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THE IMPACT OF CAPITAL ADEQUACY, EFFICIENCY, SIZE, EQUITY, LIQUIDITY AND FEE BASED INCOME TO BEHAVIOR OF FUNDING AND FINANCING OF ISLAMIC BANKING IN INDONESIA

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ABSTRACT

Bank as the financial intermediary institution take a role to facilitate the channeling between the parties who have excessive fund and distribute to the parties who need fund. This study aimed to see the implication of CAR, efficiency, size, equity, liquidity and fee based income to the behavior of funding and financing. This study used Data Envelopment Analysis to measure efficiency value through intermediary approach and Multiple Regression Analysis. The samples are 11 Islamic Banks listed in Financial Service Authority database in years period January 2010 until December 2014. The result indicates that CAR has positive and significant impact to funding behavior, however some other determinants such as efficiency, asset, equity, liquidity and fee based income do not affect funding behavior. Meanwhile asset and liquidity has positive and significant impact to financing, equity has negative impact to financing, however other determinants such as CAR, efficiency and fee based income do not affect financing behavior.

Keywords : CAR, Efficiency, Funding, Financing.

INTRODUCTION

The development of Islamic Banking in Indonesia is increasing every year. It is consistent to the purpose of the Indonesian national development to achieve a just and welfare society based on economic democracy, and economics system based on the value of justice, mutuality, equality, and benefit according to the principles of sharia. Despite the rapid growth of Islamic banking, the economic condition of Indonesia which is not as good as the previous year has caused a little uncertainty in doing business that could affect the performance and growth of Islamic Banking, cause the Islamic Banking industry is real sector driven where the decrease in real sector performance will directly affect the performance and growth of Islamic Banking. Therefore an apprehensive about the bank failure come up regarding they are the new comer in banking industry and still have a few market power.

The interest in the bank failure is caused by the bankruptcy substantial costs. The consequences of a bank failure are bringing the huge impact; financial losses for the fund suppliers including (shareholders, depositors, an insurers), loss of competitiveness of the banking industry and a destabilization of the financial system (Louati et al 2015). Louati (2015) also believe that the major cause of bank failure actually is the excess risk. It is the result of inefficient management and control of the bank lending activity. In this context, banks are risk taking. This risky behavior can be noticed either through the rise of the credit risk in the loan portfolio or through the fall of the capital level "buffer" or both

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simultaneously. These risky policies can lead to an increased level of non-performing loans and subsequently to a great probability of bank failure.

Regarding the role of bank as the financial intermediary institution to facilitate the channeling between the parties who have excessive fund and distribute to the parties who need fund, The writer put the highlight into the importance of funding and financing. Therefore, the purpose of this study is to examine the behavior of funding and financing of Islamic Banks in Indonesia in relation to the Capital Adequacy Ratio, banking competitiveness through efficiency, size, equity, liquidity and fee based income.

FRAMEWORK AND HYPOTHESIS

Santomero (1984) used three different approaches in explaining the existence of banks as an intermediary. The first approach relates to the function of the bank itself, that is asset transformation. The two distinct fundamental functions of banks are those of asset diversification and the evaluation of the riskiness of financial assets. The second approach defining the existence of banks is explained using the demand deposit liability as the medium of exchange. The liability side of the bank balance sheet explains the deposit-taking activities of the bank as well as its capital structure. The nature of a bank's activities is to borrow money from depositors and use it to generate returns for the bank's owners. The third explanation for a bank's existence is from the perspective of integrating the asset and liability side of the bank.

Asset/liablity management of Islamic Banking is prefer to asset quality and has determined the ability of banking attracking customer to invest their fund in the bank (Antonio, 2001). The quality of earning asset of Islamic Bankis depend on its ability in administration and to get back the credit. The final result of asset/liability management is the ability in covering the loss and preparing capital adequacy, the better trend of earning and competitive of peer group, and better quality of net income.

According to Michael E Porter (1996), a company can out perform rivals only if it can establish a difference that it can preserve. It must deliver greater value to customers or create comparable value at a lower cost, or do both. The arithmetic of superior profitability then follows: delivering greater value allows a company to charge higher average unit prices; greater efficiency results in lower average unit costs. The more efficient is the more competitive a bank is. There are two opposing theories regarding the impact of competitiveness on banking behavior. The first shows that a competitive market may increase bank’s risk taking behavior in order to maintain their previous level of profit (Allen & Gale, 2004). Whereas the second theory believe that a restricted competitiveness should encourage Banks to protect their very high “franchise values” by pursuing security policies that contribute to the stability of the whole banking system. Therefore according to “Franchise Values” paradigm, banks will limit their risk when they have market power (Louati, 2015).

Based on the previous theories and studies, Thus the hypothesis of this research are as below:

H1: ***The impact of capital adequacy to the funding’s behavior of Islamic Banks in Indonesia.***

The funding behavior of Islamic Banks is affected by the level of capital adequacy. The Capital Adequacy Requirement is set as minimum ratio to be followed by the banks, but a bank may optimally increase its capital ratio to give assurance that it is in stable condition (Berger,1995). The higher CAR means the bank has better capitalization. Ensuring that banks develop and maintain a minimum capital adequacy requirement (CAR) is crucial in preventing them from failing. A bank with a sound capital position is able to pursue business opportunities more effectively and has more time and flexibility to deal with problems arising from unexpected losses, thus achieving increased profitability. Hence, this condition will increase the customer's trusty to keep their fund in those banks. According to Peek and Rosengren (1995), Chiuri, Ferry, Majnoni (2002), Yudistira (2002), Schmitz (2002), Mastura (2014) and Louati (2015). Thus, it can be concluded that Capital Adequacy has positive impact to funding behavior of Islamic Banks.

H2: ***The impact of efficiency to funding's behavior of Islamic Banks in Indonesia.***

The efficiency has positive impact to the funding behavior. According to concept of operational effectiveness by Michael E Porter argue that A company can out perform rivals only if it can establish a difference that it can preserve. It must deliver greater value to customers or create comparable value at a lower cost, or do both. The arithmetic of superior profitability then follows: delivering greater value allows a company to charge higher average unit prices; greater efficiency results in lower average unit costs. Operational effectiveness (OE) means performing similar activities *better* than rivals perform them. A company with the most efficient in their production or activity could be more competitive and finally will gain a market power. If this concept is implemented in banking activity in particular as intermediary function, definitely the banks should managing their funding and financing activity in efficient way. If funding and financing activity do not considering efficiency factor will affect the profitablity of the banks itself. According to Cost Benegit theory by Jules Duuit to achieve maximum economic efficiency requires that Benefit>Cost. Efficiency is concerned about economic input vs economic output. The efficient banks means optimum in settled its capital. Therefore, they could have more profit and finally could increase the interest deposits or profit sharing to depositors. Hence the customer will be more attracted to deposits their fund in efficient bank. Therefore, it can be concluded that efficiency has a positive impact to funding behavior of Islamic Banks.

H3:*The impact of size to the funding's behavior of Islamic banks in Indonesia.*

The size of bank proxied by amount of asset positive impact to the funding. According to Santomero (1985) who used three approaches in banking theory Asset transformation, liability demand and intergrating asset and liability. It can be concluded that banks could diversify their higher asset into some smaller units in form of loans or financing. While the greater asset of a bank has, the customers will be more attracted to save their fund on the bank. Thus, it can be concluded that asset has positive impact to funding.

H4:*The impact of equity to the funding's behavior of Islamic banking Indonesia.*

According Staikouras dan Greece (1998), Capital Structure Theory argue that the hight financing in certain levelis going to construct the firm's growth. Either positive or negative relationship from coefficient estimation of equity to asset show efficiency in a bank.

Equity to Asset ratio (EA) is a measurement of capital power in a whole. The ratio could be a measurement of capital adequacy to stabilize bank soundness which will affect the bank's profitability. Therefore, they could have more profit and finally could increase the interest deposits or profit sharing to the depositor. Hence the customer will be more attracted to save their fund to the efficient bank. Therefore, it can be concluded that equity has a positive impact to funding behavior of Islamic Banks.

H5:*The impact of liquidity to the funding's behavior of Islamic banks in Indonesia.*

The liquidity ratio has positive impact to the funding. Liquidity is bank's ability in collecting the fund in certain cost and in certain time to fulfill the depositor's withdrawal or to fulfill bank's obligation itself. According Asset Liability Management theory, in order to keep the safe liquidity position and cash flow forecast, a bank must collecting and holding a certain amount of fund. The higher liquidity ratio of bank indicates the higher expansion of credit with limited funding therefore potentially could causing liquidity trouble. It means an additional fund is needed. Therefore, a bank should increase its funding. Thus, it can be concluded that FDR has positive impact to funding.

H6:*The impact of fee based income to the funding's behavior of Islamic banks in Indonesia.*

The fee based income has positive impact to the funding. The higher fee based income will increase the amount of profit of bank. Therefore, they could have more profit and finally could increase the interest deposits or profit sharing to the depositor. Hence the customer will be more attracted to save their fund to the efficient bank. Therefore, it can be concluded that fee based income has a positive impact to funding behavior of Islamic Banks.

H7:*The impact of capital adequacy to the financing's behavior of Islamic Banks in Indonesia.*

The financing behavior of Islamic Banks is affected positively by the level of capital adequacy. CAR is capitalization ratio to describe bank's ability in providing fund to develop the business and covering the loss of operational activity (Ali,2004). The greater CAR means the greater financial resource can be used to anticipate the loss in financing. According to loan supply theory, the loan was determined by the availibility of capital. The credit creation by banks is more influenced by supply-side theory implying more capital result in more loan growth. According to Meydianawati (2007), Arisandi (2008), Triasdini (2010), and Subegti (2010) CAR has positive impact to the loans. Thus it can be concluded that Capital adequacy has positive impact to financing behavior of Islamic Banks.

H8:*The impact of efficiency to financing's behavior of Islamic Banks in Indonesia.*

According to concept of operational effectiveness by Michael E Porter argue that a company can out perform rivals only if it can establish a difference that it can preserve. It must deliver greater value to customers or create comparable value at a lower cost, or do both. The arithmetic of superior profitability then follows: delivering greater value allows a company to charge higher average unit prices; greater efficiency results in lower average unit costs. Operational effectiveness (OE) means performing similar activities *better* than rivals perform them. A company with the most efficient in their production or activity could be more competitive and finally will gain a market power. If this concept is implemented in banking activity in particular as intermediary function, definitely the banks should managing their funding and financing activity in efficient way. If funding and financing activity do not considering efficiency factor will affect the profitablity of the banks itself. According to Cost Benegit theory by Jules Duuit to achieve maximum economic efficiency requires that Benefit>Cost. Efficiency is concerned about economic input vs economic output.

The efficient banks means optimum in settled its capital. Therefore, they could have more profit and finally could decrease the interest loans or financing fee to the debitor or partner. Hence the customer will be more attracted to lend or asking for a financing from the efficient bank. Therefore, it can be concluded that efficiency has a positive impact to financing behavior of Islamic Banks.

H9:*The impact of size to the financing's behavior of Islamic banks in Indonesia.*

The size of bank proxied by amount of asset has positive impact to the financing. According to Asset transformation function by Smith (1976) argue that a fundamental role of intermediation is transformation of large-denomination financial asset into smaller units. In Islamic Banking, the asset is diversified into some types of financing. The greater asset of bank is the greater financing a bank could give. The positive impact between the asset and financing behavior of Islamic banks also be explained by the hypothesis of "too big too fail" according to which highly capitalized large Islamic banks can engage in an excessive risk-taking behavior. Thus, it can be concluded that Asset has positive impact to financing.

H10:*The impact of equity to the financing's behavior of Islamic banks in Indonesia.*

According Staikouras dan Greece (1998), Capital Structure Theory argue that the hight financing in certain levelis going to construct the firm's growth. Either positive or negative relationship from coefficient estimation of equity to asset show efficiency in a bank. Equity to Asset ratio (EA) is a measurement of capital power in a whole. The ratio could be a measurement of capital adequacy to stabilize bank soundness which will affect the bank's profitability. Therefore, they could have greater profit and finally could decrease the interest loans or financing fee to the debitor or partner. Hence the customer will be more attracted to lend or asking for a financing from the lower fee or lower interest bank. Therefore, it can be concluded that equity has a positive impact to financing behavior of Islamic Banks.

H11:*The impact of liquidity to the financing's behavior of Islamic banks in Indonesia.*

According to Commercial Loan Theory by Adam Smith (1776) in his book The Wealth of Nation explain that bank may give the loan using short term debenture which easy to be self liquiditing. It means bank will only give the short term loan and easy to be liquidited by instalment payment as the source of liquidity. The essence of commercial loan theory in this research is Islamic Banks give the financing to the society based on loss/profit sharing as their function as intermediary institution. The higher Financing to Deposit ratio means more liquid a bank is. While a higher liquidity of bank means the greater a bank in distributing its fund to the society in credit or financing form. Thus, It can be concluded that FDR has positive impact to the financing.

H12:*The impact of fee based income to the financing's behavior of Islamic banks in Indonesia.*

The fee based income has positive impact to the financing. The higher fee based income will increase the amount of profit of bank. Therefore, they could have more profit and finally could decrease the interest loans or financing fee to the debitor or partner. Hence the customer will be more attracted to lend or asking for a financing from the efficient bank. Therefore, it can be concluded that fee based income has a positive impact to financing behavior of Islamic Banks

DATA AND RESEARCH METHODOLOGY

Research Variables

Two types of variables are used to construct the framework of this study. Those are Independent variables and Dependent variables. CAR, efficiency, size, equity, liquidity and fee based income are the independent variables. While funding and financing are the dependent variable. CAR is expressed by capital to risk weighted asset ratio (FSI). Efficiency is expressed using intermediary approach with third parties fund and equity as input, and fee based income and financing as output (Muharam and Putvitasari, 2007). Size is proxied by the amount of asset (Louati, 2015). Equity is expressed as equity to asset ratio (FSI). Liquidity is expressed as Financing to Deposits ratio (Kasmir, 2012). Fee based income is expressed as other operational income to total operational income (Louati, 2015). While Funding is expressed as customer deposit to total financing (FSI). Financing is expressed as total financing to capital and reserves (FSI).

Data Presentation

The technique in choosing sample is purposing sampling. This aim to choose the sample based on the purpose of research and compatibility to the criteria. Based on the data, the writer use quantitative data and choose sample of 11 Islamic Banks in Indonesia which listed in financial service authority database from years period January 2010 until December 2014.

Research Analysis

The methodology to analyze data in this study is quantitative anlysis. The writer analyze the annual financial statement of those banks. Intermediary approach of Data Envelopment Analysis method is used to measure efficiency and multiple regression analysis is used to test the hypothesis.

The level of banking efficiency is measured using Data Envelopment Analysis (DEA) with Variable Return to Scale (VRS) assumption which is input oriented. The score of efficiency is analized using software DEAP version 2.1 (Data Envelopment Analysis Program).

The efficiency score can be calculated using formula:

$$H_s = \sum_{i=1}^{m} uisyis / \sum_{j=1}^{n} vjsxjs$$

Description:
H_s is technical efficiency of bank s
u_{is} is score i output of bank s
y_{is} is sum i output of bank s and calculated from i = 1 until m
v_{js} is score j input of bank s
x_{js} is sum j input of bank bank s and calculated from j = 1 until n
DEA score is between 0 until 1. The closer to 1 means more efficient.
Input and output variable which used on this research include:
Input: Funding and Equity.
Output: Financing and Fee based income.

As for the form of multiple regression variable equation of this research are:

Y1= α + β1X1+ β2X2+ β3X3+ β4X4+ βX5+ βX6e + ε1
Y2= α +β1X1+ β2X2+ β3X3+ β4X4+βX5+βX6e + ε1

Description:α = constanta
β1,…., β6= regression coefficient
Y1 = Changes in funding
Y2 = Changes in financing
X1 = Capital adequacy
X2 = Efficiency
X3 = Asset
X4 = Equity
X5 = Liquidity
X6 = Fee based income
ε1= Error term

RESULT AND INTERPRETATIONS

Sample Description

The sample which is used in this study are Bank Muamalat Indonesia, Bank Victoria Syariah, Bank BRI syariah, Bank Jawa Baret Banten Syariah, Bank BNI Syariah, Bank Syariah Mandiri, Bank Syariah Mega Indonesia, Bank Panin Syariah, Bank Syariah Bukopin, Bank BCA Syariah and Maybank Syariah Indonesia.

Based on the measurement of data envelopment analysis. The amount of efficient banks is greater than the inefficient Banks. In 2010 until 2012 the number of efficient bank was increasing, but unfortunately was decreasing until 2014. If the number of bank is calculated in five periods of research, there are only 37 banks or 67,27% from 55 banks hich are reputed as efficient. The efficient bank determine efficient frontier or best-practice and could be the branchmarks for the other inefficient banks Masita (2013). Despite there are still a few inefficient banks on this period, the mean of efficiency were high enough, their mean in five period is 0,9552.

Table 1
Efficient and Inefficient Islamic Bank

Description	2010	2011	2012	2013	2014
Sum DMU	11	11	11	11	11
Efficient DMU	7	7	9	8	6
Inefficient DMU	4	4	2	3	5
% Efficient Bank	63,63%	63,63%	81,81%	72.72%	54.54%
Mean efficiency	0.957	0.976	0.980	0.953	0.910
Lowest efficiency value	0.499	0.876	0.841	0.725	0.624

After conducted some classical assumption test, it can be concluded that those data such as CAR, Efficiency, Asset, Equity, liquidity and fee based income are free from classical assumption problem. Therefore, regression test is may to continue. The analysis result and hypothesis test can be interpreted through this table below.

Table 2
Result of the estimation model

Model	ß	t	Sig.
(Constant)	1.660	6.875	.000
CAR	1.136	5.738	.000
Efficiency	-.557	-2.043	.047
Asset	-,215	-.683	.498
Equity	-3.308	-5.249	.000
FDR	.115	.878	.385
Fee Based Income	.092	1.643	.107
Dependent Variable : Funding			

Funding = 1,660 + 1,136 CAR – 0,557 Efficiency - 0,215 Asset – 3,308 equity + 0,115 FDR + 0,092 Fee based income

Table 3
Result of the estimation model

Model	ß	t	Sig.
(Constant)	3.691	1.927	.060
CAR	2.524	1.607	.115
Efficiency	3.273	1.513	.137
Asset	12.594	5.047	.000
Equity	-24.925	-4.986	.000
FDR	2.499	2.398	.020
Fee Based Income	-.164	-.368	.714
Dependent Variable : Financing			

Financing = 3,691 + 2,524 CAR – 3,273 Efficiency - 12,594 Asset – 24,925 equity + 2,499 FDR + 0,164 Fee based income

Discussion

1. The impact of capital adequacy to the funding's behavior

It is stated that CAR has positive impact to funding. The result of research show significance value 0,000 and t value is 5,738. Observed by significance value which less than 0,05, it is concluded that CAR has strong positive impact to funding. **Therefore H1 is accepted.**

The significant and positive strong impact of CAR to the funding suggest that the increase in funding is influenced by the CAR. This result means that funding react the same manner as bank capital. This implies the higher bank's capital give assurance that it is in stable condition. It also implies that a bank could prevent from a failure probability better and deal with problems arising from unexpected losses. Hence, this condition will increase the customer's trusty to keep their fund in those banks. Thus, it can be concluded that Capital Adequacy has positive impact to funding behavior of Islamic Banks. This result is consistent with those of Peek and Rosengren (1995), Chiurri,Ferri and Majnoni (2002), Yudistira (2001), Schmitz (2007) Mastura (2014) and Louati (2015).

2. The impact of efficiency to the funding's behavior

It is stated that efficiency as the undirect measurement of bank's competitiveness has positive impact to funding. The result of research show significance value 0,047 and t value is -2,043. Observed by significance value which less than 0,05, it is concluded that level of competitiveness has no impact to funding. **Therefore H2 is rejected.**

It is notice that the funding of Islamic Banks is not affected by the efficiency of those banks itself. The reason is probably based on the fact that almost all the customers of Islamic Banks have religious motivation to keep their money in Islamics Banks (Louati, 2015). They choose Islamic Banks in order to be avoided by interest system (riba) which explicity is being forbidden by some religions not only for Islam but also other religions (Syafi'i Antonio, 2009). The customers are also less sensitive to prices, therefore making the demand more inelastic. They do not consider that much about how many margin they could get for keeping their fund on Islamic banking. This research is consistent those Louati (2015), Weill (2011) believes that Islamic banking do not have market power, and Arris (2010) argue that Islamic Banking is less competitive.

3. The impact of size to the funding's behavior

It is stated that Asset has positive impact to funding. The result of research show significance value 0,498 and t value is -0,683. Observed by significance value which greater than 0,05, it is concluded that Asset has no impact to funding. **Therefore H3 is rejected.**

The reason is probably based on the fact that almost all the customers of Islamic Banks have religious motivation to keep their money in Islamics Banks (Louati, 2015). They choose Islamic Banks in order to be avoided by interest system (riba) which explicity is being forbidden by some religions not only for Islam but also other religions (Syafi'i Antonio, 2009). The customers are also less sensitive to prices, therefore making the demand more inelastic. They do not consider that much about how big the asset of bank, but they refer to consider about the asset's quality.

4. The impact of equity to the funding's behavior

It is stated that Equity has positive impact to funding. The result of research show evalue 0,000 and t value is -5,249. Observed by significance value which less than 0,05, it is concluded that Equity has no impact to funding. **Therefore H4 is rejected.**

This result prove that the change of equity do not affect the funding. The reason is probably based on the fact that almost all the customers of Islamic Banks have religious motivation to keep their money in Islamics Banks (Louati, 2015). They choose Islamic Banks in order to be avoided by interest system (riba) which explicity is being forbidden by some religions not only for Islam but also other religions (Syafi'i Antonio, 2009). The customers are also less sensitive to prices, therefore making the demand more inelastic. They do not consider that much about how the bank deal with its equity.

5. The impact of liquidity to the funding's behavior

It is stated that FDR has positive impact to funding. The result of research show significance value 0,385 and t value is 0,878. Observed by significance value which greater than 0,05, it is concluded that FDR has no impact to funding. **Therefore H5 is rejected.**

In this research FDR has no impact to funding. This situation could be explained by the fact that Islamics banks will be more selective in giving a financing. Since excessive uncertainty (gharar) and gambling (maysir) is prohibited, which means excessive risk taking is not allowed. More difficult access to liquidity for Islamic Banks requires that they should be more selective so that they will not incur in greater risk of moral hazard. In this case, it can be concluded that funding do not affected by FDR, instead of Funding affect FDR. This result is consistent with Cihak and Hesse (2010) and Louati (2015).

6. The impact of fee based income to the funding's behavior

It is stated that FBI has positive impact to funding. The result of research show significance value 0,107 and t value is 1,643. Observed by significance value which greater than 0,05, it is concluded that FBI has no impact to funding. **Therefore H6 is rejected.**

The variable "Fee based income", which is used in this regression to examine the funding behavior, does not appear to be significant throughout the model. In other word, fee based income do not affect the funding directly. An intervening variable is needed to explain the implication of fee based income considering this account is in income statement, while funding is in passiva side of balance sheet. This result is consistent with Louati (2015).

7. The impact of capital adequacy to the financing's behavior

It is stated that CAR has positive impact to financing. The result of research show significance value 0,115 and t value is 1,607. Observed by significance value which greater than 0,05, it is concluded that CAR has no impact to financing. **Therefore H7 is rejected.**

The insignificant results the capital regulation variable are the evidence of its weakness, at least for a change in financing. As predicted by the theory, a change in capital corresponds positively to a change in financing but never significant in regressions. Much higher coefficient of a change in capital during the year of regulatory for bearance is likely to be more relevant for Indonesian banks which were affected more sternly by the combination of severe shocks in capital market and the burden of capital ratio. While Islamic Banks in this research have CAR value in range 10% until 195% means that they are in proper limitation which is determined by Indonesian Banking.

Hence, CAR in this yers period of research has no impact to financing behavior. Eventhough there is no implication of CAR to the financing, it does not mean banks may ignore CAR in distributing their financing. Sometimes, CAR value could be in trouble caused by the excessive financing. The higher CAR indicates the greater amount of Idle capital. In this condition, it is proper if Banks hold their financing, because the higher financing will increase risky asset and finally enforce bank to add the capital to fulfill determinate CAR.

This result is consistent with those of Yudistira (2003), Wardiantika (2013) and Agista (2015).

8. The impact of efficiency to the financing's behavior

It is stated that efficiency as the undirect measurement of bank's competitiveness has positive impact to financing. The result of research show significance value 1,513 and t value is 0,137. Observed by significance value which greater than 0,05, it is concluded that efficiency has no impact to financing. **Therefore H8 is rejected.**

This result prove that efficiency do not affect the change of financing. The reason is Islamic Banks should not do the speculative behavior . Eventhough they have better efficiency, they should not increase the financing uncontrollable. They should have a clearer view on the allocation of fund, remember they implement the loss and profit sharing. According this principle, the depositors are considered as the shareholder means they do not receive fixed interest rate but shares the bank's profit and losses. Therefore, higher profit or even loss from the investment may offered to the both depositors and banks. Islamic Banks as the mudharib should be very careful and selective in doing the investment. Therefore, Islamic banks behave as risk aversion in order to limit their risk of loss. Islamic financial mechanisms such as Murabahah, Salam, Istishna, Ijarah, Mudharabah and Musyarakah require the involvement of investors in the real economy as a result financial transaction are fully backed by real asset. Islamic Banks should choose their portfolios with a minimum risk and a maximum diversification. Therefore, this is clear that the principle of risk and profit sharing could reduce the overall risk incured by the bank. Besides, although Islamic banks are looked at as businesses with the goal of making profits, these profits must respect and be in line with their specific values. Moreover, some obligations that limit their activities, such as the principle of permissible investment (Halal), the prohibition of speculation and the need to establish a fair price, can contribute to the minimization of their market power. This research is consistent with Weill (2011) believes that Islamic banking do not have market power, and Arris (2010) argue that Islamic Banking is less competitive.

9. The impact of asset to the financing's behavior

It is stated that asset has positive impact to Financing. The result of research show significance value 0,000 and t value is 5,047. Observed by significance value which less than 0,05, it is concluded that Asset has positive impact to financing. **Therefore H9 is accepted.**

The size of bank proxied by amount of asset has positive impact to the financing. According to Asset transformation function by Smith (1976) argue that a fundamental role of intermediation is transformation of large-denomination financial asset into smaller units. In Islamic Banking, the asset is diversified into some types of financing. The greater asset of bank is the greater financing a bank could give. This result prove that the higher size of Islamic Banks can engage in an excessive risk taking behavior. In other word Islamic Banks will take more risk to finance related parties when they have more asset. This can also be explained by the hypothesis of "too big to fail" whereby Islamic Banks will provide more financing as they grow larger. If Islamic Banks have larger asset, they will provide more financing. This result is consistent to Peek and Rosengren (2995), Schmitz (2007), Kunt and Huizinga (2011), Mastura (2014) and Louati (2015).

10. The impact of equity to the financing's behavior

It is stated that Equity has positive impact to Financing. The result of research show significance value 0,000 and t value is -4,986. Observed by significance value which less than 0,05, it is concluded that equity has negative impact to financing. **Therefore H10 is rejected.**

The higher equity indicates the greater amount of Idle capital. In this condition, it is proper if Banks hold their financing or even decrease their financing, because the higher financing will increase risky asset and finally enforce bank to add more equity in order to keep the stability of those banks. This result is consistent with those of Wardiantika (2013) and Agista (2015).

11. The impact of liquidity to the financing's behavior

It is stated that FDR has positive impact to Financing. The result of research show significance value 0,020 and t value is 2,398. Observed by significance value which less than 0,05, it is concluded that liquidity has strong positive impact to financing. **Therefore H11 is accepted.**

The result prove that the higher financing is the higher FDR level. When the banks use their idle fund to finance related parties, it make their financing amount become increase to the deposits. Islamic Banks have more difficult access to liquidity regarding that they requires certain condition to the candidate who will accept the financing. They should be more selective so that they will not incur a greater risk of moral hazard. This is consistent to Mastura (2014) and Louati (2015).

12. The impact of fee based income to the financing's behavior

It is stated that FBI has positive impact to Financing. The result of research show significance value 0,714 and t value is -0,368. Observed by significance value which greater than 0,05, it is concluded that fee based income has no impact to financing. **Therefore H12 is rejected.**

The variable "Fee based income", which is used in this regression to examine the financing behavior, does not appear to be significant throughout the model. In other word, fee based income do not affect the financing directly. An intervening variable is needed to explain the implication of fee based income considering this account is in income statement, while financing is in activa side of the balance sheet. This result is consistent with Louati (2015).

CONCLUSION

This research is conducted to observe the impact of CAR, Efficiency, Asset, Equity, Liquidity, and Fee based income to behavior of funding and financing of Islamic Banks in Indonesia. Based on result of the data analysis and hypothesis testing, the conclusion of this research are only CAR affect positively to funding, however efficiency, asset, equity, liquidity and fee based income do not affect the funding. Meanwhile, size and liquidity affect positively to the financing however CAR, efficiency, equity and fee based income do not affect the financing.

The limitation of this research were: First, lack of sample, only 11 Islamic banks in short five years period (2010 until 2014). It is because the number of Islamic Banks in 2009 were only 6 banks, therefore to obtain more sample the writer should start the research from 2010 with 11 banks. Second, There is a few research which discussed the impact banking competitiveness through efficiency to funding and financing. Third, There are some independent variables which have no impact to dependent variable.

After conducting , discussing and conclusion taking and also based on the restriction in this research, therefore it could be argued some advices as the consideration. Islamic Banks should increase their prize to attract more customer and the products and services should be more inovative and attractive to show the uniqueness of Islamic Banks. As known, Islamic Banks always have good prejudice to the customer who need fund with assumption that every people who be related to Islamic Bank is nice people. Therefore, the tight supervision and controlling to the customer who get financed is extremely needed. Islamic Banks should also increase their efficiency score in order to be more competitive and has bargaining power in banking industry. The modern IT should be implemented to gain comparative competition as known that customer choose their bank by considering its ease transaction. Islamic Banks should be more selective in financing so that they will not incur a greater risk of moral hazard. And they would not allowed in excessive risk taking.

The next research should be conducted by using more sample and longer period of research, therefore the description about funding and financing could be more accurate. The banks as the sample should be devided based on the size and examinate separately. The next writer should find other variables which have implication to behaviors of funding and financing of Islamic Banks. The last, based on the result that show total of efficient bank are decreasing, thus the factors that affect the efficiency of Islamic Banks should be dig deeper.

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