ISSN: 1412-968X
Volume 18, Nomor 1, April 2017

universitas MALIKUSSALEH

JOURNAL OF Economic Management & Business

FAKULTAS EKONOMI DAN BISNIS
Universitas Malikussaleh

ISSN: 1412-968X
Volume 18, Nomor 1, April 2017

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MALIKUSSALEH

JOURNAL OF Economic Management & Business

FAKULTAS EKONOMI DAN BISNIS
Universitas Malikussaleh

E-MABIS

FAKULTAS EKONOMI DAN BISNIS UNIVERSITAS MALIKUSSALEH

JOURNAL OF
Economic
Management
& Business
ISSN : 1412 – 968X

Kantor Penyunting/Editorial Office
Kampus Bukit Indah P.O. Box. 141 Lhokseumawe Telp. (0645) 7014461 Fax. (0645) 56941
E-mail : emabis@unimal.ac.id - Homepage: http://journal.unimal.ac.id/emabis

Jurnal Emabis Fakultas Ekonomi dan Bisnis Universitas Malikussaleh
diterbitkan sejak tahun 2007 dg ISSN – p No. 1412-968X

Jurnal E-Mabis diterbitkan oleh FEB Unimal bekerjasama dengan ISEI Lhokseumawe
Sesuai dengan Surat Keputusan Dekan FEB Universitas Malikussaleh
Nomor: No.134/UN45.4/LL/2015 dan Nomor: 004/ISEI/B/II/2015

Jurnal E-Mabis terbit 2 kali setahun pada bulan April dan Oktober.

Daftar Isi

JOURNAL OF ECONOMIC MANAGEMENT & BUSINESS
Volume 18, Nomor 1, April 2017
ISSN: 1412 – 968X
Hal. 1-14

FINANCIAL STABILITY LEVEL ON BANKING INDUSTRY

Comparative Analysis Between Islamic and Conventional Bank In Indonesia

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Financial stability in the banking industry is important because it is a dynamic and high-risk industry. The purpose of this study was to compare the stability of Islamic and conventional banking in Indonesia by assessing the level of volatility of Return on Assets (ROAV), managerial stability which can be seen from the value of Tobin's Q, Non-Performing Loans/ Financing and liquidity in both of banking and using 11 Islamic banks and 11 conventional banks as samples. The quarterly secondary data was used in the observation start in 2011 and will end in 2013 using panel data regression. The results of the study explained that there are several factors, both internal banks factors consist of banking profit before tax, credits to total assets ratio, the ratio of loss reserves to total financing, operating expenses to income operational ratio and macroeconomic factors include the level of the exchange rate rupiah to USD, BI Rate, and GDP growth are significantly influence the financial stability of Islamic and conventional banking. The conclusion indicates that the level of financial stability of Islamic banking is still lower than conventional banking.

Keywords: Conventional Banking, Islamic Banking, Financial Stability

INTRODUCTION

Indonesian banking is a bank with the dual banking system that requires strengthening its structure in order to strengthen the capital of both the conventional and Islamic commercial bank that will enhance the bank's ability to managing the business and risks. This is because, the banking industry is a dynamic industry and at such high risk for systemic risk can cause a domino effect, therefore Bank Indonesia sets the Indonesian Banking Architecture (API) as a policy direction and recommendation to the national banking industry in the long term for a period the next 10-15 years who have a very fundamental goals. The goals are: to create the national banking industry is healthy, strong and efficient in order to create a stable financial system so can encourage the growth of the national economy. Learning from the economic and financial crisis has happened many times, including the economic crisis hit Indonesia in 1997 and the impact of the global crisis in 2008, the financial stability of banks is important because of the size and importance of the sector, which is 50 percent of GDP in Indonesia and 80 percent of the financial system in Indonesia is dominated by banking sector (Ascarya 2009; Tjahjono, 2009; Bank Indonesia, 2010; Viñals and Singh 2010). Islamic banking financial stability has been tested during the economic crisis in Indonesia in 1997, at which time many conventional banks to be a failed bank were needed to restructure by Indonesian Bank Restructuring Agency (IBRA). The global crisis in 2008 also impacted on Islamic and conventional banks, but at that time there was no Islamic banks were declared as a failed bank but there was a conventional bank, namely Bank Century, declared by the government as a failed bank.

Based on the development of Islamic and conventional banking throughout 2008 to 2013, it will be seen that the development of Islamic banking assets increased by an average of 68.57 percent annually, while in the conventional commercial banking also rose on average by 19.07 percent annually. The position of third-party funds (TPF) of Islamic banking has increased an average of 66.3 percent per year, whereas in the conventional banking amounted to 18.16 percent. Funding in Islamic banking rose by an average of 73.76 percent annually, while the Islamic commercial bank lending has increased on average each year by 25.65 percent. The development of current year profit in national commercial banks both Islamic and conventional increasing from year to year, which is an average of 68.57 percent per year for Islamic banks and the average increase for the conventional commercial banks was 19.07 percent per year. Position Capital Adequacy Ratio (CAR) in the two types of banking during the last period is still in a safe condition which is always located above the minimum CAR of 8 percent.

Return on Assets (ROA) of Islamic and conventional banks have an average always above 1 percent. Position Loan to Deposit Ratio (LDR) of Islamic and conventional banks are still in a healthy condition, in the range of 80 percent to 125 percent with a healthy score of Bank Indonesia on 90 to 100. The ratio of Operating Expenses to Operating Income (BOPO) of Islamic and conventional banks over the last six years is still in a healthy condition which is in the range of less than 80 percent to 90 percent with a healthy score of Bank Indonesia from 90 to 100. Therefore, the condition of Islamic and conventional banks in the last six years in a good condition, but performance growth of Islamic banking could be seen from the growth in total assets, total third party funds, the distribution of funding and profit for the year always above 60 percent, although the market share of Islamic banking in 2013 still 4.8 percent. With these facts be known that Islamic banks able to record relatively rapid growth compared to a conventional bank. Empirical research with recent data is needed to measure and determine the factors determining the level of financial stability in the Islamic banking compared to the conventional banking as a precautionary measure due to economic shocks. The question in this study are what factors are the determine financial stability in the Islamic and conventional banking in Indonesia and whether the Islamic banking system is more or less stable than conventional banking in Indonesia.

Literature Review

An important task of conventional banks is

as mediation between lenders and borrowers that lend or borrow with interest based system (Obaidullah, 2005), while according to UU/21/2008 concerning Islamic Banking, explains that the notion of Islamic banks is the bank run business activities based on Sharia Principles and by type consisting of Islamic Banks and Islamic Rural Bank Financing. Sharia principles intended is a principle of Islamic law in banking activities by the fatwa issued by the agency that has the authority in setting the fatwa in the field of sharia. Islamic banking mechanism based on the principles of business partners is free of interest.

In place of a system of interest in Islamic banking are two type of concept for the results of that revenue sharing and profit loss sharing (Hosen, et al, 2007). The system of profit-loss sharing on the implementation of the agreement forms of cooperation between the investor (investor) and manager of capital (entrepreneurs) in carrying out economic activities, which between them would be bound by a contract that in the business, if the profits will be shared both parties in accordance with the ratio agreement at the beginning of the agreement, as well as when the business losses will be shared in accordance portion of each. This system is an ideal operating system for Islamic banking is a special characteristic that differentiates it from conventional banking. This system is also the initial model of the bank's development in Islam exemplified by the Prophet Muhammad at the time became mudharib of Khadijah RA. Mirrakhor and Zaidi (2010) states this system has the advantage of risk management, due to the bank as shahibul maal always supervise business activities conducted debtors. In addition, this system also resulted in greater stability in the financial markets, because the Islamic financial contracts to encourage banks to focus on long-term relationships with their clients. Revenue in Islamic banking are the results received by the bank of channeling funds (investment) in the form of productive assets, namely the placement of funds to other parties. This represents the difference or number over productive assets with the proceeds of the bank. Revenue sharing is the sharing system is calculated from the total income of the fund management without deducting fund management charges. In the agreed profit sharing ratio, shahibul maal (Islamic bank) and mudharib (client) must also agree on who bears the cost. There can be agreed that the costs are borne by the executive or financier. If that is agreed upon is the cost borne by the executive, this means it does is for the reception/revenue sharing (Karim, 2011).

The growth of the banking sector should be supported by financial stability, where the bank's financial stability is affected by many factors. Hussein (2010) states the determining factors of stability in the banking include liquidity, capital, risk taking and consumer confidence. Meanwhile, Tomak and İskenderoğlu (2013) illustrates that the financial stability of the banks affected by the control of the bank, the market structure, and the business environment. Andriawan (2012) states that banking stability is significantly affected by the ratio of credit to total assets, the ratio of capital to total assets and the ratio of non-performing loans (NPL). In addition to internal factors contained in banking, banking stability is also influenced by external factors, namely the macro factors economy. Pesola (2007) stated that macroeconomic shocks and the fragility of the financial system will generate loan losses in the banking sector that could affect the stability of the bank itself. Furthermore, Festić and Beko (2008) and Monnin and Jokipii (2010) states that there is a positive relationship between GDP with the stability of the banking system. In addition, the exchange rate (exchange rate) (Čihák & Hesse, 2010) and interest rates (Blank and Jonas, 2009) is also a factor that most affects the stability of the banking system.

The level of financial stability of banking in the literature, in general, are described and measured by identifying an event through a negative approach, ie taking into account the systemic banking distress and individual banking distress (Beck, et. Al, 2006). Systemic banking distress was identified through a series of events from the events of the crisis in the banking system, by ignoring the crisis on individual banks (individual bank fragility). As for individual banking, distress was measured by using bank-level accounting data. Many empirical studies focusing on individual banking distress to measure the financial stability of the banking system. The decision makers more con-

cerned about systemic banking distress, but if the individual banks in trouble then it is also necessary because in many cases systemic bank crises starting from individual bank crisis. The financial data required in banking distress individual approach to analyze the bank's financial statements to be easy to read and becomes meaningful. Some financial ratio used be the subject of analysis is the liquidity ratio, solvency and profitability ratios (Kashmir, 2008).

RESEARCH METHODS

This study used panel data is aggregated data between the time series and cross section data. Secondary quarterly data was used from a sample of 11 conventional and 11 Islamic banking in Indonesia with total ownership of assets are almost the same, with the range of IDR 1,099,979 billion to IDR 66,244,963 billion. The study period is taken from the year 2011 to 2013 and using panel data regression analysis to be processed through the program Eviews 7.

In assessing the financial stability of the banking used regression model using panel data has been developed by Hussein (2010). The dependent variable in this study is the stability of the bank that includes four things: the performance of the bank was measured by the standard deviation of ROA, stability managerial (Tobin Q), non-performing loans (NPL) to conventional banks and non-performing financing (NPF) for Islamic banks, as well as the liquidity of banks. The independent variables in this study consisted of internal factors of bank which include profit before tax (PBT), Loan loss provision over total loans (LLP), net loans to total assets (NLTA), cost income ratio (CIR), consumer confidence (CC) and external factors the bank which is the macroeconomic factors include interest rates, exchange rates and the growth of GDP (Gross Domestic Product), so the model equations in this study are:

$$BS_{ROAV\,it} = \alpha+\lambda_1 PBT_{it}+\lambda_2 LLP_{it} + \lambda_3 NLTA_{it} + \lambda_4 CIR_{it}+ \lambda_5 CC_{it} +\lambda_6 EXCR_t+ \lambda_7 INSR_t + \lambda_8 P\_GDP_t+ \lambda_9 \xi_{it}$$

$$BS_{TobinQit} = \alpha+\lambda_1 PBT_{it}+\lambda_2 LLP_{it} + \lambda_3 NLTA_{it} + \lambda_4 CIR_{it}+ \lambda_5 CC_{it} +\lambda_6 EXCR_t+ \lambda_7 INSR_t + \lambda_8 P\_GDP_t+ \lambda_9 \xi_{it}$$

$$BS_{NPL/Fit} = \alpha+\lambda_1 PBT_{it}+\lambda_2 LLP_{it} + \lambda_3 NLTA_{it} + \lambda_4 CIR_{it}+ \lambda_5 CC_{it} +\lambda_6 EXCR_t+ \lambda_7 INSR_t + \lambda_8 P\_GDP_t+ \lambda_9 \xi_{it}$$

$$BS_{LIQ\,it} = \alpha+\lambda_1 PBT_{it}+\lambda_2 LLP_{it} + \lambda_3 NLTA_{it} + \lambda_4 CIR_{it}+ \lambda_5 CC_{it} +\lambda_6 EXCR_t+ \lambda_7 INSR_t + \lambda_8 P\_GDP_t+ \lambda_9 \xi_{it}$$

Whereas:

BS_{ROAVit} is the volatility (standard deviation) Return on Assets (ROA) average for bank i in period t

BS_{TobinQ} is the equity of revenues for each of the banks in the period t

$BS_{NPL/Fit}$ is a proxy Non-performing loans/financing for bank i in period t

$BS_{LIQ\,it}$ is the level of liquidity as measured by liquid assets by total assets

PBT_{it} is profit before tax in the bank i in period t

LLP_{it} is the allowance for loan loss per loan amount

$NLTA_{it}$ is Net loans to total assets, the bank i period t

CIR_{it} is cost income ratio, bank i period t

CC_{it} is consumer confidence measured by the ratio of total assets of bank deposits per i period

$EXCR_t$ is the level of the exchange rate rupiah to the USD in period t

$INSR_t$ is the interest rate of Bank Indonesia (BI Rate) in period t

P_GDP_t is the growth rate of gross domestic product in period t

ξ_{it} is a measure of error for each bank in each year

Modeling of logarithms in this study as a result of the transformation of data in addressing the outliers. Rohmana (2010) states that log in Eviews a natural logarithm (ln). Variables that are outliers will be transformed into a logarithm. Transforming the models into logarithm also has the purpose to analyze how big the sensitivity of changes in the dependent variable to the independent variables, but it is also intended to improve the performance of the model in order to meet the cri-

teria for goodness of fit, ie increase the number of R-Squared (Andriawan, 2012). This study uses a ten percent error degree (α = 10%) in order to capture the largest possible independent variables significant value that can be used or included in the model equations are formed. Model logarithmic will be used is as follows:

$$lnROA_{V\,SK} = \alpha + \lambda_1 lnPBT_{SK} + \lambda_2 lnLLP_{SK} + \lambda_3 lnNLTA_{SK} + \lambda_4 lnCIR_{SK} + \lambda_5 lnCC_{SK} + \lambda_6 lnEXCR_t + \lambda_7 INSR_t + \lambda_8 P\_GDP_t + \lambda_9 \xi_{it}$$

$$lnTobinQ_{SK} = \alpha + \lambda_1 lnPBT_{SK} + \lambda_2 lnLLP_{SK} + \lambda_3 lnNLTA_{SK} + \lambda_4 lnCIR_{SK} + \lambda_5 lnCC_{SK} + \lambda_6 lnEXCR_t + \lambda_7 INSR_t + \lambda_8 P\_GDP_t + \lambda_9 \xi_{it}$$

$$lnLIQ_S/LIQ_K = \alpha + \lambda_1 lnPBT_{SK} + \lambda_2 lnLLP_{SK} + \lambda_3 lnNLTA_{SK} + \lambda_4 lnCIR_{SK} + \lambda_5 lnCC_{SK} + \lambda_6 lnEXCR_t + \lambda_7 INSR_t + \lambda_8 P\_GDP_t + \lambda_9 \xi_{it}$$

$$lnNPF/L_{S\,K} = \alpha + \lambda_1 lnPBT_{SK} + \lambda_2 lnLLP_{SK} + \lambda_3 lnNLTA_{SK} + \lambda_4 lnCIR_{SK} + \lambda_5 lnCC_{SK} + \lambda_6 lnEXCR_t + \lambda_7 INSR_t + \lambda_8 P\_GDP_t + \lambda_9 \xi_{it}$$

Selection of the best model on panel data regression is done by doing some testing, namely (Rohmana, 2010): (1) Test F, used to choose between models commond effects or fixed effects models; (2) Test Lagrange Multiplier (LM), to choose between models commond effects or random effects models, (3) Test Hausman to choose between models of fixed effects or random effects models. In summing up the level of financial stability in the two types of banking will do mathematical calculations. The calculation is based on the logarithmic equation model will be formed for later to be in antilog (look for the value of the exponent). Antilog value of the final results will be compared with a magnitude between conventional to Islamic banking and then conclude.

Discussion

The test results of descriptive statistics in Table 1 below illustrates the actual state of the initial data from both Islamic banking and conventional banking as a whole before there is a further assessment. The average volatility of banking ROA higher than the sharia Islamic banking, so that Islamic banking is less stable than conventional banking. Couto (2002) described the volatility of earnings (ROA) higher would cause uncertainty levels of capital and worsen the health of banks, in addition, Albertazzi and Gamabacorta (2009) and Bikker and Hu (2003) added that the high volatility of bank earnings could generate unstable capital structure (Shehzada, et al, 2009). Conclusions The average value of Tobin's Q of Islamic banking is still under conventional banking indicates that the investment decisions made still less than the return generated are still below conventional banking, so that while the level of financial stability for Islamic banking is still under conventional banking. NLTA of value can be seen that the lending/financing to total assets of conventional banks is higher than the Islamic banking, so the return that would be generated was also higher. There are things to be aware that the increase in return, will be followed by an increased risk, in this case, is the credit risk.

The average value of NPF/L in Islamic banking are higher than conventional banking may lead to lower revenue/profit and liquidity of banks, so as to affect the level of financial stability. On the other hand liquidity higher than conventional banking liquidity occurs because Islamic banks tend to hold more reserves as protection against losses and maintain the satisfaction of potential customer (Metwally, 1995). The average value of PBT and CC lower on Islamic banking may have an impact on the net profit of the bank, so it can also have an impact on the level of financial stability of banking. The average value of Islamic banking LLP higher than conventional banking means reserve fund made larger, so the return generated is also less. The average value of CIR is higher than conventional banking means Islamic banking costs used in generating a greater return than conventional banking.

Based on descriptive statistics test above indicate that the financial stability of conventional banking is better than Islamic banking, but there are still many variables that indicate the variability and standard deviation scores were high that required further calculations to handle this problem.

Table 1
Descriptive Statistics Summary Value

Variable	Type of Bank	Mean	Median	Max.	Min.	Std. Dev.	Obs.
ROA_V	Islamic	0,43197	0,135	7,9	0,01	1,199276	132
	Conventional	0,183258	0,15	1,12	0,01	0,139117	132
TOBIN_	Islamic	7,075758	4	1289	-1478	173,7026	132
S_Q	Conventional	18,56061	11	291	-55	35,81254	132
NPF /	Islamic	3,934649	2	100	0	11,37748	132
	Conventional	2,878788	2	31	0	3,531819	132
LIQ	Islamic	85,7611	35	5236	6	453,6503	132
	Conventional	21,5303	20,5	38	4	7,868615	132
PBT	Islamic	114377,4	24542,5	1097133	-18180	199309,5	132
	Conventional	167336,5	76323	1160165	-18185	237935,3	132
LLP	Islamic	34,77273	8,5	683	0	102,6767	132
	Conventional	2,636364	2	28	0	2,826464	132
NLTA	Islamic	20,53746	19,43182	139,2645	0	16,55493	132
	Conventional	66,68939	67	85	42	8,408586	132
CIR	Islamic	148,1288	84	9196	0	793,8346	132
	Conventional	79,0303	82	119	27	17,15441	132
CC	Islamic	11,7443	11,00939	106,0418	**77**	10,69854	132
	Conventional	73,73227	80	90	13	18,61988	132
EXCR	Islamic and Conventional	9538,539	9406,61	11689,03	8559,9	856,1491	132
INSR	Islamic and Conventional	6,278333	6	7,42	5,75	0,568119	132
P_GDP	Islamic and Conventional	1,510833	2,13	3,32	-1,5	1,825427	132

Source: Bank Indonesia and Central Bureau of Statistics, the data is processed.

Table 2
Results of the Panel Data Regression Dependent Variable $LROA_V$

	Islamic Banking		Conventional Banking	
Selected Method	*Commond Effects Model*		*Fixed Effects Model*	
Total Observation	120		123	
R-Squared	0,117772		0,171849	
	Koef,	Prob,	Koef,	Prob,
C	-51,7939	0,0004	-0,245705	0,982
LPBT	-0,09674	0,2009	0,130515	0,3289
LLLP	-0,06793	0,7832	-0,037448	0,8811
LNLTA	-0,0025	0,9923	0,096795	0,9334
LCC	0,113053	0,4	-0,40834	0,6828
LCIR	0,271643	0,3092	-1,030833	0,0654
LEXCR	5,603837	0,0006	0,396359	0,7109
INSR	-0,29461	0,1892	-0,16145	0,2707
P_PGDP	0,034243	0,6378	-0,001607	0,9709

Source: Bank Indonesia and Central Bureau of Statistics, the data is processed.

Table 3
Results of the Panel Data Regression Dependent Variable LTOBIN_S_Q

	Islamic Banking		Conventional Banking	
Selected Method	*Fixed Effects Model*		*Fixed Effects Model*	
Total Observation	104		123	
R-Squared	0,851880		0,842842	
	Koef.	Prob.	Koef.	Prob.
C	40.69477	0	-6.392014	0.2049
LPBT	0.000114	0.9984	-0.745531	0
LLLP	0.397044	0.0441	-0.114709	0.3225
LNLTA	0.17574	0.2854	-1.172821	0.0304
LCC	0.09791	0.3224	0.787674	0.0901
LCIR	0.057165	0.6434	0.164336	0.522
LEXCR	-4.57567	0	1.952014	0.0001
INSR	0.2504	0.0196	0.047305	0.4842
P_PGDP	-0.0729	0.0312	-0.017908	0.3804

Source: Bank Indonesia and Central Bureau of Statistics, the data is processed

Table 4
Results of Panel Data Regression Dependent Variables LLIQ/LIQ

	Islamic Banking		Conventional Banking	
Selected Method	Fixed Effects Model		Random Effects Model	
Total Observation	120		123	
R-Squared	0,806490		0,702101	
Variabel	Koef.	Prob.	Koef.	Prob.
C	17.63615	0.0011	309.8038	0
LPBT	0.078003	0.0718	-0.00237	0.9942
LLLP	0.003659	0.9766	1.849757	0.0047
LNLTA	-0.148379	0.2067	-40.2944	0
LCIR	0.876347	0	-3.01949	0.0412
LCC	0.105804	0.1763	3.822889	0.0475
LEXCR	-2.156796	0.0005	-14.0134	0
INSR	0.185993	0.0208	0.815976	0.0387
P_PGDP	-0.013452	0.6015	-0.14171	0.2294

Source: Bank Indonesia and Central Bureau of Statistics, the data is processed.

Based on Table 2, financial stability of Islamic banking is seen from the volatility ROA is only affected by the independent variable exchange rate rupiah to USD (EXCR), whereas in the conventional banking is only affected by the ratio of operating expenses to operating income ratio (CIR). This results similar with the correlation test results that the variable EXCR on Islamic banking and CIR on conventional banking has a strong relationship with the variable ROA_V. The differences variables affected variable ROA_V in both banking just because of observation periode and conventional banking operations in the foreign currency more than Islamic banking as well. Bank Indonesia Circular Letter No. 6/23/DPNP Date May 31, 2004, stated that the best standards of BOPO according to Bank Indonesia was 92 percent, with scores of 100. The ratio of operating expenses to operating income (BOPO) conventional banking during the observation period has a value of less than 92 percent so that BOPO rise is still below the normal limit resulting in an increased health of banks thereby increasing financial stability.

Based on Table 3 above the financial stability of Islamic banking is seen from stability managerial influenced by the independent variable ratio of loss reserves to total funding (LLP), the rupiah exchange rate rupiah to the USD (EXCR), the interest rate of Bank Indonesia (BI/INSR) and economic growth (P_GDP). Investment decision in Islamic banking is very strict and should be in accordance with the Sharia Supervisory Board fatwa. In the observation period, Islamic banking release investment decisions relating to foreign currency (in collaboration with foreign parties) but still within Indonesia. The investment decision was accompanied by a decision to increase loss reserves in anticipation of the failure of the investment made. Conventional banking investment decisions are influenced by the independent variable profit before tax (PBT), the ratio of loans to total assets (NLTA), consumer confidence (CC) and the level of the exchange rate rupiah to USD (EXCR). In the observation period, conventional banks are also making investment decisions related to foreign currency (in collaboration with foreign parties). If the cooperation goes well can increase customer confidence, but in some cases, there is still a breakdown of loan repayment rate so as to reduce the bank's profit.

Based on Table 4 it can be seen that the financial stability is seen Islamic banking liquidity level is affected by the independent variable profit before tax (PBT), operating expenses to operating income ratio (CIR), the exchange rate of rupiah to USD (EXCR) and the interest rate of Bank Indonesia (BI/INSR). Aside from the internal banking, displacement of hajj fund, which will be implemented gradually by the government from conventional banking to Islamic banking, has the potential to raise sharia bank liquidity so as to increase the bank's capital and more develop their business. In conventional banking is affected by the independent variable ratio of loss reserves to total funding (LLP), the ratio of loans to total assets (NLTA), the ratio of operating expenses to operating income ratio (CIR), consumer confidence (CC), the level of the exchange rate rupiah to USD (EXCR) and the interest rate of Bank Indonesia (BI/INSR). This means that at the time of the observation period, the increase depositors will increase the credit so, in anticipation of the collapse of credit, the bank will increase the loss reserve. BI Rate increase will affect mortgage interest and interest on savings if the cost of funds is low (cost) of lending banks will obtain positive spread that will increase the bank's profit and liquidity.

Based on Table 5 it can be seen that the financial stability of Islamic banking is seen from the Non Performing Financing (NPF) is affected by the independent variable ratio of operating expenses to operating income ratio (CIR). In conventional banking its NPL ratio is affected by the independent variable loss reserves to total funding (LLP), the ratio of operating expenses to operating income ratio (CIR) and the level of the exchange rate rupiah to USD (EXCR).

Based on the results of the panel data regression, the factors that shape the financial stability between the conventional banking Islamic banking is not the same. From the regression equation model will form the log for Islamic banking and

Table 5
Results of Panel Data Regression Dependent Variables LNPF/L

	Islamic Banking		Conventional Banking	
Selected Method	Fixed Effects Model		Random Effects Model	
Total Observation	106		114	
R-squared	0,177157		0,255213	
	Koef.	Prob.	Koef.	Prob.
C	12.71556	0.231	11.08416	0.0073
LPBT	0.113784	0.1886	-0.053974	0.2252
LLLP	-0.11068	0.6574	0.164449	0.0668
LNLTA	0.276027	0.2667	0.464398	0.2946
LCIR	0.368575	0.0855	-0.579491	0.0034
LCC	0.132363	0.4516	0.16079	0.5763
LEXCR	-1.724441	0.16	-1.092744	0.0051
INSR	0.041835	0.7985	0.003458	0.9484
P_PGDP	0.064207	0.2126	0.018901	0.2312

Source: Bank Indonesia and Central Bureau of Statistics, the data is processed.

Table 6
Summary of Panel Data Regression and Measurement Results of The Stability Level of Islamic and Conventional Banking

Dependent Variable	Type of Bank	Independent Variable that have Significant Effect	Formed Equation	Result Calculation
ROA_V	Islamic	Exchange rate	$lnROA_{VS}$ = -51,7939 + 5,603837 ln(EXCR)	0,641
	Conventional	operational expenses on operational income ratio	$lnROA_{VK}$ = -1,030833 $ln(CIR_K)$	0,011
TOBIN_ S_Q	Islamic	Loss reserve ratio of the total financing, Exchange rate, BI Rate and GDP growth	$lnTobinQ_S$ = 40,69477+ 0,397044 ln (LLP_S) -4,57567ln ($EXCR_S$)+ 0,2504 INSR t – 0,0729 P_GDP	5,145
	Conventional	Profit before tax ratio, Total loans to total assets, consumer confidence, and exchange rate	$lnTobinQ_K$ = -0,745531 ln(PBT_K) – 1,172821 ln($NLTA_K$)+ 0,787674 ln (CC_K) +1,952014 ln (EXCR)	1.603,589
LIQ	Islamic	Profit before tax ratio, operational expenses on operating income ratio, Exchange rate and BI Rate.	$lnLIQ_S$ = 17.63615 + 0.078003 ln(PBT_S) + 0.876347 ln(CIR_S) - 2.156796 ln (EXCR)+ 0.185993INSR	0,951
	Conventional	Loss reserve ratio of the total financing, operational expenses on operational income ratio exchange rate and BI rate	LIQ_K = 309.8038 + 1.849757 ln (LLP_K) -40.2944 ln($NLTA_K$) - 3.01949 ln(CIR_K) + 3.822889 ln (CC) -14.0134 ln (EXCRt)+ 0.815976INSR	22,322
NPF / NPL	Islamic	operational expenses on operational income ratio	$lnNPF_S$ = 0,368575ln (CIR_S)	6,31
	Conventional	Loss reserve ratio to total loans ratio, operational expenses on operatinonal income ratio And exchange rate	$lnNPL_K$ = 11,08416+ 0,164449ln (LLP_K)-0,579491ln(CIR_K) - 1,092744 ln (EXCR)	3,717

Source: Bank Indonesia and Central Bureau of Statistics, the data is processed.

conventional as well as the calculated amount of value. As for the model, equations are formed and the results of calculations can be seen in Table 6.

In Table 6 above value of volatility ROA of Islamic banking amounted to 0,641, whereas in conventional banking the calculation result amounted to 0,011. ROA volatility can also be used to see revenue fluctuations. Couto (2002) describe the volatility of earnings (ROA) higher capital levels will cause uncertainty and worsen the health of banks, in addition, Albertazzi and Gamabacorta (2009) and Bikker and Hu (2003) adds that the high volatility of bank earnings may produce capital structure is not stable (Shehzada, et al, 2009). Company or industry with high earnings volatility has operating leverage (used to indicate the extent to which the use of a constant load within a company) is also high. That means the company is a high risk of failure because of high operating expenses. Thus, based on the calculation of the value of both banks ROA volatility, it can be concluded that the level of stability in Islamic banking is less stable compared to conventional banking. A number of earnings volatility due to Islamic banks return generated is small. At the time of the observation period, i.e. in March until September 2012 decreased assets of the Islamic banking industry is significant because of a sharp decline in deposits. This decrease was caused by the withdrawal of sizeable government funding (Ministry of Religious Affairs) for the purposes of economic development of other sectors. This decline can also reduce the profitability of Islamic banking at the time. Another thing that causes low profitability of Islamic banking compared to conventional banking is the average of the depositors of Islamic banking to place their funds in deposits that have a cost of funds is higher than bank product that others, namely savings and checking accounts at an average cost of fund deposits of 6-7 percent per year while savings and demand deposits is 1.5 to 2 percent per year, resulting in Islamic banks are also difficult to reduce the cost of funds, because on the other hand the bank must yield to attract customers, but also have to make a profit in order to have financial performance the good one. Metwally (1995) states that Islamic investors expect profit investments within the limits of reasonable and avoid various forms of extortion, so the profit rate of investment is higher in societies adherents of Islamic economics than with economic non-Muslims, it can be utilized Islamic banking in attracting Muslims depositors who invested funds in savings and checking accounts (bank products that have a cheaper cost of funds), for nearly 90 percent of Indonesia's population is Muslim. The small size of the profitability of Islamic banks due also still relatively low public confidence in the banking Islamic banks this can be seen from the large market share of Islamic banking is only 4.8 percent per September 2013. The use of revenue sharing system in Islamic banks result, the calculation is done at the beginning of the contract, so that many ordinary people who equate with conventional Islamic banking, the use loss profit sharing system is the operating system that is ideal for Islamic banking is a special characteristic that differentiates it from conventional banking which will be the main attraction of the Muslim savers. The low profitability of Islamic banking because most people have a sense of judging in financing more expensive than conventional banking. Metwally (1995) explains that this type of depositors would tend to place their funds in conventional banks, including small savers who are afraid of losing their funds and characteristics of investment in Islamic economics is autonomous, so that depositors Muslims can also be driven by the motivation to seek the blessing of God rather than seek advantage, so it will be invested for the construction of mosques, schools, hospitals and so on, in addition to the lower profitability of Islamic banking can be caused also tend to hold more reserves (on its own cash or the central bank) as protection.

The value of Tobin's Q on both types of banks are bigger than one, it is in line with the theory in the previous chapter, where values above one and a positive value indicating that the investment decisions taken by banks belonging to the right and will affect changes in liquidity, risk and bank capital, the higher the value of Tobin's Q the greater the access to the bank's management to use the bank's profit to improve liquidity and risk capital, and also more trusted by customers because there

will be more depositors who save their money in the bank proficiency level, means a great managerial stability thus increasing financial stability. The value of Tobin's Q for Islamic banking amounted to 5.145 and for conventional banking amounted to 1603.589, which means that the two types of banks are already good in managerial stability, but the calculation in the conventional banking which is higher than the Islamic banking, indicating that overall conventional banking is more stable the level of financial stability than Islamic banking. The results of the calculation of the value of Tobin's Q Islamic banking though good, but still smaller than conventional banking. Investment decisions on Islamic banking are very tight because it must be in accordance with the Sharia Supervisory Board fatwa. Islamic banking is not invested into projects that are prohibited under Islamic law, although such projects provide high profits. The results of calculation of Tobin's Q can also be used as an analysis to look at the bank financial future. Theories about Tobin's Q by Tobin (1969) in Hussein (2010) explains that Q provides a summary of available and relevant information about the future with regard to the bank's investment decisions. Q implies that each unit increase in share capital will increase the present value of corporate profits. Tobin's Q value above one indicates that the investment decisions taken by banks belonging to the right and will affect changes in liquidity, risk and bank capital. The higher the value of Tobin's Q, the greater the access to the bank's management to use the bank's profit to improve liquidity and risk capital. Expected result of the calculation is positive, generally the greater the value of Tobin's Q means more credible customers as more and more depositors who save their money in the bank. Based on the calculation described in the sub-last chapter, that the value of Tobin's Q for Islamic banking and conventional is positive and greater than one, this means that both types of banks have the right investment decisions so that they can affect change in liquidity, risk and bank capital to a better direction. Thus, both Islamic and conventional banking in the coming period still has a good level of financial stability so that they have the prospect to be able to evolve into a better direction.

Islamic banking liquidity levels lower than conventional banks with a value of 0.951 and 22.322 to conventional banking. Cashmere (2014) explains that the liquidity ratio is the ratio used to measure the bank's ability to meet financial obligations in the short term when charged. The greater this ratio, it will be more liquid. Hussein (2010) also explains that the higher level of liquidity will form a stable bank. This happens due to the ample liquidity is not only easy to mobilize existing funds but also scheduling cash flow loans are not affected by the increased level of non-performing assets (NPA). Thus, the level of conventional banking financial stability better than Islamic banking, because it has greater liquidity value than Islamic banking. Sagita (2013) conducted a study with a sample and different periods of time with this research suggest that the level of Islamic banking stability was worse than conventional banking when viewed from the side of liquidity. Islamic banking liquidity is still small will get additional capital because based on the Minister of Religious No. 30/2013, the hajj funds should be placed on Islamic banking. This is one proof of the government's role in the process of accelerating the development of Islamic banking assets. Extra liquidity may also trigger excessive liquidity if the funds available are not distributed in the form of financing or other investments because it will increase the burden of the cost of funds of Islamic banking. And if liquidity is channeled through the issuance of sukuk by Islamic banking or placed in the Money Market of Sharia Interbank, the Islamic banking will get a return thereby increasing profits, so the addition of haj funds by the government that the value amounting to trillions can improve liquidity so that financial stability is more stable.

Table 6 also shows that the value of 6.31 NPF Islamic banking and conventional banking NPL value of 3.717. The NPL ratio, or NPF reflect the risk of the loan portfolio or financing, where the higher this ratio the higher the profile of risk of credit or bank financing, which in turn will affect the financial stability of the overall banking, due to increasing this ratio may cause a decline in economic activity, through disintermediation loans bank erosion caused by the bank's profit (Beck, et al, 2006), and NPL NPF figures are also indicators

of fragility. Thus, NPF value of Islamic banking is greater than the value of NPL conventional banking shows that Islamic banking is less stable than conventional banking.

Based on the above, Islamic banking in Indonesia in the period 2011 to 2013 the level of financial stability is less stable than with conventional banking. The results of this research together with research conducted by Gamaginta and Rokhim (2010), which states the overall stability of the Islamic banking in Indonesia is lower than conventional banking, with the explanation that Islamic banking industry is relatively new growing, therefore still vulnerable to financial pressures from the internal side. Differences occur when the results of the study sample size and covers a lot more research from various countries, which states that the rate of Islamic banking financial stability better than conventional banking, it is the result of several research studies conducted by Hussein (2010), Čihák and Hesse (2010) and Beck, et al (2010).

CONCLUSION

Based on the analysis and discussion that has been stated in the previous chapter, then a number of conclusions to address problems in this study. Factors that determine the financial stability in the Islamic banking in Indonesia is the internal factors of banking which includes earnings before taxes, the ratio of loss reserves to total financing, the ratio of operating expenses to revenues from operational and macroeconomic factors that include the level of the rupiah against the USD, the BI Rate and GDP growth. In conventional banking in Indonesia internal factors banks that determine the level of financial stability include pre-tax profit, the ratio of loans to total assets, the ratio of operating expenses to revenues from operational, the ratio of loss reserves to total financing and consumer confidence, while the macroeconomic factors that have influence only level the exchange rate rupiah to USD and BI Rate. Based on some models equations are formed and the results of calculation of the factors that affect the financial stability of Islamic banking and conventional, it can be concluded that the level of financial stability of Islamic banking is still lower when compared to conventional banking. Prospects on both types of banks are good which is characterized by the value of Tobin's Q positive and greater than either one Islamic and conventional banking.

SUGGESTION

Islamic banking is expected to increase financial stability by increasing profitability, liquidity, and managerial skills so that they can face problems in their internal bank and ready to face the possibility of economic shocks nor competition in the banking industry. Some practical steps that can be taken include reproduce depositors who invest funds in savings and checking accounts that have a cost of funds cheaper than deposits, the promotion and dissemination to the public that Islamic banking also has branchless banking, thereby facilitating financial transactions its customers and issuing sukuk corporation as a precautionary measure the presence of excess liquidity (excessive liquidity) due to the diversion of funds pilgrimage to the Islamic banking. Suggestions for further research related to the research about the level of financial stability of banking is increasing the number of samples and the study period, the expansion of themes such as the relationship of competition and the role of national banks in the real sector, particularly Islamic banking as well as the use of alternative analytical tools that are different from this study that can also be used for forecasting future financial condition of the bank.

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