that over the years the development of Islamic banking has been very sharp. From the year 1997-2011 there are 2,011 offices of Islamic Banks from 188 Banks, including the Sharia Bank, Sharia and Sharia Rural Banks. This suggests that this increase is quite significant for the development of Islamic Banking in Indonesia. In addition to the development of a network of offices and Islamic banks, Islamic Banking growth can also be seen from the number of third-party funds from year 2005 to 2011.

In Table 2 it can be seen that the development of third-party funds from 2005 to June 2011 has increased. In 2005, total deposits were Rp.15.584 billion and up to the month of September 2011 experienced a significant increase in the amount of Rp.97.756 billion.

Table 2: Deposit Fund Islamic Banking Year 2005 – 2011

Year	Total Deposit Fund (billion rupiah)	Growth (%)
2005	15,584	48.57
2006	20,672	32.65
2007	28,012	35.51
2008	36,852	31.56
2009	52,271	41.84
2010	76,036	45.46
2011	97,756	28.56

Third party funding is the most influential source of funds for the growth of Islamic banks in Indonesia. At the end of 2011, third party had funds amounting to 87.4% for the source of funds of Islamic banks. And the influence of these deposits is dominated by the number of mudaraba deposits. However, year

by year the growth of mudaraba deposits fluctuated with a declining trend. This can be seen in Table 3.

Table 3: Growth of Mudaraba Savings Deposit of Syariah Bank

Year	Mudaraba Savings Deposit (Miliar, Rp)	Growth (%)
1997	107	25.88
1998	75	-29.91
1999	141	88
2000	234	65.96
2001	1,506	543.59
2002	1,743	15.74
2003	3,476	99.42
2004	6,978	100.75
2005	9,169	31.39
2006	10,826	18.07
2007	14,807	36.77
2008	20,143	36.03
2009	29,595	46.92
2010	44,072	48.91
2011	62,184	41.09

Source: BI Islamic Banking Statistics

From the data in Table 3 we can make image of saving deposits growth mudharabah at Islamic Banking in Indonesia in Figure 2.

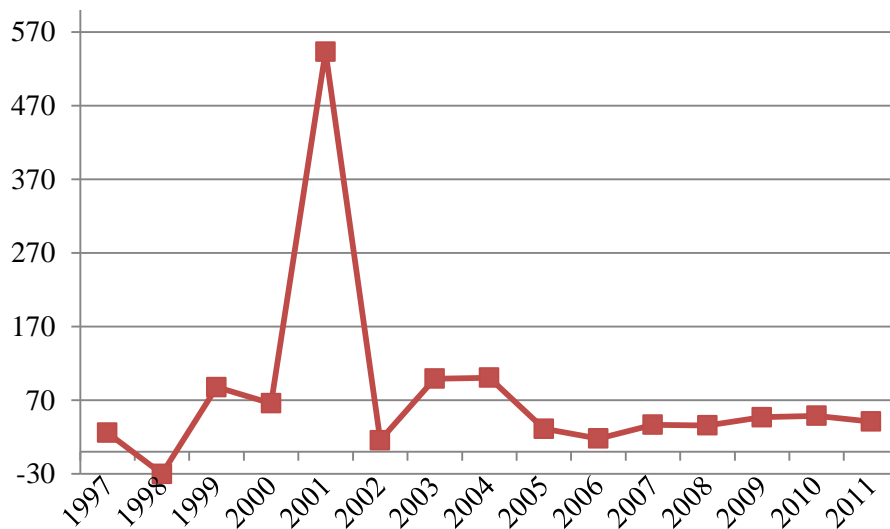


Figure 1: Mudaraba Savings Deposit Growth

Shown in Table 3 and Figure 1 that the growth of Islamic Banking mudaraba deposits in Indonesia at the beginning of the crisis had dropped but rose sharply in 2001. In 2001 the growth of mudaraba deposits increased very significantly namely, by 543.59 %. This proves that Indonesian people put full confidence in Islamic banks to keep their funds in the form of mudaraba deposits. This increase also occurred in 2004 which reached more than 100 %. But in the following year it decreased, although still in the upper category, only the previous years showed unfavorable conditions with growth rising by 15.74 % in 2002. And the following year relatively unchanged until the year 2011, even fluctuated and dropped in 2011.

This fact is ironic because of two things at least. First, the stagnation that just happens when the government and Islamic banks are trying hard to pursue market share (market share) 5 % of the national banking business as soon as possible. Second, Islamic banks do not actually managed to attract customers of Muslims in the majority population of Indonesian Muslim.⁵

The interest rate is one of the considerations for someone to save or deposit funds in bank. High interest rates will encourage someone to save or

⁵Bahtiar, 2009, Mendorong pertumbuhan perbankan syariah dengan kembali kepada jati diri. Surabaya: Kompasiana.

deposit funds at the expense of current consumption to be used in the future. Where savers or depositors are profit-oriented which rely on bank profits in time of high interest .

The concept of interest is strongly opposed to the existing concept in Islamic banking system which emphasizes on profit sharing, with the understanding that the savings deposited in Islamic banks will be used to finance the real sector by Islamic banks, then the results or benefits will be in the ratio according to a mutually agreement. Mudaraba system is a consequence of the profit and loss, if a benefit is greater then the result obtained is also great, but if you lose they will bear the risk of business.

Based on the above background, it is known that the existing problems in this study are:

- 1) How is a conventional interest rate on the growth of Islamic Banking mudaraba deposits?
- 2) What is the effect of the growth rate of revenue sharing mudaraba deposits of Islamic Banking?

2. LITERATURE REVIEW

Broadly speaking, a Muslim will allocate funds for consumption activities. The budget allocation will affect the consumption decision in saving and investing decisions. Someone will usually allocate funds for savings because of the three motifs, they are: (1) to guard; (2) to prepare a purchase of consumer goods in the future, and (3) to accumulate wealth. Similarly, if someone is going to allocate funds for investment in the productive sectors in hopes of getting the result (return) in the future and getting added value for the economy as recommended in Islam. With mudaraba system, the saving is invested or it is commonly called mudaraba deposits that can provide income (return of investment) that will raise funds from time to time .

To create public demand, Islamic banks should be able to compete with conventional banks, thus they increase their market share. One key factor in the competition can be seen from the advantages offered by each bank. To be able to

attract customers, Islamic banks should be able to offer a course for more favorable outcomes compared with the system of interest. Likewise in conventional banks, the interest rate is an important variable that can affect the profitability of a bank, because the difference between the loan interest rate and bank deposit demonstrated the ability to generate earnings.

When a bank raises interest rates on loans, there will be many borrowers who switch to another bank offering low interest rates. The interest rate is one of the main thought being given to someone for saving or depositing funds in bank. Relationship among the interest rate of savings or deposits indicates that in general savers or depositors are profit-oriented. This concept is different from the Islamic banking system which emphasizes on profit sharring using sharing system over the use of funds, either by the customer or the bank. The main difference between conventional banking and Islamic banking is in the forms of conventional bank interest rates and profit sharing ratio offered by Islamic banks.

There is a function of investment in conventional banking by combining all the factors that influence the demand for investment in formation:⁶

$$I = I (i, r, Q, T)$$

With, $dI / di < 0$; $dI / dQ \geq 0$; $dI / dT > 0$;

where, I = investment rate

i = interest rate

r = rate of return as an indicator of profit

Q = gross national product

T = technological change affecting demand for investment

In Islamic banking need to be changed is a variable interest rate (i), while the r variable can still be used as a profit from the venture. In Islamic banking, the variable i can be replaced by:

- 1) Margin rate (m) when financing schemes classified NCC (Natural Certainty Contracts), or

⁶Kasmir, 2008: 294, Bank dan Lembaga Keuangan Lainnya: Edisi Revisi, Jakarta: PT Raja Grafindo Persada.

- 2) Equivalent rate of profit-sharing (r) when financing schemes considered NUC (Natural Uncertainty Contracts)

More specifically, the MM Metwally⁷ elicits a function of investment in Islamic economy will be very different from non-Islamic economy (conventional) model developed that assumes a zero interest rate. Metwally replaces the variable with a variable interest rate of profit expected (r). This variable substitution brings fundamental change, because the interest rate is determined by the credit market and is not determined by the level of profitability of investment type made. So, the Muslim investors or savers can choose among three alternatives for utilizing the funds. Such as, (a) to hold funds in cash, (b) to hold funds in assets that do not generate income (such as bank deposits, property loans, jewelry) or (c) to invest funds (an investor in the project which could increase the supply of state capital).

According to some contemporary views, a Muslim who invests his funds will not be taxed on the amount of funds that have been invested. Conversely, he will be taxed on profits generated from the investment, because in the Islamic economy all assets not utilized are taxed. It would be better if Muslim investors utilize their funds for investment rather than not utilizing at all. In general, people now prefer to deposit their money rather than saving money, arguing that the benefits are greater, although it also has big enough risk. It is clear that investment in Islamic economy is a function of the level of expected return.

From the above description, there are several factors that can affect the growth of mudaraba deposits. In this study, However, the authors prefer the two major factors that can affect change in mudaraba deposits, the interest and profit sharing. Relationship between these variables can be explained as follows:

- 1) Interest. If interest in commercial banks increases the growth of mudaraba deposits will decline; in other side if interest decreases the growth of mudaraba deposits increases or improves.
- 2) Profit Sharing. Profit sharing here is assumed as a result of substitution or benchmark interest rates at commercial banks where the wishe of people in

⁷MM Metwally in Kasmir, 2008: 296, Bank dan Lembaga Keuangan Lainnya: Edisi Revisi, Jakarta: PT Raja Grafindo Persada.

depositing funds is the profit motive. In other words people want to gain a huge benefit.

Relationship occurs when a given level of revenue sharing increases the growth of mudaraba deposits will increase too, and conversely if the results given declines the growth of mudaraba deposits will decline.

This hypothesis can be formulated as follows:

- 1) Conventional interest rate negatively affects the growth of Islamic Banking mudaraba deposits.
- 2) The level of profit sharing has a positive effect on the growth of Islamic Banking mudaraba deposits.

3. RESEARCH METHODOLOGY

The method used in this study is descriptive and analytical. Descriptive research method is a method used to find the elements, characteristics, attributes of a phenomenon. Descriptive method in the implementation is done through survey techniques, case studies, comparative studies, study of time and motion, behavior analysis, and documentation analysis. This descriptive method starts with collecting data, classifying data, analyzing data and interpreting it.

The characteristics of descriptive research method are not only analytical course that gives an overview of a phenomenon but also explain relationships, test hypotheses, make predictions and find meaning and implications of a problem to be solved.

Population taken by the authors in this study are all Islamic banks in Indonesia, with total number of 188 Islamic banks including Sharia Rural Banks.

While the sample of research is a fraction of the numbers and characteristics possessed by the population. Sample used by the authors to represent the Islamic Banks in Indonesia are Islamic Banks (BUS) and Sharia Business Unit (UUS), with total numbers of 43 banks with 1,649 offices. This is based on the activities of rural banks that do not provide payment services practices. Therefore, the authors simply take a sample of the data of Islamic Commercial Bank and Islamic Business Unit.

Here is the translation of the operationalization of the study variables.

Table 4: Definition of Variable Operationalization

Variabel	Theoretical Concept	Empirical Concept	Analytical Concept	Scale
Independent Variabel: Deposit growth of <i>Mudharabah</i> (Y)	Mudaraba deposit growth is investment growth through third party deposits (individual / corporation) that may only be withdrawn within a certain period to get rewarded for results.	The percentage amount of mudaraba deposits in Islamic banking in Indonesia is collected and sourced from community based mudharabah in the form of deposits.	Data obtained from the magnitude of the percentage of mudaraba deposits in Islamic banks in Indonesia from 1997 to 2011.	Ratio
Dependent Variabel: 1) Interest Rate BI (X_1)	The interest rate is the annual interest payments on a loan, as a percentage of loans obtained from the amount of interest earned each year divided by the number of loans.	The interest rate to be paid to customers in benefit from the funds deposited in the conventional bank.	Data obtained from the percentage interest rates of commercial banks Financial Statistics of BI year 1997-2011.	Ratio
2) Level Sharing (X_2)	Remuneration or profit sharing ratio given to holders of savings accounts mudharabah accordance with the profit sharing ratio has been agreed between the depositors and mudharib.	Islamic banking profit sharing rate in mudaraba transactions is influenced by the profit earned by borrowers.	This data is the amount of net income (profit / loss) in Bank Syariah Indonesia, 1997-2011.	Ratio

Analysis of the data in this study uses multiple linear regression analysis (multiple regression). Analysis tool used is a computer Econometric Views (EViews) 7.1 to prove the effect of independent variable and the dependent variable, namely the conventional interest rate and the growth rate affect profit sharing mudaraba deposits.

The relationship can be translated into a form of regression function as follows:

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

Description:

Y = Mudaraba Savings Deposit

β_0 = constant

β_1, β_2 = Coefficient Regression

X1 = Conventional Interest Rate

X2 = Rate of Profit Sharing

e = Variable Disorders/ error term

4. DISCUSSION

The authors divide mudaraba deposits in this research into 4 periods of analysis, the mudaraba deposits for 1 month, 3 months, 6 months, 12 months, and more than 12 months. And we want to see if there is a different result from that period or the same variety. By using Eviews (Econometric Views) version 7.1 in the process of data analysis in this study.

The result of testing in this research model shows the R2 in the short term (1 month and 3 months at 0.1016 at 0.0785), this figure is not close to 100 %, namely only 10 % and 7 %. Therefore, in the short term it does not indicate a relationship or influence between conventional interest rate and the growth rate of revenue sharing mudaraba deposits. Meanwhile the long-term (6 months : 0.5635 , 12 months: 0.5115 and > 12 months: 0.8805) or less nearly approaches 100 %, namely 56 %, 51 % and 88 %. The magnitude of this effect shows a strong relationship between interest rates and the level of conventional -sharing to the

mudaraba deposits seen by the large number of F-statistics of each withdrawal length of time in the long run, namely 7.7466, 6.2822, and 44.2007.

From these results it can be concluded that the longer the period of withdrawal of mudaraba deposits in Islamic banks, the greater the effect becomes. And conversely, the closer the length of time musharabah deposit withdrawal, the effect will be smaller.

Testing the hypothesis in this study is to test the one-way, with a level of confidence that is used by 95 % or residue of 5% ($\alpha = 5\%$).

The following partial result of hypothesis testing (t test) was performed to determine the effect of each independent variable on the dependent variable. Based on test results obtained t value for each of the independent variables are as follows:

Table 5: Partial Hypothesis Testing (t test)

Variable	t _{value}		t _{table}	Decision	Impact
- 1 month withdrawal period:					
Conventional Interest Rate (X1)	-0.743	>	-1.771	Accept H_0	Not Significant
Level sharing (X2)	-0.151	>	-1.771	Accept H_0	Not Significant
- 3 months withdrawal period:					
Conventional Interest Rate (X1)	-0.539	>	-1.771	Accept H_0	Not significant
Level sharing (X2)	-0.528	>	-1.771	Accept H_0	Not significant
- 6 months withdrawal period:					
Conventional Interest Rate (X1)	-2.701	<	-1.771	Reject H_0	Significant
Level sharing (X2)	3.7935	>	1.771	Reject H_0	Significant
- 12 months withdrawal period:					
Conventional Interest Rate (X1)	-3.069	<	-1.771	Reject H_0	Significant
Level sharing (X2)					

	3.053	>	1.771	Reject H_0	Significant
- >12 months withdrawal period:					
Conventional Interest Rate (X1)	-1.413	>	-1.771	Reject H_0	Significant
Level sharing (X2)	9.2476		-1.771	Accept H_0	Not significant

The above results have passed a test which includes the classical assumption of multicollinearity, heteroscedasticity, and autocorrelation.

The following will discuss the effect of conventional rate on the growth of mudaraba deposits one by one:

a. Effect of Conventional Interest Rate or BI against Mudaraba Deposits Growth

One of the reasons for someone to save his money in bank is profit from the length of time of saving. If fund is deposited in Islamic banks it will give benefit in the form of revenue sharing, on the other hand if fund is deposited in a conventional bank it will give benefit in the form of interest. A thing that drive a person to save his money in conventional banks, in the form of saving, current account and time deposit is high interest rates.

If interest rate is the provision of a bank to limit or estimate the interest rate set by Indonesian Bank, while the profit sharing ratio will be determined after an agreement between the two parties, namely bank and public fund as capital owner or depositor.

Based on the test results obtained in this research model that conventional interest rate in the short term does not affect the growth of mudaraba deposits. While the long-term interest rate negatively affects conventional mudaraba deposits of Islamic banking in Indonesia.

Conventional interest rate or Indonesian Bank in the short term will not affect the growth of mudaraba deposits in Islamic banks due to the determination

of interest rates that exist in conventional banks would not be the same as in Islamic banks. In addition, Islamic banks do not recognise the interest rate level because the interest is forbidden in Islamic banks. While in the long term, the conventional interest rate negatively affects the growth of mudaraba deposits. In this regard, any increase in conventional interest rates, it will lower the mudaraba deposits in Islamic banks .

The main principles that should be developed related to the Islamic Bank is that the Islamic fund management should be able to provide benefit to depositors at least equal to or greater than the prevailing interest rates in conventional banks, and be able to appeal to the result of debtor lower than the current interest in conventional banks.⁸

Referring to the statement above, that the conventional interest rates have a negative impact on the growth of mudaraba deposit in Islamic banks just as the correlation to determine the outcome in Islamic banks. Because of saving their money in the bank, people are more selective in choosing which benefits are considered to be greater. At the time a conventional bank interest rate is greater than the rate of profit-sharing in Islamic bank, people will prefer to save their money in conventional banks. Conversely, when the level of benefit in Islamic bank is bigger, people will prefer to save funds in Islamic banks.

b. Effect of Revenue against Mudaraba Saving Deposit

Based on the analysis, it can be explained that the variable rate on short-term revenue or withdrawal period of 1 month and 3 months had no effect on the growth of mudaraba deposits of Islamic banking in Indonesia. This is because the rate of results gained by bank and customer is not being used optimally. So the gains in the short term can not be felt by banks and customers. In addition, people

⁸Muhammad Antonio Syafi'i, 2001: 107, Bank Syariah dari Teori ke Praktik, Jakarta: Gema Insani Press.

still have limited understanding about the Islamic financial system that has become one of the reasons for not investing in Islamic banks.⁹

Based on account number data in Islamic Commercial Bank (BUS) and Sharia Business Unit (UUS) from 2005 to 2009, it can be calculated that the average rate of growth of account numbers of BUS and UUS is 25 % per year. In 2005 the amount was 1.4 million units of account. While at the end of 2011 the amount was 8.6 million units. Although the average rate of growth is pretty good, it shows a trend decreasing significantly from year to year.

Table 6: Growth of Islamic Banking Account

Year	Account Number	Growth (%)
2005	1,400,588	-
2006	2,364,561	68.82
2007	3,358,059	42.02
2008	4,363,275	29.93
2009	5,224,100	19.73
2010	6,919,578	32.45
2011	8,663,026	10.28

Source: BI Islamic Banking Statistics

The data above shows that the growth rate of accounts in 2006 rose 68.82% compared with the number of accounts in 2005. However, in subsequent years, the growth rate decreases until the end of 2009, while annual decrease to stay on average below the 19.73% from 2008, and even in 2011 back down to 10:28%.

This decrease also occurs in deposit growth of Islamic Banks (BUS) and Sharia Business Unit (UUS). It can be seen from the growing amount of these deposits accounts.

⁹Bank Indonesia, 2005, Review dari Sepuluh Penelitian tentang Perbankan Syariah, Jakarta, Not published.

Table 7: Growth of Deposit Accounts BUS and UUS

Year	Deposit Account Number	Increase	Growth (%)
2005	61,003	-	-
2006	74,078	13,075	21.43
2007	91,714	17,636	23.8
2008	114,739	23,025	25.11
2009	150,348	35,609	31.03
2010	184,484	34,136	22.71
2011	192,032	7,548	22.11

Source: BI Islamic Banking Statistics

From the number of deposit accounts and gains in 2008, Islamic banks can attract a large number of customers, that is equal to 35.609 units. But in the year 2011, the number decreased very sharply reaching 7,548 units. It can be seen that the growth of deposit accounts of Islamic banks also decreased significantly as shown in Table 7, and this possibly indicates a negative relationship between the level of sharing to mudaraba deposits.

This phenomenon indicates stagnation symptoms on account of the growth of Islamic Banking institutions in Indonesia today. It also means stagnation of the number of customers, and therefore the number of customers is directly correlated with the number of accounts. And this, in turn, affects indirectly to the slow increase in market share of Islamic banking in the country.

According to the research result of Karim Business Consulting¹⁰, Islamic banking customers can be divided into three groups. First, loyal customers, customers who believe that bank interest includes usury, and it is therefore unlawful. Potential funding loyalist groups are estimated Rp 10 trillion. Second, market (floating market), in which customers are just looking forward rationality in banking, including Islamic banking. They are usually pragmatic in choosing and depending on which is most favorable to them. They estimated the potential

¹⁰Bactiar HS, 2009, Mendorong pertumbuhan Perbankan Syariah dengan Kembali kepada Jati Diri, Surabaya: Kompasiana.

of fund of Rp 720 trillion. And third, antipathy customers, they do not want to switch to Islamic banking. They prefer a conventional bank. Potential of their funds no less than Rp 240 trillion.

If a fact shows the growth rate of Islamic banking accounts from 2005 to 2011 experienced a significant downward trend not only on account of Islamic banks, but also on account of mudaraba deposits, then it proves that Islamic banks should be recognized to be inferior in many ways: in steps, strategies, aggressiveness, product innovation, and benefits offered by Islamic banking compared to conventional banking.

Another factor that can affect the outcome system in Islamic banks is a complex calculation, especially in calculating profit for small customers and the value of saving in the bank is not fixed. Thus, the possibility of miscalculation can occur at any time, so it requires greater precision than conventional banks. Because the bank's mission is to bring fair results, the Islamic banks need more trained reliable professionals than conventional banks have. Mistakes in assessing projects to be financed by bank profit-sharing system will take effect greater than that is faced by conventional banks that have proceeds of interest.

Moreover, in the long term of withdrawal period of 6 months, 12 months and >12 months, the level of profit sharing has a positive effect on the growth of mudaraba deposits. This means that if the rate of revenue increases, the growth of mudaraba deposits in Islamic banks will increase, and conversely, if the result decreases, the levels will lower the growth of mudaraba deposits.

Based on table 7, the number of accounts mudaraba deposits in Islamic banks from the year 1997 to 2011 showed a significant increase. Although the increase is not so great, the amount of deposits has increased each year. Here, people are more selective in saving funds in the form of deposits in Islamic banks by seeing profit-sharing and security level of funding.

In addition, the majority of Indonesian people's motif to save some of their funds in Islamic banking is motivated by religious aspects. In Islam, payment

of interest or usury is forbidden. The reason why people prefer to save their funds in Islamic banks rather than at conventional bank is to avoid interest. Fund management in Islamic banks is also addressed to the lawful efforts *halal*. Therefore, the long-term rate of return or profit sharing offered by Islamic banks can be used optimally. So, the clients earn benefits or the level of revenue sharing.

5. CONCLUSION

Conventional interest rate in the short term, namely at the withdrawal period of 1 month and 3 months has no effect on the growth of mudaraba deposits. While in the long term, namely at the withdrawal period of 6 months and 12 months, the conventional interest rate significantly has negative effect on the growth of mudaraba deposits in Islamic banks in Indonesia.

The level of short-term results do not affect the mudaraba deposits. While in the long term, the withdrawal within 6 months, 12 months and >12 months for the positive and significant level of results effects the growth of mudaraba deposits.

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2. The Utilization of The Cobb-Douglas Production Function for Analyzing Indonesia's and Malaysia's Economic Growth in Proceeding International Conference on Islam in Malay World II (ICON IMAD II) at University of Malaya Malaysia (November 2012).
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