

Micro, small-financial financing and its implications on the profitability of sharia banks

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Abstrak

ABSTRACT

Development of micro, small and medium enterprises (MSME) in Indonesia has increased yearly, but this is not followed by MSME financing in Sharia banking, where the proportion is relatively decreasing in a couple years. This study aims to analyze the influence of the deposit or third party fund to MSME financing and also to analyze the implication of MSME financing to MSME financing and its impact on the profitability of Sharia banks. Sharia banks are expected to be even more active in collecting funds from third parties with various strategies that can be used. As has been discovered from the above research, the amount of fund raising to the allocation of MSME financing is also getting bigger. This study uses a Vector Error Correction Model (VECM) to see the long term effect and response to shocks that occur in the studied variables. The result shows that in the short run and the long run CAR has negative and significant effect on MSME financing. TPF, NPF, BOPO and FDR have positive significant to MSME financing in the long term. TPF, CAR, NPF have positive significance to Sharia banks profitability in the long term. BOPO and NPF have positive significance in the short run. Shock to CAR is negatively responded by MSME financing. Shock to MSME financing is negatively responded by Sharia banks profitability (ROA) and is stable in the long term.