The Role of Training and Promotion to Increase The 3rd Party Funds Indonesian Islamic Banking

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Abstract

Objective – This study aims to determine whether the role of training is much larger than the promotion in raising third-party funds in Islamic banks in Indonesia given the cost of the training is spent is greater than the cost of promotion. This study empirically examines the relationship and impact of training and promotion to raise funds for a 3rd party in Indonesia Islamic banks.

Methods – This study uses secondary data Islamic commercial banks in the form of panel (time-series and cross-section) of Bank Indonesia data from 2010 until 2012. There are two independent variables training cost (X1) and promotion cost (X2) and one dependent variable is 3rd-party funds (Y). The analysis technique used path analysis to examine the role of training and the promotion of financial performance (*The 3rd Party Funds*).

Result – Simultaneously, training and promotion gives an effect by 52%, and partially or individual training gives an insignificant negative effect, while the promotion has a significant positive impact on financial performance (financial-party funds) on Islamic banking.

Conclusion – The role of promotion is higher in raising The 3rd Party Funds than training.

Keywords : *Cost, Training, Promotion, The 3rd Party Funds*

Abstrak

Tujuan - Penelitian ini bertujuan untuk mengetahui apakah peran pelatihan jauh lebih besar daripada promosi dalam meningkatkan dana pihak ketiga di bank syariah di Indonesia mengingat biaya pelatihan lebih besar dari biaya promosi. Penelitian ini secara empiris menguji hubungan dan dampak pelatihan dan promosi untuk menghimpun dana bagi pihak ke-3 Bank Syariah di Indonesia.

Metode - Penelitian ini menggunakan data sekunder Bank Umum Syariah dalam bentuk panel (time-series dan cross-section) yang diperoleh dari Bank Indonesia tahun 2010 sampai 2012 . Ada dua variabel independen biaya pelatihan (X1) dan biaya promosi (X2) dan satu variabel terikat adalah dana pihak ke-3 (Y). Teknik analisis yang digunakan analisis jalur untuk menguji peran pelatihan dan promosi kinerja keuangan (Dana Pihak ke-3).

Hasil – Secara simultan, pelatihan dan promosi memberikan efek sebesar 52 %, dan sebagian atau individu pelatihan memberikan efek negatif tidak signifikan, sedangkan promosi memiliki dampak positif yang signifikan terhadap kinerja keuangan pada perbankan syariah.

Kesimpulan - Peran promosi lebih tinggi dalam meningkatkan Dana Pihak ke-3 dari pelatihan.

Kata Kunci : *Cost, Training, Promotion, The 3rd Party Funds*

1. Introduction

Indonesia is one of the Asian member countries that steady economic growth in 2007 is above 6 percent, except in 2009 which amounted to 4.6% and now In 2012 Indonesia's economic growth was recorded at 6.11 percent. (Source: *International Monetary Fund. World economic Outlook Database, Oct. 2012).* Indonesia's economic growth was welcomed by the banking industry in Indonesia, they are trusting and optimistic the growth will continue in 2013, proven national competition in the banking industry has been mobbed by 120 commercial banks and BPR 1600s (source: No. Info bank. 409 Vol. XXXV April 2013). Info bank Research Bureau ever count that only 30% from 160 million people were already has bank account and the World Bank launched the *Global Financial Inclusion Index* through *2012* have same perception which is Only about 20% of people aged over 15 years Indonesia has enjoyed access to financial services, its lower than China (Source: No. Info bank. 409 Vol. XXXV April 2013).

Opportunities are still huge in getting customers to make the growth of conventional banks and Islamic banks have been extremely rapid in 2012 from previous year, as profit last year rise 65%, 42% finance, 38% of third-party funds, promotion costs 25% and training costs 86% (Source: http://www.bi.go.id/web/id/). The high cost of training on Islamic banking industry in 2012 basically to minimize due to fears the growth of bank *turnover* professional bankers rate will be very fast because of many banking do hijack process. The growth of third-party funds on Islamic banking as much as 38% is triggered by many factors, some of which are training and promotion. To the authors wanted to see: (1) how much the role of training and promotion are given in increasing third-party funds, (2) Is there any relationship between the promotion of the training or education, (3) which one dominant role of the promotion of training or education of third-party funds.

The poor management of the company is a reflection of the ineffectiveness of communication will take place in the company, and that means a lot of things or issues / personal issues and organizations that cannot be settled amicably. Training becomes very important because it influences the performance of the service (Dahlan, 2011), this is because the training is the process of improving the knowledge and skills of employees (Kaswan, 2011). With the expected competency training both hard skills and soft skills of each employee will be up and to get the most out of the training, it would be nice if the training and motivation conducted simultaneously because it will have a significant effect on employee performance (Hadi, 2012).

Researchers Affandi (2011) argue that training is going well and gives significant effect to the performance of employees. Malay Hasibuan SP (2007) definition of management is the science and art of the utilization of human resources and other resources effectively and efficiently to achieve a particular goal. Kottler (2008) argues that: "Marketing is a social and managerial process in which individuals and groups obtain what they need and want by creating, offering and exchanging products of value with others". According Pasaleori (2012), Promotion of a ***positive*** influence on Third Party Acquisitions Fund deposit of 75.9%, the remaining 24.1% are caused by other factors. Not only pasaleori course, Barus (2010) also concludes in his research, there is a significant effect between promotion mix consisting of; advertising, sales promotion, personal selling, and publicity to deposit funds innovative products. In addition, the promotion effect in raising savings and deposits are positive in the long term and short term (Siringoringo, 2006).

Some definitions of the promotion from Kasmir (2008) notion bank marketing promotion is a process for creating and exchanging products and services of the bank are intended to meet the needs and wants of customers by delivering satisfaction, and Sentot (2009) argues that: "Promotion are activities inform and communicate to the public about

the existence of the product benefits, advantages, owned attributes, price, where and how to obtain it."

The importance of studying the magnitude of the role of training and promotion to the Third Party Funds (TPF), due to the cost of promotion and training costs have a significant impact on third party funds in Islamic banks. This suggests that the increase in promotion costs and the cost of education and training will be able to raise third party funds in Islamic banks Arif (2010). The amount of third party funds becoming reflection magnitude of the operational performance of a bank. According to David Parmenter there are four measures to assess performance, namely (1) the indicator results *(Result Indicator /* RI) is one of the performance measures that shows the impact of the activities carried out, (2) the main outcome indicators *(Key Result Indicator /* KRI) that informs your performance to an important area in achieving the organization's objectives, (3) *Performance Indicator /* PI for telling what to do in future, and (4) KPI *(Key Performance Indicators /* KPIs) are a set of measures that focus on aspects of organizational performance most critical to the success of today's organizations and the future (R. Chang, 2011)

Result Indicator of the performance of the banks one of which is the source of funds. According to Kashmir (2006), funds that owned by banks can be obtained from three sources. The funding comes from the bank itself (unity party funds), funds from the agency or other party (the second party funds) and funds from the public (third party funds).

Source of funds from the public is an important source of funding for bank operations, and it is a measure of the success of the bank, if it is able to finance its operations from this source. Seeking funding from these sources is relatively easy when compared to other sources and disbursement of the most dominant source, origin may provide other interesting facilities attract interest and funding is not very difficult. But the

search for the source of these funds is relatively expensive when compared to their own funds. Demand deposits is a low-cost funds for banks, as interest or remuneration lowest paid when compared to the savings deposits to savings deposits. While deposits called expensive funds, this is due to the interest paid to the holder is relatively high, when compared to current accounts (Kashmir, 2009).

2. Methodology

The analysis model used to analyze the influence of the independent variables on the dependent variable is a model pathway analysis *(path analysis method)* using panel data or pooling, the incorporation of *time series* and *cross section.* As intended by the panel data is the data from the observation of different entities for 3 years (month of January 2010 to December 2012). Equation path analysis can generally be expressed as follows:
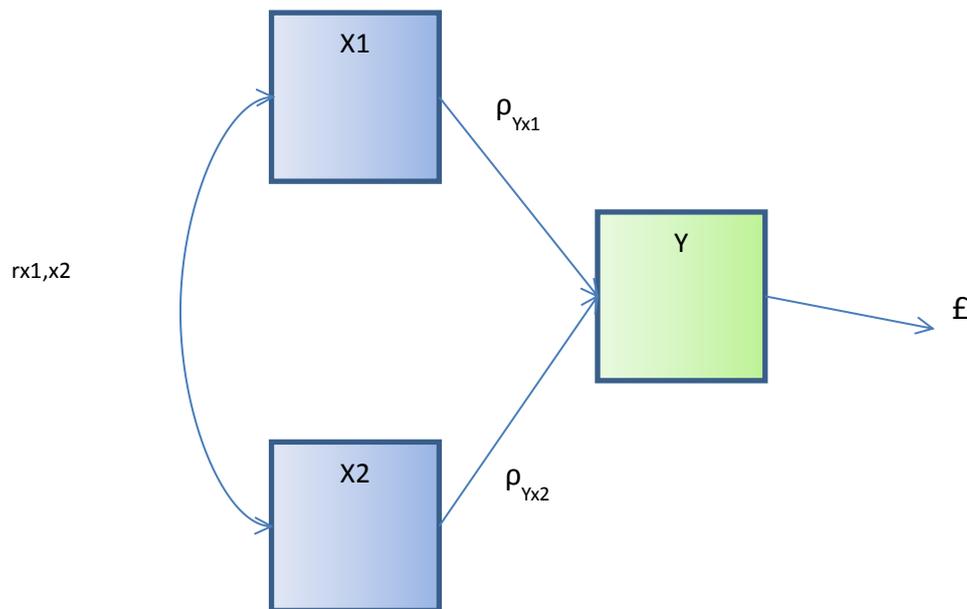
Caption:

ρ = Path coefficient
X_1 = Training of employees
X_2 = Promotions
Y = Performance Fund (third party)

ε_{1t} = Residue

2.1. Model Testing and Test Significance

2.1.1. Classical Test Assumptions

Testing the assumptions of classical linear regression model for this study will be conducted so that the results obtained are not biased estimation, including normality test, multicollinearity with the Variance Inflation Factor (VIF), the autocorrelation test and the Durbin-Watson test for heteroscedasity. Normality test is useful to know whether the regression model has a variable residual normal distribution. Multicollinearity test used to detect whether among the independent variables have a strong relationship or not. Autocorrelation test to detect whether there is a correlation between the residuals in period t with the residues preceding period. While heteroscedasity test used to determine whether a common residual variance from one observation to observation others remain.

2.1.2. Significance Test Model

Parameter significance test, was conducted to test the hypotheses that have been proposed and know the significance (significant) effect of the independent variable on the dependent variable.

The research hypothesis is as follows:

H_0 : Training and promotion partially not affect to the financial performance of Islamic banks

H_a : Training and promotion partially affect to the financial performance of Islamic banks

Based on the above hypothesis, using a 0.05 significance level or $\alpha = 5\%$, and partial testing can be made simultaneously. To test the two parties with the partial testing criteria:

- If $-t_{\frac{1}{2}\alpha \text{ Stat}} \leq t \leq t_{\frac{1}{2}\alpha \text{ (Nk-1)}}$, then H $_0$ is received, means that training and promotion **individually not significant** the variables affecting the financial performance.

- If $-t_{\frac{1}{2}\alpha \text{ (nk-1)}} >$ t-stat or $t_{\frac{1}{2} \text{ (nk-1)}} <t_{\text{ stat}},$ then H $_0$ is rejected, it means that the training and promotion **individually significant** in influencing the dependent variable

  While simultaneously performed with F test to determine the effect of concurrent training and promotion of the financial performance of Islamic banking are:

- If $F \leq F_{\alpha \text{ stat (K-1; nk)}},$ then H $_0$ is received, meaning that the variable training and promotion **together not significant** in affecting the financial performance of Islamic banking

- If $F_{\text{ stat}} > F_{\alpha \text{ (K-1; Nk)}},$ then H $_0$ is rejected, it means that the training and promotion **together significant** in affecting the financial performance of Islamic banking.

3. Results and Discussion

Based on the results of path analysis *(path analysis model),* can be expressed mathematically as follows:
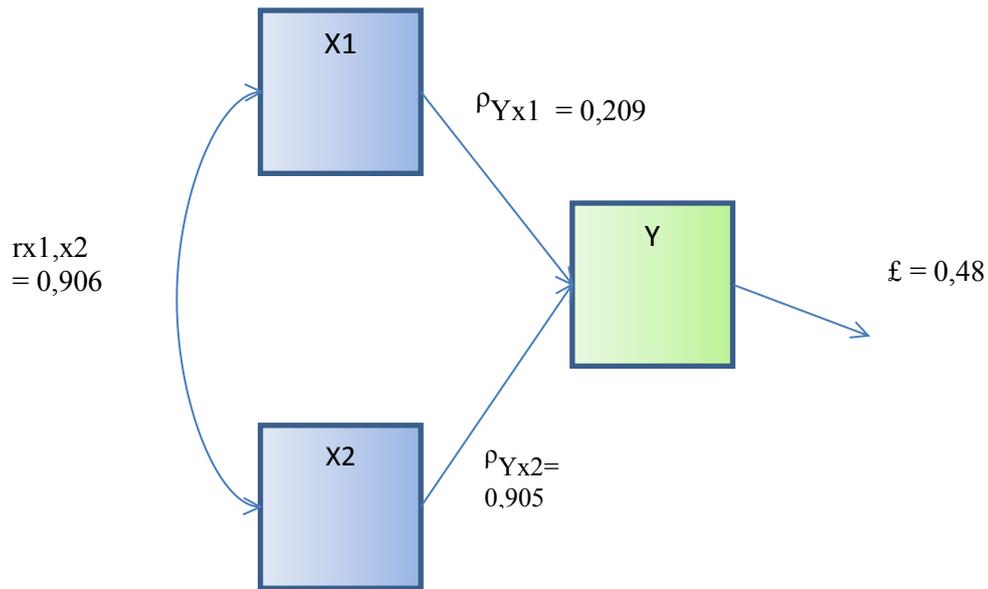
$$Y = -0.209 + 0.905 \, X_1 \, X_2$$

$$(t = -0.722) \, (t = 3.124)$$

Non Sig Sig 0.475 0.004

Note: NS = non-significant

Sig = Significant

Path analysis model can be shown as follows:

Diagram showing:

X1

$\rho_{Yx1} = 0,209$

rx1,x2 = 0,906

Y

£ = 0,48

X2

$\rho_{Yx2} = 0,905$

3.1. Classical Assumptions Testing Results

In this study to test the assumptions of classical linear regression models with relatively large data will fulfill the data assuming normal distributed, whereas for VIF value obtained is 5.6 that is bigger than the 5 to indicate the data is not protected from multicollinear existence between independent variables, so an analysis of the band is more suitable for use. As for the autocorrelation test values obtained for 2.276 DW located between du (1.370) and 4-du (4.630) or located in the area there is no autocorrelation. The test for normality with the Kolmogorov-Smirnov test for all variables in the study X1, X2 and Y are sig 0.200, so the data are normally distributed.

Furthermore, to verify that the data shows homoscedasity (there is not any heteroscedasity) using Glejser test, showed regression coefficients X1 and X2 of the absolute residuals are both not significant, so the data does not contain heteroscedasity.

3.1.1. In Simultaneous Hypothesis Testing Results and Partial

To determine which variables are significant, it is necessary to test partial (individual). Calculation results obtained t value respectively is $t = -0.722 < t_{table} = -1.96$ for employee training, employee training, variable partial campaign shows have good

reason to accept H_0 (H_0 is rejected). Thus, partial (individual) variables have no significant effect on the financial performance / Third Party Funds (Y). Furthermore, $_t$ = 4.124> t $_{table}$ = 1.96 for promotion, the promotion is partially shown no reason to accept H_0 (H_0 is rejected). Thus, partial (individual) variables have a significant effect on the financial performance / Third Party Funds *(Y)*.

The results of calculations for simultaneous testing (together) $_{count}$ obtained F = 17.327> F $_{table = 0.05}$ F $_{(3; 32)}$ = 3.32, based on the model suggests no reason to accept H_0 (H_0 is rejected). These results indicate employee training (X1) and promotion (X2) jointly have a significant / meaningful for performance / financial performance / TPF *(Y)*.

The results of the processing of variable data simultaneously both studies, the training and promotion of employees affected is simultaneously significant by 52%. The financial performance as measured by the number of third-party funds and the remaining 48% is influenced by other variables, such as macro variables or other fundamental variables. In detail, the direct and indirect effect on employee training (X1) and promotion (X2) on financial performance as follows:

Table 1. Path coefficient magnitude, Direct and Indirect Effects for variable Employee Training and Campaign Against Islamic Banking Financial Performance

Variables	Path coefficient (Pyxi)	Influence Direct	Direct Effect morbidly	Total Effect
Employee Training	-0.209	4.370	-17.135	-12.765
Promotion	0.905	81.900	-17.135	64.765
Total		86.270	-34.270	52.000

Sources: data processing research

From the above table, it can be concluded that the influence of the variables together for training and promotion of employees on company performance by 52%, while influenced by other variables is 48%, with the following description:

1. Direct and Indirect Effect for employee training variable on financial performance

To determine direct and indirect effects of the employee training variable on financial performance, describe as follows:

- Direct Effect of X_1 to Y = Y = Pyx_1 X Pyx_1 = -0,209 X -0,209 = 0,0437 (4,37%)

- Indirect Influence X_1 to Y through X_2 = Pyx_1. rx_1. x_2. Pyx_2 = -0,209 X 0,906 X 0,905 = -0,17135 (-17,135%)

From the results of these calculations can be computed total effect (direct and indirect effect) variable employee training on the performance of Islamic banking at = 4.37% - 17.135% = -12.765%. Effect of -12.765% due to a period of study is not enough to provide a positive influence for the financial performance of Islamic banking, so it may take a longer period of time, especially funding / budget limited budgets for employee training.

2. The Direct and Indirect for promotion variable on financial performance.

To determine direct and indirect effects of the promotion variables on financial performance, described as follows:

- Direct Effect on Y = = Pyx_2 X Pyx_2 = 0,905 X 0,905 = 0,8190 (81,90%)

- Indirect Effect of X_2 on Y with X_1 = Pyx_2. rx_2. X_1. Pyx_1 = 0,905 X 0,906 X -0,209 = -0,17135 (-17,135%)

From the results of these calculations can be computed total effect (direct and indirect effect) variable promotion of Islamic banking for financial performance = 81.90% -17.135% = 64.765%. Effect of 64.765% partially due to the campaign carried out by the bank, will provide Islamic banking presence while increasing customer confidence in the Islamic bank.

Thus the total effect of employee training and the promotion of financial performance are equal to 52.00% (64.765% - 12.765%). This shows the training and promotion simultaneously will increase customer confidence and at the same time will

increase the number of customers and the amount of savings that are mandated to Islamic banks.

From the analysis in the preceding discussion shows that in the long study period, so it will affect the financial performance of Islamic banking. This can happen because the more effective promotion of Islamic banking can increase the confidence to make the big saving customers their funds to Islamic banking.

4. Conclusions and Recommendations

4.1. Conclusions

1. Training and Promotion has a simultaneous effect on financial performance (financial-party funds) on Islamic banking by 52%,

2. Partially or individual training negative effect was not significant, while the promotion has a significant positive impact on financial performance (financial-party funds) on Islamic banking

4.2. Recommendation

1. The use of a more dominant budget should focus on promoting the influence of promotions on financial performance (financial-party funds) on Islamic banking is more significant, because it can be considered to have promotional benefits and advantages attractive to customers so that they would increase the fund transactions third.

2. Although training had no significant effect on the financial performance (financial-party funds) on Islamic banking, but the results of a promotion in line with expectations was largely due to the role of a leader and a trained professional employees. Therefore the suggestion of the authors is that the training program should remain because the process of developing a professional competency lies in the training.

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Effectiveness of Conventional and Syariah Monetary Policy Transmission

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Abstract

Objective - The purpose of this study is to compare the effectiveness of monetary policy transmission through conventional and Islamic instruments through the interest rate channel and profit loss sharing / margins channel, to control the price level (inflation) and economic growth (output)

Method – Methodology used in this study is the Vector Auto Regressive (VAR) / Vector Error correction model (VECM) to see the effect of shock and long-term effects on inflation and output. Variables used are SBI interest rates, PUAB interest rate, deposit rates and lending rates, as well as from the Islamic side is SBIS yield, yield PUAS, profit lost sharing for the deposits and margin financing. This study use Unit Root Test, Cointegration degree of integration test, test causality, VECM and IRF estimates. Using monthly time series data from 2009 s / d 2012.

Result – Results of the study showed that the test based on Granger causality, overall, the transmission channel of monetary policy according to the conventional theory, while the monetary policy transmission channel Sharia can not be clearly identified and disconnected in yield / profit and loss sharing deposits. And based on the estimated VECM is known that in the long term Islamic instruments is the right instrument to control inflation.

Conclusion – This finding concluded that sharia instruments is the effective instrument in reducing inflation rate and also encourage the growth of Islamic banking, and should also consider the right margin level to increase the output on real sector.

Keywords : Monetary Transmission, Central Bank, *Industrial Production Index*, Consumer Price Index

Abstrak

Tujuan - Tujuan dari penelitian ini untuk mengetahui perbandingan efektifitas transmisi kebijakan moneter melalui instrumen konvensional dan Syariah melalui jalur suku bunga dan jalur bagi hasil/margin, untuk mengendalikan tingkat harga (inflasi) dan memacu pertumbuhan ekonomi (output).

Metodologi - Metodologi yang digunakan dalam penelitian ini adalah anaisis kuantitatif dengan Vector Auto Regressive (VAR)/Vector Error Corection Model (VECM) untuk melihat pengaruh shock dan pengaruh jangka panjang terhadap inflasi dan output. Variable yang digunakan adalah suku bunga SBI, suku bunga PUAS, suku bunga deposito dan suku bunga kredit, serta dari sisi syariah adalah imbal hasil SBIS, imbal hasil PUAS, bagi hasil deposito dan margin pembiayaan. Penelitian ini akan melalui uji Akar Unit, Uji derajat integrasi dan Uji Kointegrasi, uji kausalitas, estimasi VECM dan IRF dengan menggunakan data time series bulanan dari tahun 2009 s/d 2012.

Hasil - Hasil dari penelitian menunjukkan bahwa berdasarkan uji kusalitas Granger, secara keseluruhan, alur transmisi kebijakan moneter konvensional sesuai dengan teori, sedangkan alur transmisi kebijakan moneter Syariah belum dapat diidentifikasi secara jelas dan terputus diimbal hasil/profit dan loss sharing deposito.

Kesimpulan - Berdasarkan estimasi VECM diketahui bahwa dalam jangka panjang instrument syariah merupakan instrument yang tepat dalam mengendalikan tingkat inflasi.

Kata Kunci: Transmisi Moneter, Bank Sentral, *Industrial Production Index*, Indeks Harga Konsumen