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DETERMINING FACTORS OF INFLUENCE OF DEVELOPMENT ON THIRD-PARTY FUNDS: CASE STUDIES ON SHARIA BANKING IN INDONESIA

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Abstract

Islamic banking in Indonesia has experienced rapid development over the past decade, as reflected in the increasing collection of third party funds (TPF), increasing contribution to gross domestic product in the financial services sector, and absorption of labor in the sector. This development is thought to be influenced by various macroeconomic indicators, such as benchmark interest rates, minimum cash reserves, government bond transactions, and other variables that play a role in the national monetary system. This study aims to analyze the influence of monetary indicators and labor on the development of third party funds in Islamic banking in Indonesia. The approach used is quantitative by utilizing secondary data analyzed using a multiple linear regression model. The results of the study indicate that labor in the Islamic banking sector and Bank Indonesia's benchmark interest rate have a significant effect on the development of third party funds. Labor has a positive effect, indicating that an increase in the number of workers encourages an increase in TPF collection. Conversely, the benchmark interest rate has a negative effect, indicating that a decrease in interest rates encourages an increase in third party funds in Islamic banking, in line with the public's preference for Islamic financial products when conventional interest rates decline.

Keywords: *labor; interest rates; third party funds; sharia banking; OLS*

A. INTRODUCTION

The financial sector in Indonesia has developed very rapidly and progressively over the past 14 years. This is reflected in the increase in Islamic banking development indicators which include: assets, third-party funds, financing, office network and Islamic banking workforce. As for juridically, Sharia Banking is marked by the enactment of Law No. 7 of 1992 and the revision of Law No. 10 of 1998 concerning Sharia Banking. The task of Islamic banking is to collect and distribute public funds based on sharia principles or valid procedures according to the Qur'an and Hadith. The revenue of Islamic banks largely depends on the effectiveness of fund collection and financing distribution. However, in practice financing often encounters obstacles in the form of non-performing financing (NPF). NPF can reduce the bank's profitability, weaken its capital and negatively affet its retun on assets (ROA). In this context, Sahara (2013) found that macroeconomic indicator such as inflation and the Central bank of Indonesia interest rate significantly influence the ROA of Islamic banks. These findings are supported by other studies showing that macroeconomic fluctuations broadly affect the financial performance of Islamic banks.

Researcher emphasized the importance of the government's role in maintaining monetary stability for the progress of the financial sector in Indonesia. In this regard, research reveals that the slowdown in profit growth or profitability of Islamic banking is caused by macroeconomic indicators that fluctuate or are unstable over time. Some Islamic banking services have also decreased as well as deposits at Bank Syariah Mandiri, this is revealed by the fact that during 2009 to 2016 there was a downward trend of deposit profit sharing at Bank Syariah Mandiri. Kusumaningtyas (2012) Cahyani (2018) Muliawati & Shirley (2015) on the other hand, the development of third-party funds, a key performance indicator of Islamic banking, is aso influenced by macroeconomic factor such as labor, exchange rates, and inflation. Labor, in particular is viewed as primary production input that supports the advancement of Islamic banking. Another study revealed that conventional bank interest rates also affect the development of Mudharabah deposit profit sharing margins in several Sharia Banks in Indonesia (Affandi, 2018). research are viewed based on third-party funds as an indicator of development in Islamic banking, it is also influenced by several macroeconomic factors such as labor, exchange rate, and inflation. Research conducted by revealed that third-party funds as a medium to get profits and increase assets are very important, therefore in addition to the increasing number of Sharia Banks, the improvement of services must also be more optimal. If viewed from the original production factor, namely labor, the previous research conducted by explained that labor significantly and positively affects the increase in Islamic banking assets.

This indicates that the workforce serves as one of the most critical inputs in driving the progress and sustainability of Islamic banking, particularly as it continues to grow as a competitive and dynamic segment within the broader financial sector.Human resources not only contribute directly to operational efficiency and customer service quality but also play a strategic role in product innovation, compliance with sharia principles, and technological adaptation. According to studies by Malituf (2016) and Mukhsinah (2019) theres is a significant and positive relationship between the availability and quality of labor and the increase in Islamic banking assests. Similarly, research by Kasmiarno & Mintaroem (2018) emphasizes that a skilled and competent workforce enhance institutional performance and public trust, making labor and indispensable factor in the long-term development of Islamic banking in Indonesia.

B. LITERATURE REVIEW

The development of third-party funds (TPF) in Islamic banking is a crucial indicator that reflects the level of public trust in the Islamic financial system. TPF serves as the main source of funds for Islamic banks, which are later used to support various financing products based on Sharia principles. A consistent increase in TPF indicates not only the growing confidence of the public in Islamic banking but also reflects the stability and maturity of the financial institution itself. Several previous studies have revealed that macroeconomic factors significantly influence the ability of Islamic banks to collect public funds. Variables such as inflation, economic growth, and benchmark interest rates have been identified as key determinants that shape public saving behavior. These macroeconomic conditions influence individuals' and institutions' decisions about where to allocate their funds, including their preference for conventional or Islamic banks.

Among these variables, conventional interest rates play a particularly significant role in the context of competition between Islamic and conventional banks. Although Islamic banks do not operate based on interest (riba), the public often compares the returns on Islamic deposits with the interest rates offered by conventional banks. This behavior affects the perceived competitiveness of Islamic banking products in the eyes of depositors, especially those who are return-sensitive rather than purely Sharia-oriented. A study conducted by Ascarya and Yumanita (2008) provides empirical support for this phenomenon. Their research found that a decline in Bank Indonesia's benchmark interest rate had a positive impact on TPF growth in Islamic banking. This is because lower interest rates in conventional banks reduce the attractiveness of interest-bearing savings instruments, encouraging customers to shift their funds into Islamic banks, which offer profit-sharing schemes that may yield better returns in low-interest environments. However, macroeconomic factors alone do not fully explain the dynamics of TPF development. Institutional capacity, particularly related to human resources, also plays a vital role in influencing fund mobilization efforts.

The effectiveness of service delivery, customer relationship management, and outreach strategies in Islamic banking is highly dependent on both the quantity and quality of its human resources. Employees are not merely operational personnel responsible for routine banking transactions; they are the front-liners who represent the bank's identity, values, and commitment to Sharia compliance. In an industry where trust, ethical conduct, and religious principles play a significant role in customer decision-making, the role of human resources becomes even more critical. A well-trained and adequately staffed workforce ensures that services are delivered efficiently, accurately, and with a high level of professionalism—factors that are essential for customer satisfaction and loyalty. Moreover, employees who deeply understand Islamic financial principles can provide better explanations and guidance to customers, thereby enhancing transparency and building trust. This is particularly important when dealing with products like Mudharabah and Musyarakah, which require a clear understanding of profit-sharing mechanisms and risk structures.

Beyond operational efficiency, human resources also play a key role in developing strong customer relationship management (CRM) systems. Personalized services, proactive communication, and the ability to offer financial solutions that meet both the spiritual and material needs of clients are largely shaped by the competency and empathy of the workforce. Employees, especially those in customer-facing roles, act as ambassadors of the bank's image and Sharia values, helping to build long-term relationships that go beyond transactional interactions. In outreach strategies, employees contribute by actively engaging with communities, promoting financial literacy, and educating the public about the principles and benefits of Islamic finance. These efforts not only expand the customer base but also reinforce the bank's role as a socially responsible institution aligned with Islamic ethics. Therefore, human resources in Islamic banking are a strategic asset whose impact spans far beyond internal operations—they influence the institution's reputation, growth, and long-term sustainability in a competitive and value-driven market.

Research by Yuliani (2017) further strengthens this argument by showing a positive correlation between the number of Islamic bank employees and TPF growth**.** An increase in workforce enables the expansion of branch networks and enhances the bank's ability to engage with a wider customer base. Moreover, a well-trained and competent staff contributes to a higher quality of customer service, which in turn fosters stronger customer loyalty and increases the likelihood of long-term deposits. In conclusion, the development of third-party funds in Islamic banking is influenced by a synergistic interaction between external macroeconomic conditions and internal institutional factors**.** While variables such as interest rates and inflation create a financial context that shapes customer behavior, it is the strength of human resources and institutional strategies that determine how well Islamic banks can respond to these external challenges. Therefore, any analysis of TPF growth in Islamic banking must consider both dimensions to produce a comprehensive and accurate understanding.

C. METHOD

Types of Research

This research was conducted by the researcher to influence the determinants between monetary economic indicators such as inflation and interest rates as well as the original production factor, namely labor, on the development of the Islamic banking sector as indicated in the asset/asset variable. The data in this study was obtained from studies in the form of literature studies, scientific writings and articles related to the topic of analysis of factors affecting the Islamic banking sector in Indonesia (Stuttgart, 2021).

Approach Method

This study uses a quantitative approach that processes secondary data through descriptive statistics and inferential statistics. The model used refers to research conducted by the development of Islamic banking assets, which are as follows: Afiyanti Tripuspitorini et al., (2020, Fuadiyatu Zakki & Permatasari (2020), Muttaqiena (2013) and Oktavianti & Nanda (2019).

$$\mathbf{DPKt = ß_0 + ß1Takert + ß2INFt + ß3Intt + u_t} \quad (1.)$$

$$\mathbf{DPKt = ß_0 + ß1Assett + ß2Intt + ß3Takert + + u_t} \quad (2.)$$

Information:

ASSETS : Total assets / assets of Sharia Banking
Taker : Sector workforce in the Sharia Banking Sector
Int : Bank Indonesia Benchmark Interest Rate
Inf : Inflation Rate
DPK : Amount of Islamic Banking third-party funds

Data Sources

The data in this study was obtained from relevant government agencies, such as the Financial Services Authority (OJK), the Directorate General of Financial Balance of the Ministry of Finance of the Republic of Indonesia (DJPK Kemenkeu RI) from 2006 to 2020 with the scope of research in the Islamic banking sector. The researcher uses secondary data for several reasons, namely: (1) secondary data is more factual and accurate in describing the influence of the variables being studied, (2) secondary data is easier to obtain online, (3) secondary data about the variables being studied is very complete and credible because it is released by the official agencies of the respective government (Inda & Rahma, 2018).

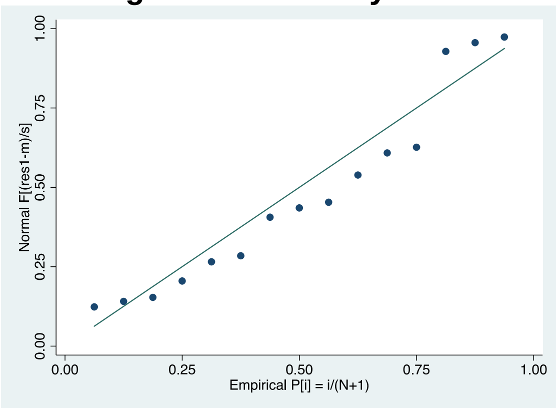
Data Processing Techniques

The researcher used multiple linear regression analysis with four independent variables, namely inflation, interest rates, the labor of the Islamic banking sector, third-party funds and one bound variable, namely Islamic banking assets. The regression carried out is equipped with several statistical tests as follows: (1) classical assumption test consisting of heteroskepticism, multicollinearity, autocorrelation, normal distribution tests, (2) Hypothesis tests partially using t-test and simultaneously using F-test (Affandi, 2018).

D. RESULTS AND DISCUSSION

4.1 Results

Figure 1. Normality Test



Source : Data processed using STATA 14.1

Normality Test using Scatterplot Charts

If reviewed based on the image above, it can be seen that the data in the regression model has a linear trend along the dangling line. This indicates that the data used in the study is distributed normally and symmetrically (Fuadiyatu Zakki & Permatasari , 2020)

Multicollinearity Test

Table 2. Multicollinearity Test

Variabel	BRIGHT
Workforce	2.47
Interest	2.73
Inflation	1.38
Third-Party Funds	1.21

Source : Data Processed using STATA 14.1

Multicollinearity Test with Metode Variance Inflation Factor

Based on the multicollinearity test with the VIF method above, it can be found that the two variables are independent of the heteroskedasticity problem because the VIF value is < 5. Therefore, it can be concluded that there is no relationship between the free variables, namely labor, inflation, interest rates, and third-party funds together.

Heteroskesdasticity Test

Table 3. Heteroskesdasticity Test

Variabel	*p-value*
Workforce	0.53
Interest	0.13
Inflation	0.69
Bank Assets	0.16

Source : Data processed using STATA 14.1

Based on the heteroskesdatity test above, it can be seen that the value *p-value* From the free variable > 0.05 which indicates that there is no heteroskesdatticity or in other words the regression of this study is homogeneousdasticity, namely in the regression model there is no inconsistency of variance of various residuals. (Nuha et al., 2016)

Autocorrelation Test

Known based on results *runtest* for an autocorrelation test that has a value of 0.18 has *p-value* above 0.05, which is 1. So it can be concluded that the regression model does not have a correlation between *error term* or residual between period t and period t-1 (previous).

The research model that has been formulated can be analyzed with the table of regression results below:

Table 1. Regression Equations

Variabel	Equation 1			Equation 2		
	Coefficient	t-statistic	p-value	Coefficient	t-statistic	Coefficient
C	9.5608	6.58	0.000			
Taker	1.0239	11.81	0.000			
Inf	0.0298	0.63	0.544	0.1105	0.63	0.539
Int	-0.4832	-1.36	0.201	-3.3786	-3.68	0.004
Assets				0.0767	0.63	0.539
R-Squared		0.9711			0.6198	
F-statistic		123.3			5.96	
Prob (F-statistic)		0.000			0.0115	

Source : Data processed using STATA 14.1

4.2 Discussion

The Influence of Labor, Inflation and Interest Rates on the Development of Islamic Banking Assets.

Based on the regression analysis results presented above, it is evident that labor exerts a positive and statistically significant influence on the development of Islamic banking assets. The regression coefficient for the labor variable is 1.0239, indicating that a 1% increase in the labor force employed within the Islamic banking sector is associated with an increase of approximately 1.0239% in total Islamic banking assets. This finding underscores the pivotal role that human resources play in supporting the growth and operational expansion of Islamic financial institutions. The strength of this relationship is further reinforced by the t-statistic value of 11.81**,** which clearly exceeds the critical t-value threshold, and a p-value of less than 0.05**,** which confirms that the relationship between labor and Islamic banking assets is statistically significant at the 5% significance level. This suggests that the availability, quality, and productivity of labor are critical drivers in expanding the asset base of Islamic banks, as skilled employees contribute to more efficient operations, better customer service, and improved implementation of Sharia-compliant financial instruments.

In contrast, other macroeconomic variables such as **i**nflation and benchmark interest rates exhibit different patterns of influence. Although both variables were included in the regression model, their effects were found to be statistically insignificant, as indicated by p-values greater than 0.05. Inflation, in some cases, may exert a weak positive influence, while interest rates tend to show a negative but insignificant relationship. These results imply that fluctuations in inflation and conventional interest rates do not have a strong or consistent direct impact on Islamic banking assets within the study period. This may be due to the fact that Islamic banks operate under a different set of principles that are less sensitive to conventional monetary policy tools, particularly interest rates, which are not directly applicable to Sharia-compliant financial products.

These findings are in line with previous studies, such as those conducted by Cahyani (2018), Kusumaningtyas , (2012), Oktavianti & Nanda (2019), and Sahara (2013) These researchers consistently highlight the importance of labor as a key internal determinant of Islamic bank performance and asset development. For instance, Cahyani (2018) demonstrated that an increase in the number of competent employees contributed to broader service coverage and operational scalability. Similarly, Kusumaningtyas (2012) emphasized that effective workforce management plays a strategic role in boosting institutional capacity and sustaining customer confidence in Sharia-compliant financial institutions. Furthermore, the findings affirm that while macroeconomic conditions set the broader financial landscape, it is the institutional capabilities—particularly human capital—that serve as the real engines of growth in Islamic banking. This reflects a broader understanding that Islamic banks must not only adapt to external economic conditions but also continuously invest in workforce development to ensure sustained growth and competitive advantage. As such, policymakers and industry leaders should consider labor development strategies—such as employee training, capacity building, and recruitment of Sharia-competent professionals—as a cornerstone for advancing Islamic banking in Indonesia.

The Influence of Bank Assets, Interest Rates, and Inflation Rates on the Development of Islamic Banking Third Party Funds

Based on the regression results presented in the table above, it can be seen that Bank Indonesia's benchmark interest rate has a negative and statistically significant effect on the development of Islamic banking assets, with a regression coefficient of -3.3786. This means that a 1% decrease in the benchmark interest rate is associated with an increase of approximately 3.37% in the assets of Islamic banks. This relationship is statistically significant, as indicated by a t-statistic of 3.68 and a p-value less than 0.05, which confirms that the negative influence of interest rates on Islamic banking assets is robust. This finding aligns with economic theory and the principles underlying Islamic finance. When conventional interest rates decline, conventional bank products based on interest tend to become less attractive to the public. As a result, individuals and businesses may shift their preferences toward Islamic banking products, which operate on profit-sharing contracts (such as mudharabah and musyarakah) or trade-based contracts (such as murabahah and ijarah), that comply with Sharia principles. This shift in preference leads to an increase in financing activities and subsequently to growth in the total assets of Islamic banks.

Furthermore, lower benchmark interest rates generally stimulate higher consumption and borrowing in the economy. Although Islamic banks do not charge interest, they still provide financing based on Sharia-compliant contracts, and the demand for such financing often rises when conventional interest rates fall. The increase in financing activity contributes directly to asset growth in Islamic banking institutions. Meanwhile, third-party funds (TPF) and inflation were found to have positive but statistically insignificant effects on Islamic banking assets. This suggests that while these variables are relevant to the banking sector's growth, their influence on asset development is not consistent or strong during the study period. Third-party funds represent a key source of liquidity for banks, but their increase does not always translate into a proportional rise in assets if it is not matched by increased financing. Inflation may have mixed effects: it can reduce consumers' real purchasing power, but it can also increase the need for financing for working capital or investment purposes. Kasmiarno & Mintaroem (2018)

These results are consistent with previous studies conducted by Malituf (2016), Mukhsinah (2019), Stuttgart (2021) which examined the impact of monetary policy on Islamic banking development. Their research highlights how conventional monetary policy variables, such as interest rates, can indirectly influence the performance and growth of Islamic banks by affecting public preferences and financing demand. In conclusion, although Islamic banking operates on principles distinct from conventional banking, it remains sensitive to changes in macroeconomic conditions, especially those related to monetary policy. Changes in benchmark interest rates continue to be an important external factor affecting the growth of Islamic banking assets in Indonesia. Therefore, it is crucial for Islamic banking institutions and regulators to carefully monitor interest rate fluctuations and develop adaptive strategies to ensure the stable and competitive growth of the Islamic banking sector amid evolving economic conditions.

Classic Assumption Test

Coefficient of Determination (r^2)

Based on the results of the regression model data processing above, it is known that the determination coefficient in the first and second equations is consecutive with values that mean as many as 97% and 61%. The variation in changes in Islamic banking assets is influenced by the variables of labor, interest rates, and inflation by 97%, meaning that as much as the remaining 3% means that the variable of Islamic banking assets is explained by other independent variables outside the model studied.

E. CONCLUSION

Based on the results of the research on the influence of labor and monetary economic indicators on the development of Islamic banking in Indonesia during 2006 – 2020, the following conclusions were obtained. In equations 1 and 2, the variables of labor and interest rates have a positive, negative and significant effect on the development of the Islamic banking sector in Indonesia. The proxy used in the development of the Islamic banking sector in Indonesia is the number of assets and third-party funds of Islamic banking in Indonesia. The variable interest rate has a negative effect on the variable development of the Islamic banking sector. This is due to the empirical fact that when interest rates decrease, people will consume and invest more in the form of loans to banks (both conventional and sharia), This will increase Islamic banking assets indirectly because of the ratio obtained from the community. Therefore, the government needs to maintain the stability of monetary economic indicators for the progress of the financial sector in Indonesia, especially for the Islamic banking sector.

In relation to the conclusions that have been presented above, the following are recommendations for the development of the tourism sector in Indonesia, namely the government must be able to maintain monetary economic stability to improve the performance of Islamic banking, optimize the performance of state-owned banks and Islamic private banks to increase Islamic banking assets and provide stimulus in the form of appropriate policies in fiscal and monetary terms to people who use products in the form of banking services sharia.

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