



**FACULTY OF ECONOMICS  
ANDALAS UNIVERSITY**

**Thesis**

**ANALYSIS OF FACTORS AFFECTING SYARIAH BANKING  
FINANCING IN WEST SUMATERA**

**BY**

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**Analysis of Factors Affecting Syariah Banking Financing in West Sumatra**  
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**ABSTRACT**

This research is aimed to analyze the factors that affects Syariah banking financing in West Sumatera in 2004 until first quarter 2009. This research used OLS (Ordinary Least Square) model, which used one dependent variable and two independent variables. The dependent variable is Syariah banking financing and the independent variables are Third Party Fund and Non Performance Financing. The result of this research is the Third Party Fund positive and significantly affect the Syariah banking financing, moreover the Non Performance Financing negative but did not significantly affect the Syariah banking financing.

**Keywords:** Syariah banking financing, Third Party Fund, Non Performance Financing.

This thesis has been presented before the examiners in the Thesis Examination and successfully passed the Thesis Examination on July 09, 2009.

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## CHAPTER I

### INTRODUCTION

#### 1.1 Background

As year goes by, the system of economics has developed and expanded even its quantity and quality in every sector. In banking system also has developed and expanded. As we know, nowadays there are two banking systems in our economic system. There are Conventional banking system and Syariah banking system or Islamic banking system. Conventional banking is an institution that deals in money and its substitutes and provides other financial services. Banks accept deposits and make loans and derive a profit from the difference in the interest rates paid. And on the other hand, Syariah banking is an institution that deals in money and its loans substitutes and provides other financial services. Banks accept deposits and make loans and derive profit from the difference in the profits-shares and fee incomes that are consistent with the Syariah common law principles governing such a bank (Ariff, 2007).

In Indonesia, Syariah banking experienced rapid development. Until January 2009 there are 5 Syariah banks in Indonesia, 26 Islamic Business Unit Bank and 132 Syariah Rural Bank (Bank Indonesia, Islamic Banking Statistics, January 2009). Based on law no.7 in year 1992 which had been revised became law no.10 in year 1998 about banking, mentioned that there were two banking systems in Indonesia, they are conventional banking system and Syariah based principles banking system. The law has allowed the Syariah banking system in Indonesia and also begins the

dual banking system in Indonesia. This law gives a positive impact to Syariah banking in Indonesia and specifically in West Sumatera. As a free-riba or interest banking, Syariah banking in West Sumatera has a big chance to compete with conventional banking, as we know that most of West Sumatera people are Muslim. That is why Syariah banking in West Sumatera predicted will significantly increase from year to year.

The Syariah banking in West Sumatera has also increased as the impact of the dual banking system that had been allowed in 1998. The amount of Syariah banking in West Sumatera in first quarter of 2009 was 9 banks and 9 Syariah banks offices. And for the Syariah Rural banks, the amount was 5 Syariah Rural banks and 7 Syariah Rural banks offices (Bank Indonesia, 2009).

The existence of Shari'ah banking in Indonesia has given an effect to the national economics growth. National economic growth was supported by several financing source, they are financing from government, banking, external sources and internal sources. The banking financing gave 22.5% contribution to the economic growth in Indonesia. The national economic growth was supported by the growth of communication and transportation sector, electricity sector, trade sector, monetary sector, construction and manufacturing sector (Gamal, 2006).

The composition of financing that Syariah banking in Indonesia to the specific economic sector, such as monetary, leasing and company service sector, as much as 29,8% in 2006. This percentage was higher if it is compared to the credit that given by conventional bank. It can conclude that Syariah banking financing contributed to the national economic growth (Gamal, 2006).

## CHAPTER VI

### CONCLUSION AND SUGGESTION

#### 6.1 Conclusion

Syariah banking in West Sumatera between 2004 until first quarter of 2009 has increased and developed. The development can be indicated from the development of Syariah banks and its branches, Syariah banking financing, Syariah banking Third Party Fund (TPF) and also Syariah banking Non Performance Financing. Based on this research about the factors affecting Syariah banking in West Sumatera, it can be concluded as follows;

1. Syariah banking in West Sumatera has increased 66% from first quarter of 2004 until first quarter of 2009. The total amount of Syariah banks in West Sumatera in first quarter of 2009 were 9 banks and the offices were 9 banks.
2. There is no increasing of amount of Syariah Rural banks in West Sumatera. The amount of Syariah Rural banks in West Sumatera from first quarter of 2004 until first quarter of 2009 were 5 banks. The branches of Syariah Rural banks in West Sumatera has increased about 42% from first quarter of 2004 until first quarter of 2009. The amount of Syariah Rural banks in first quarter of 2009 were 7 branches.
3. There were an increasing of Syariah banking financing, Syariah banking Third Party Fund (TPF) and Syariah banking Non Performance Financing (NPF) until first quarter of 2009. TPF has increased 7.1% from the first quarter of 2004 until first quarter of 2009. NPF has increased 18% from the first quarter of 2004 until



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