LENDING GROWTH AS A FIQH IMPLICATION TOWARD PRODUCT DEVELOPMENT OF ISLAMIC BANK IN INDONESIA

RESEARCH PAPER

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Abstract

This study aim to examine the financing growth of Islamic bank in Indonesia with the provisions system and proof that there is a procyclicality and income smoothing behavior of bank manager. The objects of this study are Islamic Banks and Islamic Business Unit in Indonesia period of 2000 – 2016. This study specifically estimates a different calculation in every component of discretionary and non-discretionary in Islamic bank financing with the variable controlsuch as deposit growth, equity ratio, and total asset. The equation will be tested by using the regression system estimation and the validity tested by AR and Hansen test. The result of this study quantitatively proved that there is a pattern of procyclicality behavior in Islamic bank consistent with hypothesis and significantly has negative correlation described by the relation of loan loss provision with the coefficient of GDP growth rate: -0,207. From this result in accordance with the fiqh platform, for all forms of muamalah is "al ashlufilmu"amalahilla al-ibahahyadulludaliil „alaatahriimiha" (the origin of everything is allowed unless there is proof that forbid it), which means that by using the theory of fiqh rules the product development of Islamic bank can be done and expanded.

Abstraks

Penelitian ini bertujuan untuk menguji pertumbuhan pembiayaan bank syariah di Indonesia dengan sistem ketentuan dan bukti bahwa ada kecenderungan procyclicality dan perilaku perataan laba manajer bank. Objek penelitian ini adalah Bank Islam dan Unit Bisnis Islam di Indonesia periode 2000-2016. Penelitian ini secara khusus memperkirakan perhitungan yang berbeda dalam setiap komponen discretionary dan non-discretionary dalam pembiayaan bank syariah dengan variable control seperti pertumbuhan deposito, equity rasio, dan total aset. Persamaan akan diuji dengan menggunakan estimasi sistem regresi dan validitas yang diuji dengan uji AR dan Hansen. Hasil penelitian ini secara kuantitatif membuktikan bahwa terdapat pola perilaku procyclicality di bank syariah yang konsisten dengan hipotesis dan secara signifikan memiliki korelasi negatif yang digambarkan oleh hubungan penyisihan kerugian kredit dengan koefisien tingkat pertumbuhan PDB: -0,207. Dari hasil ini sesuai dengan platform fiqh, untuk segala bentuk muamalah adalah "al ashlufilmu'amalahilla alibahahyadulludaliil 'alaatahriimiha" (asal segala sesuatu diperbolehkan kecuali ada bukti yang melarangnya), yang mana Artinya dengan menggunakan teori fiqh aturan pengembangan produk bank syariah bias dilakukan dan diperluas.

INTRODUCTION

Islamic Bank in its effort to improve the financing growth should be aware of the risk payment failure in financing that can be input and basis for making the bank"s profitability calculation, capital adequacy, solvency, and the calculation of the allowance incentive financing loss reserves (Dermine and

Carvalho, 2006). According to Yaziz (2011), to improve financing growth from sharia perspectivefor financing risk and loan loss provisions in Islamic bank, there are two perceptions: *first* is the perception of sharia financing risk as a basis for assessing the quality of financing, and the *second* is the perception of allowance incentive for loan loss provisions used by Islamic bank in achieving a certain goals.

The fact that Islamic bank in expanding its financing shows the behavior of procyclicality. It occurs because the bank managers increase the provisions during

the deteriorated time and reducethe provisions during the decent time. So, the implications of procyclicality is provoking a financing crisis and then exacerbate the economic recession (Adzis et al., 2015). At the cycle of deteriorates time, the increasing of loan loss provisions will affect the bank"s revenue, weaken the bank"s capital and reduce the loan eligibility of the debtor. According Soedarmono et al., (2016) loan loss provisions of Islamic bank generally procyclicality. The loan loss provisions decline when economic growth strengthened, and this procyclicality behavior can sharpen the decline of economic growth through the reduction of financing.

This study examines the growth of Islamic bank financing in Indonesia with the provisions system that used in order to obtain the result as a proof that there is a procyclicality behavior and income smoothing behavior of bank manager. This

result will be diagnosed in a qualitative analysis based on*fiqh* platform in order to generate some implications for regulators, society, and further research. To improve the financing growth, Islamic bank can do such product development, innovation, and diversification based on the principles of sharia, without having constrained by risk, capital adequacy, reserve requirements, and the bank"s solvency. So, it is expected that operational activities of Islamic bank in Indonesia not only for the benefit of capitalist.

LITERATURE REVIEW

Theory of Sharia Financing

The theory that relating to the classification of sharia financing explained that *musharaka, mudharaba, murabaha, salam, istishna*, *ijara,* and *qardh* is the classification of the main agreement contract that provided for Islamic bank customers. This classification distinguished by: non-debt sharia financing model, namely *musyaraka* and *mudharaba*; debt sharia financing model, namely *murabaha,*

salam, istihsna and *Ijara* (Kahf, 2005). Other forms of

financing classification by Uthmani (2002) define it based on: 1) Pure sharia financing model, namely *musharaka, mudaraba, salam,* and *istishna*; 2) Artificial/Reformedsharia financing model, namely: *murabaha* and *Ijara*. This study added the financing that is actually the real loan, according to sharia principles, namely loans *al-qardh alhasan.*

Before stipulate the determinants of the sharia financing growth, there are two principal opinions that Islamic banks adhere to sharia rules on each contract, even though the artificial/reformed financing model of less Sharia than the pure financing model (El-Gamal, 2000). On the contrary opinion said that *ijara* and *murabaha* financing model is not ideal for Islamic bank and it is only used as a device to escape from interest rates (Uthmani, 2002). *Mudharaba* and *musyaraka* are based on the principle of profit and loss sharing, and this is the model that is the most needed in Islamic banks.

When using both of these instruments, it does not create a debt for the whole community, the profits divided equally between capital and labor.

Another argument proposed by the researcher who un-feel necessary to connect with Islamic finance industry. Ordody de Ordod (2001) shows that the economic balance and full employment guaranteed by unlimited individuals based on facts that are recommended before interest rates are set. Ordod (2001) argue that the rigidity of interest rate toward fluctuation led to disequilibrium and inflation. Shiller (2003) proposed the notion that the borrower's problemin

conventional interest rate stipulated in his debt is directing on the issue of personal bankruptcy.

Based on the opinions above, it necessary to determine the variables for calculating the financing growth in Islamic bank:

1. LLP non-discretionary as a predictor

based on research of risk determination in Islamic bank (Agmad, 2003; Hassan 1992.1993; Hassan et al.,1994; Shireve and Dahl, 1997; Angbazo et al.,1998), in this component, variables that describes bank's LLP are included, such as non performing loan, total loan, and the growth of gross domestic product as variables control of loan risk inthe NLLP component.

2. The third-party fund or deposit is the total liabilities from the balance sheet report. Total liabilities are managed based on the principle of profit and loss sharing for investment accounts, saving accounts and *wakala* deposits using special reserve for his profit and loss sharing (Taktak et al. 2010) that is profit equalization reserve (PER) and investment risk reserve (IRR), which are the two

mechanisms that actively reduce the volatility of the rate of return in deposits investment including the consequence in his return equalization (Sundarajan, 2005; Khan Ahmed, 2001; Archer et al., 2010).This is executed by Islamic banks to avoid the abandonment of massive withdrawals risk that are a common occurrence that causes a potentially bank run.

3. Equity is the number of outstanding shares multiplied by the stock price at the beginning of each year. For Islamic bank, total equityis the sum of the first tier capital (Tier-1 capital) and second tier capital (Tier-2 Capital), where the second tier capital needed to capture the motives of capital management that is expected to affect loan loss provisions negatively. (Ashraf, et al., 2000).

4. *Total assets* classified based on sharia contract such as asset based on sale-purchase contract, asset based on leasing, and equity investment. Islamic bank do the logarithm of total asset to capture bank investment from each types of bank.

Theory of Income Smoothing

Zoubi and Al-Khazali (2007) in his research in the Gulf countries, noting that there is a positive correlation between the LLP and Income. This positive correlation means that managers of Islamic banks also use the LLP to manage earning, now and in the future. Previous research has hypothesized that bank managers have an incentive to apply income smoothing (Misman and Ahmad, 2011). Ashraf et al. (2015) revealed that the bank‟s earning management in application of LLP is influenced by the nature of the bank, because the results showed the issue about management and bank‟s governance that were listed.

Theory of Procyclicality Behaviour

Al-Khayat (2013) who did research in 15 countries of the Gulf Cooperation

Council (GCC) such as Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (UAE), demonstrated by using the determinant of LLP on Islamic banks, namely : Tier-1 capital, NPL and Size, revealed that in fact, the Islamic Bank has a prudent behavior patterns and not procyclis, and Islamic bank does not perform the income-smooth, except when Islamic banks experiencing the negative earning, and this action is also carried out as a countercyclical tool. Research of Boulila et al. (2010) tested the hypothesis the income smoothing of Islamic banks show typical characteristics environment: First, Islamic banks governed by Islamic principles (Sharia) using a risk-sharing mechanism among investors. Second, the regulations related to sharia accounting that does not restricted the use of dynamic provisioning, so the Islamic banks have a tendency to establish the allowance to absorb losses in the future.

The Fiqh Platform

According to Malikiyah, *murabaha* or financing in Islamic bank is mutually beneficial, it means the seller must notify the buyer about the product price he bought and determine the additional profit.

In Al-Qur‟an Chapter *An-Nisaa*verse29 stated:

"O you who have believed, do not consume one another‟s wealth unjustly but only (in lawful) business by mutual consent. And do not kill your selves (or one another). Indeed Allah is to you ever Merciful." (An-Nisaa, 29)

From Abi Sa‟id Al Khudri, in Hadith Rasulullah SAW said: *"Indeed, selling has to do with mutual fond and mutual willingly". (HR. Ibnu Majah)* (Al Zuhaily, p.703). The majority of *fiqh* scholars agree that the supporting *fiqh* rule used for financing contract in Islamic bank is *"al ashlufilmu‟amalah al ibahahillayadulludalil „alaatahriimiha"* which means the origin of everything is

permitted unless there isa proof that forbid it *(haram)* (Qal"ahJiy, p.11). This rule is in accordance with DSN fatwa No.90/DSNMUI/XII/2013. Another rule that support

the financing theory are *"adhdararuyuzaal"* which means the danger of heavy load, the loss shall be omitted (Al Suyuthi, p.16). *"Al ashlufil „uquudwasyuruth al ibahah"* which means basically all forms of contract and terms are permitted to be executed. *"Adhdhararuyudfa"* which means any harm shall be avoided wherever it possible (Al Zarqa, p.207). *"Al haajatutanzilumanzilatadharurati„aammat ankaanat aw khaasah"* which means the urgent need scan be in emergency position, both generally and specifically (MUI, p.79-92).

The rule of benevolent loans *al qardhulhasan* in sharia is *"kulluqardhinjarranaf"anfahuwariba"* which means any debts that bring benefits to the indebted is *riba* (Ramadhan, p.300).

From that rule and legal source, the theory of *musyaraka, mudharaba, istishna, salam, ijarah, murabaha* and *qardh* in Islamic bank must be in accordance with the *fiqh* theory, which is in every economic activity has to do with mutual fond *(„an taradhinminkum)*, equitable *("al „adaalah)*, and no adverse

(laadhararwalaadhirar). Related to the practice of *murabaha* in Islamic bank, financing product for purchase of investment goods, both domestically and abroad through (L/C) and ask for a down payment from customer and get discount from suppliers. Legally, it can be executed referring to the grand theory of *fiqh* rule *"al ashlufilmu'amalah al ibahahillayadulludaliil 'alatahriimiha"*. Likewise in the operational to increase profitability and expand its business, Islamic bank can develop their products through the sale and purchase contract that is permittedby Islam. It can be implemented in another sector for

productive activity, so the role of Islamic bankas intermediary institution has done well and not just focus on financing.

Profit in Islamic bank is in accordance with the characteristics of Islamic finance or *murabaha* called agreed profit (Rushd, p.293). Another theory states that benefit ratio determined by agreement, not by the portion of deposit capital (Al-Kasani; Ash Syarbini & Al Bahuti). The legal basis in the *fiqh* rule that used for profit and risk in accordance with Islamic principles, mentioned in the

Hadith *"walaamaa lam ribhuyudhman"* which means there should be no profit without risking loss (Ahmad 6831, Nasa"i 4647). *"Al ghurmubilghunmi"* which means loss and profit are borne and shared (Ramadan, p.461). From Urwah Al Bariqi RA, state that Rasulullah SAW gave him one dinar to buy a goat. With that one dinar, he bought two sheep"s and resells one goat worth in one dinar. Then he came to the Prophet while bring one goat and one dinar.

By looking at this, the Prophet prays for his blessing (Hadith of Bukhari).

A Muslim scholar, Al-Ghazali in his book *Al-IhyaUlumuddin* does not dismiss the fact that profit is the main motive of trade. But he gives a lot of emphasis on business ethic, which is this ethic derives from Islamic values (Al Amin &Amalia, 2010). From previous explanation, can be conclude that profit in Islam is permitted as long as no harm or injustice and not hurt each other according to Islamic principles.

One of the rules in *Muamalah* concept in Islam is about *riba*. *Riba* means an excess or addition. Islam strictly prohibits *riba*, Al-Qur"an as a legal basis clearly stated in the Chapter of Al-Baqarah verse 275: *"waahallahulba"iwaharramariba"* (But Allah has permitted trade and has forbidden *riba*). Also in Chapter of AnNisaa verse 161 stated:

"And (for) their taking of riba while they had been forbidden from it, and their

consuming of the people"s wealth unjustly. And we have prepared for the disbelievers among them a painful punishment." (An-Nisaa, 161)

The fiqh rule that used for *riba*: *"laatadzlimuunawalaatudzlamun"* means that do not persecute nor persecuted (Haroen, 2000). Referring to Islamic legal basis and Islamic fiqh theory about the prohibition of *riba*, clearly that *riba* will never bring *mashlahat* or goodness. Not only for Muslims but for the whole human race, and even led to the danger or harm greater economic sustainability and life.

METHODOLOGY

The objects of this study are Islamic Banks and Islamic Business Unit in Indonesia period of 2000 - 2016. The data used as an instrument measurement of financial statement obtained from Islamic Bank Statistics Report from 2000 – 2016 from Bank Indonesia and the Financial Services Authority. The appendix contains of tables of statistical data processing results.

This study uses the approach of Bouvatierand Lepetit (2008) to observe the impact of non-discretionary and discretionary components in loan loss provisions to the financing growth of Islamic bank. We also specifically estimate ranging from setting a different definition from the calculation of each component of discretionary and nondiscretionary on the financing of Islamic bank. The equation we made follows the approach of Bouvatier and Lepetit (2012) as follows:

$$F_t = \beta_0 + \beta_1 NDISC_t + \beta_2 D_t + \beta_3 E_{t-1} + \beta_4 TA_{t-1} + u_t \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots(1)$$

The F_t is the sharia financing growth. $NDISC_t$ in this research is nondiscretionary component that is expected to affect financing growth negatively if allegedly the procyclicality behavior consistent with the system of backwardlooking loan loss provisioning. The

increased of costs from sharia financing is shown with the loan loss provisions, thus encouraging banks toreducing incentives to increase the financing. We also set the variable control such as: deposits growth D_t, equity ratio E_{t-1}, and to measure the size of Islamic banks by using the

logarithm of Total Assets TA_{t-1}. As well as the influence of time on the level of gross domestic gross product (GDP) also we add to control the changes in macroeconomic conditions.

This paper focus on the measurement calculation of several nondiscretionary component to test the robustness of the results, so the equation that used to represent hypotheses for the behavior patterns of procyclicality and income smoothing behavior in Islamic banks refer to the study of Bouvatier and Lepetit (2012) as follows:

$$NDISC_t = \alpha_1 LLP_{t-1} + \alpha_2 NPF_t + \alpha_3 \Delta NPFL_t + \alpha_4 F_t + \alpha_5 GDP_t + \alpha_6 ER_t \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \textbf{(2)}$$

In the system of backward-looking provisioning show the primary correlation of $NDISC_t$ in line with NPF_t that is the ratio of non-performing financing toward total asset in the end of year t, and the first d deviation *(delta)* from NPF_t ($\Delta NPF_t = NPF_t - NPF_{t-1}$) as a explanatory variable. These two variables are good indicators to indetify losses in the financing portfolio of Islamic bank. This variable will show a positive correlation with the loan loss provisions. We add the failure risk for the entire financing portfolio, measured by the ratio of total net financing toward total assets F_t, these variables showed a positive correlation. We consider the rate of gross domestic product growth GDP_t which has a negative correlation with loan-loss provisions. Because of the feasibility of customer''s financing Islamic banks depend on economic conditions. Then we also consider the current ratio of bank earnings and loan loss reserve toward total asset ER_t to examine whether Islamic banks use loan loss provisions for the smoothing income.

For methodologyestimation we use Blundell and Bond (1998) that is dynamic panel estimation to test the equation (1), this estimation known as GMM system estimation. The combination of the two equations, are: the original equation and the transformation equation. The transformation equation can be the first difference for the original equation. For the original equation using the transformation of deviation forward orthogonalby Arellano and Bover (1995). The "GMM-Style" instrument applied only to lag of dependent variable (LLP_{t-1}). For another variable considered as exogenous.

Validity estimation tested using AR and Hansen test. AR test connecting the Arellano-Bond test that examine the autocorrelation and fixed effect. The existence of autocorrelation makes lag 2 as a defective instrument. We also guarantee that in this test there is nomulticollinearity problem that calculate the variance inflation factors (VIF) and correlation matrix.

RESULT

Quantitative Result

In quantitative method, the result proved that there is a pattern of procyclicality behavior in Islamic bank consistent with hypothesis and significantly has negative correlation described by the relation of loan loss provision with the coefficient of GDP growth rate: -0,207.

The result of the regression equation obtained for the correlation and the influence of loan loss provision with non-discretionary component that affect to the financing growth rate also show the procyclicality and income smoothing behavior of bank manager as follows:

$$LLP = 0,036 + 0,005NPF + 0,096\Delta NPF + 0,004F - 0,032GDP + 0,313ER\dots\dots\dots\dots\dots\dots(3)$$

This equation shows that loan loss provisions have a common form in the different set of data. NPF ratio and GDP

growth rates significantly affect the LLP in all estimation and in the first difference of the ΔNPF ratio. This results support the hypothesis that the application of the backward-looking provisions system encourage cyclicality patterns on LLP in all types of banks in this study. The results for discretionary behavior of Islamic bank managers as income smoothing behavior showed the consistent result with the hypothesis that Islamic banks in Indonesia used LLP for its income smoothing, and the ER coefficient has a positive correlation and significant in all

estimations.

The resulted of regression equation for financing growth of Islamic banks with dropping the variable of NDISC as follows:

$$F_t = 119{,}133 - 0{,}495\,D_t - 0{,}499\,E_{t-1} - 0{,}474\,TA_{t-1} + u_t \ldots (4)$$

The coefficient associated with the deposits growth raterepresented by D, E is for equity ratio, and size represented by the Total Assets TA is negative and

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insignificant. The negative impact on nondiscretionary LLP to financing growth indicates that the system is backwardlooking provisions affect the cyclicality in the Islamic bank financing. When the Islamic bank is in high economic cycles, the LLP is low, so encourage Islamic banks to increase the financing. In the contrary, when the bank suffered declining in economic cycle, the LLP become high, causedthe Islamic banks reduces the incentive in the new financing deals. The sensitivity of financing growth of bank toward non-discretionary LLP bank

depends on its banking system.

Table 2 (enclosed) shows the use of NDISC in financing growth reveals that the negative impact on non-discretionary LLP on financing growth is not dependent on the effect of GDP growth rate toward LLP. The effect non-discretionary LLP toward financing growth by inserting variable of income smoothing behavior found that the coefficient results were negative and significant. This results reveal that income

smoothing behavior does not mitigate the impact of nondiscretionary LLP toward financing growth. These results highlight that the income smoothing behavior is not the right solution to mitigate the cyclicality pattern on a non-discretionary LLP and even reduce the impact on financing growth. The right solution comes from Islamic banking regulator to implement dynamic provisioning system in accordance with Islamic banks.

Furthermore, the results of empirical research with quantitative methods will be diagnosed in qualitative method to do prognosis and generates the implications for regulator and society in general according to the fiqh platform.

Qualitative Result

The growth of Islamic banks in this study is very small and tends to be slow due to the classification model of the primary contract agreement contract provided for Islamic bank customers such as *murabaha, mudharaba, musharaka, ijara, salam* and

isthisna. The fiqh platform which is used for all forms of *muamalah* is *"al ashlufilmu"amalahilla alibahahyadulludaliil „alaatahriimiha"* (the origin of everything is allowed unless there is proof that forbid it), which means that by using the theory of fiqh rules the product development of Islamic bank can be done and expanded.

In practice, Islamic bank only offer *murabaha* product, but in Islam it self sale-purchase or *ba"i* have a various form that allowed, usable, and can be offered to the public in accordance with their needs and abilities. Types of *ba"i* or salepurchase contract that can be developed in product of Islamic bank are *ba"inaqdan, ba'itaqsith, ba"imuajjal, ba"i bi tsaman „ajil, ba"iwafa,* even *ba"itawarruq* to provide the choices to the public in accordance with the conditions and problems.

Products from *mudharaba* contract can develop according to its type such as *mudhrabamuthlaqa* and *mudharabamuqayyada*. Likewise the

development of *musyaraka* with a variety of partnership contract model such as, *musharaka (wujuh, inan, abdan, mufawadhah), muzara'ah, musaqa* and *mukhabara*.

Deposit or saving fund called *wadi"ah*, the development of product contract can be *wadi"ahyaddhamanah* and *wadi"ahamanah*. *Ijara* contract also can be developed in accordance with the needs and capabilities. The development of *ijara* contract or lease contract in Islam like pure *ijara* that is *ba"iwalijara, ijaramuntahiyabitamlik* or called IMBT, *ju"ala* and *parallelijara*. Islamic banks in Indonesia should be braver and confident in developing sharia products as well as to educate the public about the products of Islamic banks which will be applied and developed, so that Islamic banks can be grew well. With product development of Islamic banks, the public may believe that the interest or *riba* is not a way out of their problems. The implication of these products development is the advancement of Islamic bank in Indonesia and increase the economic welfare of the Indonesian people.

Summary and Recommendation

1. Quantitatively, the application of backward-looking provision system in financing loss provisions has positive correlation and significant showed a pattern of procyclicality in Islamic banks.

2. The relations of earning current variable with LLP showed the income smoothing behavior of Islamic bank manager who encourages the implementation of backward-looking provision system.

3. The pattern of cyclicality in nondiscretionary component of LLP with income smoothing behavior can not be mitigated, it can even reduce the financing growth of Islamic bank.

4. Qualitatively, the fiqh platform which is used for all forms of *muamalah* is *"al ashlu fil mu"amalah illa al-ibahah yadullu daliil „alaa tahriimiha"* (the

origin of everything is allowed unless there is proof that forbid it), which means that by using the theory of fiqh rules the product development of Islamic bank can be done and expanded.

5. There are a lot of forms of the agreement contract that can be developed such as *murabaha (ba''i*

naqdan, ba'i taqsith, ba''i muajjal, ba''i bi tsaman „ajil, ba''i wafa, even *ba''i tawarruq),* **mudharaba** *(mudhraba muthlaqa* and *mudharaba muqayyada),* **musharaka** *(wujuh, inan, abdan, mufawadhah), muzara'ah, musaqa* and *mukhabara,* **ijara** *(ba''i wal ijara, ijara muntahiya bitamlik, parallel ijara)* and **wadi'ah** *(wadi''ah yad dhamanah* and *wadi''ah amanah)* as long as in accordance with the condition and capability of the customers.

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Appendix

Tabel 1 : Komposisi Loan Loss Provisions

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zeroorder	Partial	Part	Tolerance	VIF
1 (Constant)	.036	1.967		.018	.986	-4.499	4.572					
non performing finance	.005	.090	.019	.051	.960	-.204	.213	.364	.018	.014	.590	1.694
Delta NPF	.096	.093	.652	1.035	.331	-.118	.309	.009	.344	.291	.200	5.011
Financing total	.004	.029	.056	.145	.889	-.063	.071	.433	.051	.041	.519	1.929
Gross Domestic product	-.032	.075	-.142	-.425	.682	-.204	.141	-.207	-.149	-.120	.709	1.410
Earning Rasio	.313	.252	.792	1.242	.249	-.268	.893	.380	.402	.349	.195	5.133

a. Dependent Variable: Loan

loss provisions

Note: GDP shows a negative relationship to LLP means that there is a pattern of *procyclicality* and ER shows a positive and higher relationship than others illustrates that Islamic banks do income smoothing

Tabel 2 : Komposisi Pertumbuhan Pembiayaan

| Model | Unstandardized Coefficients | | Standardized Coefficients | | | 95% Confidence Interval for B | | Correlations | | | Collinearity Statistics | |
	B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound	Zeroorder	Partial	Part	Tolerance	VIF
1 (Constant)	119.133	36.287		3.283	.007	39.267	198.999					
D	-.495	.473	-.940	-1.047	.318	-1.536	.546	.002	-.301	-.290	.095	10.527
E	-.499	.360	-1.206	-1.385	.193	-1.292	.294	-.120	-.385	.384	.101	9.886
TA	-.474	.878	-.251	-.540	.600	-2.407	1.459	-.056	-.161	-.149	.356	2.809

a. Dependent
Variable: F