# CHAPTER V

# RESEARCH FINDINGS

## A. Causality Test Instruments Data

### 1. Descriptive Statistics

Descriptive statistics becomes a set of whole descriptive coefficient concluded the variables in a study. It represents the entire population or sample in the study and explains data central tendency and dispersion measurement. The descriptive statistics of the data in this research will be shown below:

**Table 5.1 Descriptive Statistics**

| Descriptions | PSF | CAR | ROA | SBIS | Inflation |
|---|---|---|---|---|---|
| Mean | 57097.9 | 15.08583 | 1.409833 | 6478.617 | 0.448 |
| Median | 58942 | 15 | 1.135 | 6472 | 0.315 |
| Maximum | 87021 | 16.85 | 2.52 | 11042 | 3.29 |
| Minimum | 28892 | 12.23 | 0.08 | 2918 | -0.45 |
| Skewness | -0.10570742 | -0.14555 | 0.091056 | 0.201268 | 2.264642 |
| Observations | 60 | 60 | 60 | 60 | 60 |

Source: Appendix

Table 5.1 defines the descriptive statistics of dependent variable and independent variable. First, it defines 57.097,9 is Profit Sharing Financing (PSF) Mean value. The maximum and minimum value are 87.021 and 28.892 respectively, then the median value is 58.942. Second, 15,08583 is Capital Adequacy Ratio (CAR) Mean value. The maximum and minimum value are 16,85 and 12,23 respectively, then the median value is 15. Third, 1,409833 is

Return on Asset (ROA) mean value. The maximum and minimum values are 2,52 and 0,08 respectively, then the median value is 1,135.

Another variable that defines by table 5.1 is Sharia Certificate of Bank Indonesia (SBIS) Mean, Median, Maximum and Minimum value are 6.478.617, 6472, 11.042 and 2.918 consecutively. Lastly, inflation Mean, Median, Maximum and Minimum values are 0.448, 0.315, 3,29 and -0,45 consecutively.

The result also explains that all variables in this research exhibit positive mean. In regards to skewness, almost all variable are positively skewed. Return on Asset, Sharia Certificate of Bank Indonesia and Inflation are positively skewed, their value are 0.091056, 0.201268 and 2.264642 consecutively. Meanwhile, Profit Sharing Financingand Capital Adequacy Ratio is negatively skewed, the value are-0.10570742 and -0.14555 consecutively.

The relationship between dependent variables and independent variable will be derived to this following equation:

$$LOG(PFS)_{it} = \beta_0 + \beta_1 LOG(PFS)_{t-1} + \beta_2 CAR_{t-1} + \beta_3 ROA_{t-1} + \beta_4 INF_{t-1} + \beta_5 LOG(SBIS)_{t-1} + e_t$$

Where is PSF is Profit Sharing Financing, CAR is Capital Adequacy Ratio, ROA is Return on Asset, SBIS is Sharia Certificate of Bank Indonesia, INF is

Inflation, $\beta_0$ is the intercept, $\beta_1$, $\beta_2$, $\beta_3$, $\beta_4$, $\beta_5$ is coefficient of variables and $e_t$ is error term.

2.  **Unit Root Test**

The method use to conduct the stationary test of the data in this research is Augmented Dickey-Fuller (ADF) Test. This unit root test will be conducted in level and or first difference. If t-ADF value is higher than McKinnon critical value in level, the data will be analyzed with VAR method, and if opposite happens, the data will be analyzed with VECM method. Following the result of ADF test:

**Table 5.2 Unit Root Test at Level**

| Variable | ADF t-Statistic | Mackinnon Critical Value(5%) | Probability Value | Conclusion |
|---|---|---|---|---|
| PSF | 0,295153 | -2,911730 | 0,9762 | Non-stationary |
| CAR | -4,227790 | -2,911730 | 0,0013 | Stationary |
| ROA | -2,241928 | -2,911730 | 0,1941 | Non-stationary |
| Inflation | -7,132757 | -2,912631 | 0,0000 | Stationary |
| SBIS | -1,969344 | -2,911730 | 0,2993 | Non-stationary |

Source: Appendix

Table 5.2 consists of stationary test in level. It describes that profit sharing variable has no stationary criteria because its value is higher than $\alpha =$ 5% or 0,05 which is 0,9762. Meanwhile, Return on Asset and Sharia Certificate of Bank Indonesia also has no stationary criteria because their probability value. Their value are 0,1941 and 0,2993 respectively, its higher than $\alpha = 0,05$. Capital Adequacy Ratio and Inflation has stationary criteria.

Therefore, the unit root test continues to the first difference level to overcome the stationary problems.

**Table 5.3 Unit Root Test at FirstDifference**

| Variable | ADF t-Statistic | Mackinnon Critical Value(5%) | Probability Value | Conclusion |
|---|---|---|---|---|
| D(PSF) | -7,650171 | -2,912631 | 0,0000 | Stationary |
| D(CAR) | -8,226789 | -2,912631 | 0,0000 | Stationary |
| D(ROA) | -7,819358 | -2,913549 | 0,0000 | Stationary |
| D(Inflation) | -6,983333 | -2,916566 | 0,0000 | Stationary |
| D(SBIS) | -11,77427 | -2,912631 | 0,0000 | Stationary |

Source: Appendix

Table 5.3 consists of stationary test in first difference (integrated degrees test). It defines that probability value of all variables passed stationary test. All variables tested in integrated degrees test. Probability value of all variable are lower than $\alpha = 5\%$ or 0,05. Therefore, profit sharing financing, Capital Adequacy Ratio, Return on Asset, Inflation and Sharia Certificate of Bank Indonesia have stationary criteria.

The result shows that all variables are stationary at first difference level. It means that the research will be conducted with Vector Error Correction Model (VECM) method. This will define in the following equation:

$$DLOG(PSF)_t = \beta_0 + \beta_1 DLOG(PSF)_{t-1} + \beta_2 D(CAR)_{t-1} + \beta_3 D(ROA)_{t-1} + \beta_4 D(INF)_{t-1} + \beta_5 DLOG(SBIS)_{t-1} + e_t$$

Where D is the first difference, PSF is profit sharing financing, CAR is Capital Adequacy Ratio, ROA is Return on Asset, INF is Inflation, SBIS is Sharia Certificate of Bank Indonesia, $\beta_0$ is the intercept, $\beta_1$, $\beta_2$, $\beta_3$, $\beta_4$, $\beta_5$ is coefficient of variables and $e_t$ is error term.

3. **Lag Length Criteria**

The next step on estimating Vector Error Correction Model (VECM) is deciding the optimum lag used. The determination of optimum lag used to make autocorrelation disappear. The lag length determination will be shown as follow:

**Table 5.4 Lag Length Determination**

| Lag | LogL | LR | FPE | AIC | SC | HQ |
| --- | --- | --- | --- | --- | --- | --- |
| 0 | 50,71769 | N/A | 1,34e-07 | -1,632775 | -1,451940* | -1,562665* |
| 1 | 72,30782 | 3855380 | 1,52e-07 | -1,510993 | -0,425984 | -1,090337 |
| 2 | 100,2027 | 44,83107 | 1,41e-07 | -1,614382 | 0,374802 | -0,843180 |
| 3 | 130,9928 | 43,98578* | 1,21e-07* | -1,821170* | 1,072190 | -0,699420 |

Source: Appendix

*indicates lag order selected by the criterion
LR: sequential modified LR test statistic (each test at 5% level)
FPE: Final prediction error
AIC: Akaike information criterion
SC: Schwarz information criterion
HQ: Hannan-Quinn information criterion

Table 5.4 above shows the result of automatic lag length determination. It shows that the value of LR statistic, Final Prediction Error (FPE) and Akaike Information Criterion (AIC) match in lag 5 which is 43,98578, 1,21e-07 and -1,821170 respectively. Meanwhile, Schwarz Information Criterion and Hannan-Quinn Information Criterion match in lag 0

which is -1,451940 and -1,562665 respectively. Automatic result shows that lag 5 is the proper lag length for this research.

4. **VAR Model Stability Test**

The next step on estimating VECM is VAR model stability test. This test must be conducted before continue to the next step, due the fact that if the estimation result combined with the correction model is not stable, the Impulse Response Function and Variance Decomposition will be invalid. The result of the test will be shown as follow:

**Table 5.5 VAR Model Stability Test**

| Root | Modulus |
|---|---|
| -0,002960 -0,663831i | 0,663837 |
| -0,002960 +0,663831i | 0,663837 |
| -0,641109 | 0,641109 |
| -0,283263 -0,552904i | 0,621241 |
| -0,283263 +0,552904i | 0,621241 |
| 0,586745 | 0,586745 |
| 0,213728 -0,490952i | 0,535456 |
| 0,213728 +0,490952i | 0,535456 |
| -0,480040 | 0,480040 |
| 0,346734 | 0,246734 |

Source: Appendix

Based on the result of VAR Model Stability Test in table 5.5 above, it shows that the estimation of VAR stability which used for analysis of Impulse Response Function (IRF) and Variance Decomposition (VD) is stable. The stability can be seen from the value of modulus which is less than 1.

## 5. Cointegration Test

Cointegration Test conducts to know if there is a balance in long term relationship, which means that there are similar movement and stable relationship among variables in this research. In this research, the Cointegration Test is Johansen Cointegration Test. The result will be shown in the following table:

**Table 5.6 Johansen Cointegration Test**

| Hypothesized No. of CE(s) | Trace Statistic | Critical Value (5%) | Max-Eigen Statistic | Critical Value (5%) |
|---|---|---|---|---|
| None | 147,2377* | 69,81889 | 65,24358* | 33,87687 |
| At most 1 | 81,99412* | 47,85613 | 35,03771* | 27,58434 |
| At most 2 | 46,95640* | 29,79707 | 28,26567* | 21,13162 |
| At most 3 | 18,69073* | 15,49471 | 12,03081* | 14,26460 |
| At most 4 | 6,659921* | 3,841466 | 6,659921* | 3,841466 |

Source: Appendix

Table 5.6 above shows the result of Johansen Cointegration Test which consists of two types, Trace Statistics and Maximum Eigen-value Statistic. If the comparison of Trace Statistics and Maximum Eigen-value Statistic and they are bigger than their critical value, it means that there iscointegration relationship within 5% significant level. From the table above, it can be seen that from six variables researched, there are six cointegration relationships. Therefore, from this Cointegration Test, it indicates that movements of LOG(PFS), CAR, ROA, INF and LOG(SBIS) there is balance or stable relationship and a similar long term movement. It can be said that, in

each period of short term, all variables tend adjust each other, in order to reach the long term equilibrium.

6. **Granger Causality Analysis**

   The interrelation between two variables can be seen with Granger Causality Analysis. In other term Granger Causality Analysis figures out the significant causality relationship between variables, because of the fact that all variables in this research can be two things, endogenous variable or exogenous variable. Bivariate Causality Analysis in this study is Pairwise Granger Causality Test. From the results, causality relationship happens when the probability value is less then $\alpha = 5\%$ or 0,05, then $H_0$ will be rejected which means a variable influences other variable. The result of Granger Causality Test showed in table below:

**Table 5.7 Granger Causality Test**

| Null Hypothesis | F-Statistic | Prob. |
|---|---|---|
| ROA does not Granger Cause PSF | 0,07915 | 0,9240 |
| PSF does not Granger Cause ROA | 4,23518 | 0,0197 |
| CAR does not Granger Cause PSF | 1,80746 | 0,9053 |
| PSF does not Granger Cause CAR | 0,09967 | 2,E-07 |
| SBIS does not Granger Cause PSF | 0,33142 | 0,0018 |
| PSF does not Granger Cause SBIS | 20,9951 | 0,2593 |
| INF does not Granger Cause PSF | 7,13047 | 5,E-05 |
| PSF does not Granger Cause INF | 1,38469 | 0,3087 |
| ROA does not Granger Cause CAR | 12,0653 | 0,2035 |
| CAR does not Granger Cause ROA | 1,20185 | 0,0178 |
| SBIS does not Granger Cause CAR | 1,64071 | 0,6658 |
| CAR does not Granger Cause SBIS | 4,35031 | 0,5010 |
| INF does not Granger Cause CAR | 0,40985 | 0,6094 |
| CAR does not Granger Cause INF | 0,70020 | 0,5010 |
| SBIS does not Granger Cause ROA | 0,49997 | 0,6094 |
| ROA does not Granger Cause SBIS | 1,73486 | 0,1863 |
| INF does not Granger Cause ROA | 0,67715 | 0,5124 |
| ROA does not Granger Cause INF | 1,15878 | 0,3217 |
| INF does not Granger Cause SBIS | 0,69103 | 0,5055 |
| SBIS does not Granger Cause INF | 0,51945 | 0,5978 |

Source: Appendix

Table 5.7 above shows the result of Granger Causality Test. The explanations are below:

a. Statistically, variable Return on Asset (ROA) is not significantly influencing Profit Sharing Financing (PSF), so that we accept $H_0$, whereas, variable PSF is significantly influencing CAR, so that we rejected $H_0$. Therefore, there is one way causality between ROA and PSF which is PSF statistically influences ROA.

b. Statistically, variable Capital Adequacy Ratio (CAR) is not significantly influencing Profit Sharing Financing (PSF), as well as oppositely, PSF is not significantly influencing CAR. Therefore, there is no interrelationship or causality between these two variables, Capital Adequacy Ratio (CAR) and Profit Sharing Financing (PSF).

c. Statistically, variable Sharia Certificate of Bank Indonesia (SBIS) is significantly influencing PSF, PSF is not significantly influencing SBIS. Therefore, there is one way causality between Sharia Certificate of Bank Indonesia (SBIS) and Profit Sharing Financing (PSF) which is SBIS statistically influences PSF.

d. Statistically, variable Inflation (INF) is significantly influencing PSF, whereas variable PSF is not significantly influencing INF. Therefore, there is one way causality between INF and PSF which is INF statistically influences PSF.

e.  Statistically, variable CAR is significantly influencing ROA, whereaas, variable ROA is not significantly influencing CAR. Therefore, there is one way causality between CAR and ROA which is CAR statistically influences ROA.

f.  Statistically, variable SBIS is no significantly influencing ROA, variable ROA is significantly influencing SBIS. Therefore, there is one way causality between Sharia Certificate of Bank Indonesia (SBIS) and Return on Asset (ROA).

g.  Statistically, variable INF is not significantly influencing ROA, as well as oppositely, variable ROA is not significantly influencing INF. Therefore, there is no interrelationship or causality between these two variables, INF and ROA.

h.  Statistically, variable SBIS is not significantly influencing CAR, as well as oppositely, variable CAR is not significantly influencing SBIS. Therefore, there is no interrelationship or causality between these two variables, SBIS and ROA.

i.  Statistically, variable INF is not significantly influencing CAR, as well as oppositely, variable CAR is not significantly influencing INF. Therefore, there is no interrelationship or causality between these two variables, INF and CAR.

j.  Statistically, variable INF is not significantly influencing SBIS, as well as oppositely, variable SBIS is not significantly influencing

INF. Therefore, there is no interrelationship or causality between these two variables, INF and SBIS.

## 7. VECM Empirical Model

Next step is Vector Error Correction Model (VECM). The results of VECM estimation are long-term and short-term relationship among variables Profit Sharing Financing, Return on Asset, Capital Adequacy Ratio, Sharia Certificate of Bank Indonesia and Inflation. In this estimation, the dependent variable is Profit Sharing Financing, while, the independent variable are Return on Asset, Capital Adequacy Ratio, Sharia Certificate of Bank Indonesia and Inflation. First is the interpretation of the results of Vector Error Correction Model (VECM) estimation for short-term relationship. The result will be shown in the table below:

**Table 5.8 VECM Estimation Long-Term**

| Long-Term | | |
|---|---|---|
| **Variable** | **Coefficient** | **T-Statistic** |
| **ROA** | -1,164777 | -5,49173* |
| **CAR** | -0,559007 | -4,97431* |
| **SBIS** | -2,155815 | -7,34689* |
| **INF** | 0,580689 | 3,29088* |

Source: Appendix

Table 5.8 above is the summary from VECM analysis to see the influence of significant variable in long-term relationship. The result of long-term relationship from table 5.8 shows all independent variables which influence Profit Sharing Financing (PSF) are Return on Asset (ROA), Capital

Adequacy Ratio (CAR), Sharia Certificate of Bank Indonesia (SBIS), with significant value of α > 5%, the value are -5,49173, -4,97431,-7,34689 and 3,29088 respectively.

According to the equation in VECM long-term estimate, a long-term relationship among the variables is shown. All independent variables except inflation have negative value significantly. On contrary, inflation shows positive values significantly.

**Table 5.9 VECM Estimation Short-Term**

| Short-Term | | |
|---|---|---|
| **Variable** | **Coefficient** | **T-Statistic** |
| **CointEq1** | -0,015626 | -3,19993** |
| **D(LOG(PSF(-1)))** | -0,122698 | -0,85667 |
| **D(LOG(PSF(-2)))** | 0,034143 | 0,24196 |
| **D(LOG(PSF(-3)))** | 0,367577 | 2,84269* |
| **D(ROA(-1))** | -0,008433 | -0,99836 |
| **D(ROA(-2))** | -0,002338 | -0,30993 |
| **D(ROA(-3))** | -0,011156 | -1,69545 |
| **D(CAR(-1))** | -0,008490 | -2,53010* |
| **D(CAR(-2))** | 0,003625 | 1,11579 |
| **D(CAR(-3))** | 0,002539 | 0,77680 |
| **D(LOG(SBIS(-1)))** | -0,035900 | -2,10733* |
| **D(LOG(SBIS(-2)))** | -0,019480 | -1,68667 |
| **D(LOG(SBIS(-3)))** | 0,002190 | 0,18494 |
| **D(INF(-1))** | -0,000652 | -0,16335 |
| **D(INF(-2))** | -0,008173 | -2,27977* |
| **D(INF(-3))** | -0,005112 | -1,53608 |
| **C** | 0,014415 | 3,11791 |

Source: Appendix

Table 5.9 above is the summary from VECM analysis to see the influence and significant variable in short-term. In short-term, Capital Adequacy Ratio,Sharia Certificate of Bank Indonesia and inflation are significant, meanwhile, Return on Asset are not significant, it means that in short-term and long-term all independent variables have significant influences toward dependent variables except Return on Asset. Capital Adequacy Ratio and SBIS in $1^{st}$ lag is significant and negative to PSF. Inflation in $2^{nd}$ lag is significant and negative to PSF.

8. **Impulse Response Function Analysis**

Impulse Response Function analysis defines the shock of one variable on other variables. Impulse Response Function not only defines the shock on short-term, but it also defines the shock for few horizons forward as the long-term information. The IRF analysis will be shown in a graph, where the horizontal axis shows the period and the vertical axis shows the responses value in percentage. Graph below shows the result of analysis on Impulse Response, as follows:
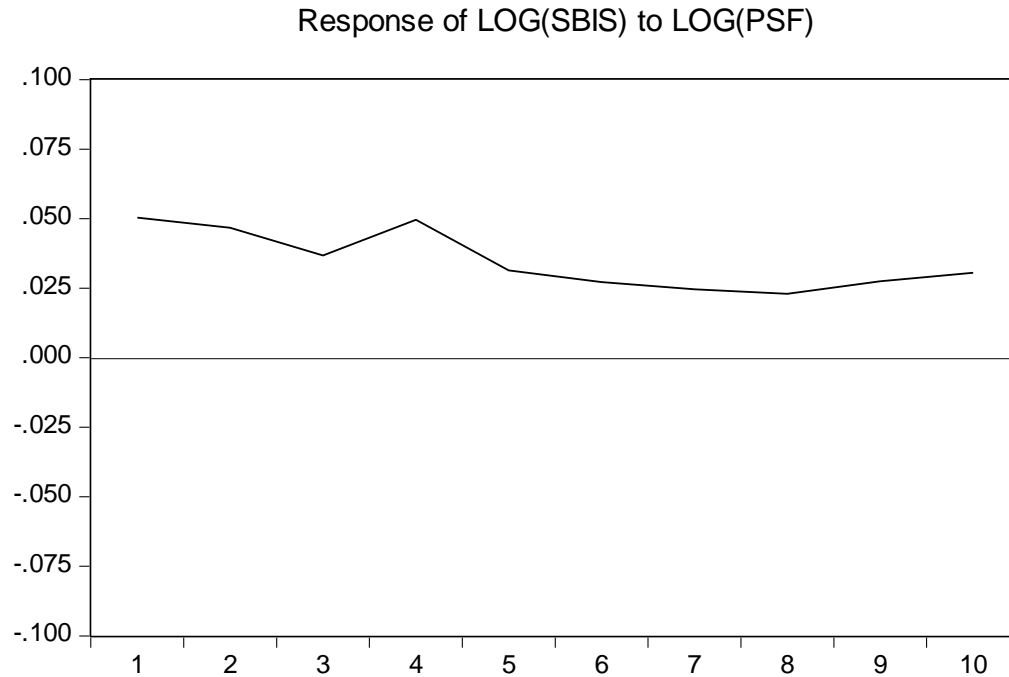
Response of ROA to LOG(PSF)
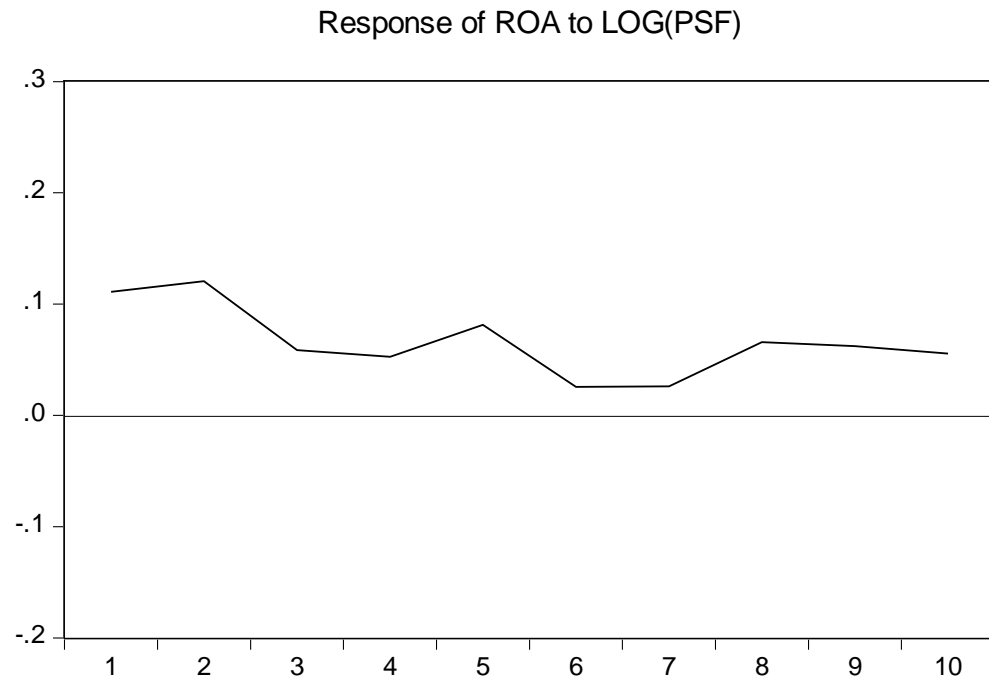


**Figure 5.1 Response of ROA to PSF**

From the graph above we can see the response of Return on Asset on the shock of variable Profit Sharing Financing. Return on Asset starts the response on Profit Sharing Financing with negative trend until sixth period. After eighth period the response shows positive trend and starts to move stable until tenth period. It means that when shock happens on Profit Sharing Financing, Return on Asset responses after eighth period ahead.

Response of CAR to LOG(PSF)
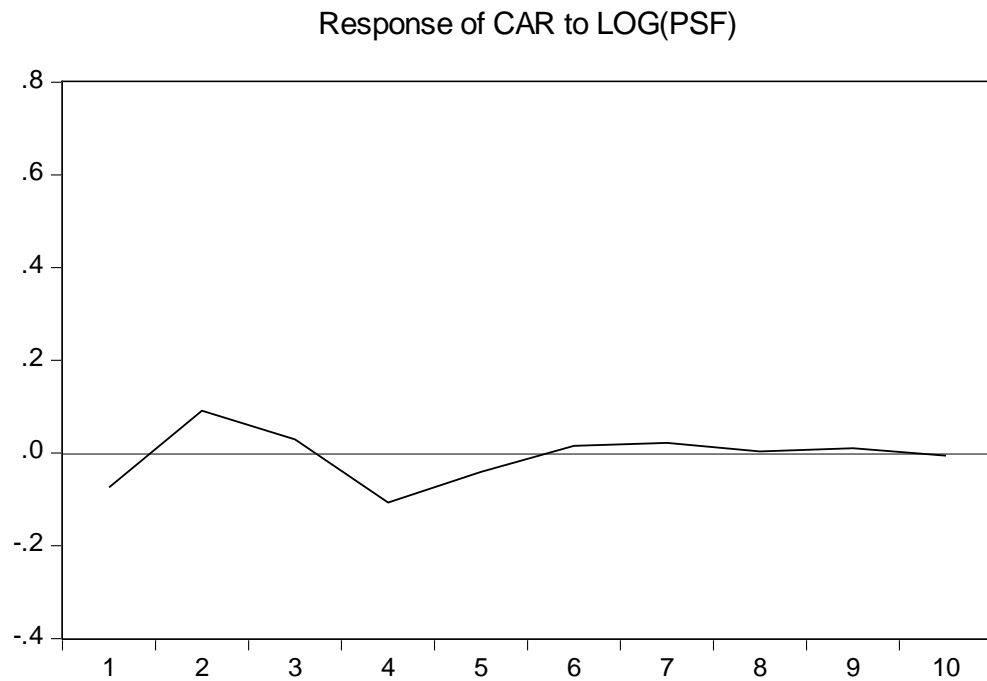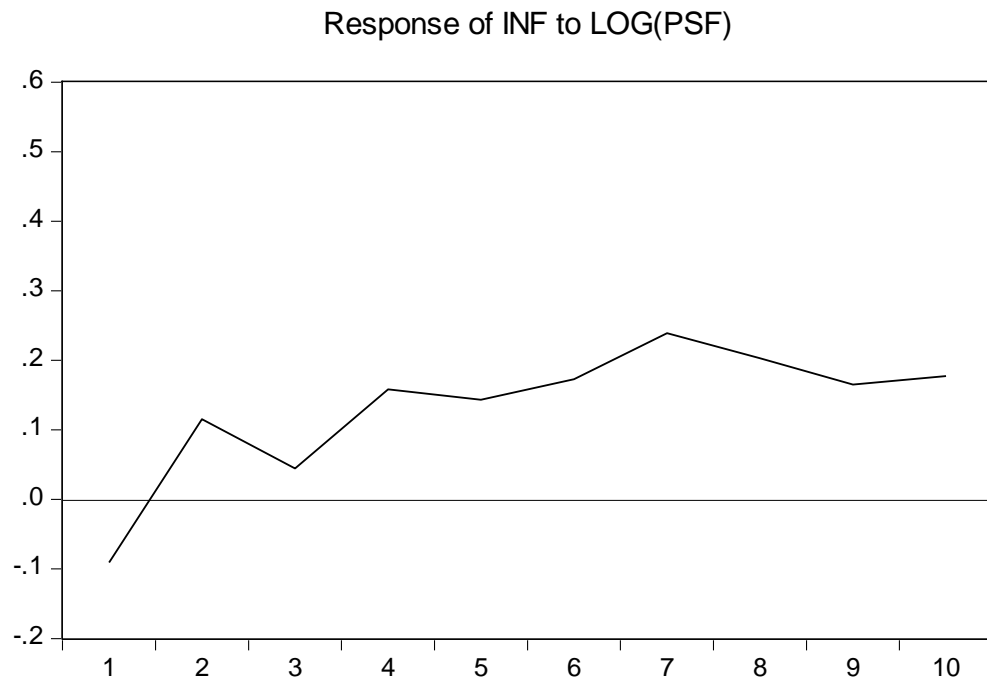


**Figure 5.2 Response of CAR to PSF**

From the graph above we can see the response of Capital Adequacy Ratio on the shock of variable Profit Sharing Financing. Capital Adequacy Ratio starts the response on Profit Sharing Financing with positive trend until second period, but after second period the response shows negative until fourth period. After sixth period the response shows positive trend and starts move stable until tenth period. It means that when shock happens on Profit Sharing Financing, CAR responses after sixth period ahead.

Response of LOG(SBIS) to LOG(PSF)



**Figure 5.3 Response of SBIS to PSF**

From the graph above we can see the response of Sharia Certificate of Bank Indonesia on the shock of variable Profit Sharing Financing. Figure 5.3 shows a positive trend on the response of SBIS towards the shock of PSF at the second period. The response shows a negative trend at the third period and starts to move close within asymptote at the sixth period. The response shows a decrease at the second period, while after that the response shows unstable movement after third period to tenth period. It means that when shock happens on Profit Sharing Financing, SBIS responses after second period ahead.

Response of INF to LOG(PSF)



**Figure 5.4 Response of Inflation to PSF**

From the graph above we can see the response of Capital Adequacy Ratio on the shock of variable Profit Sharing Financing. Inflation starts the response on Profit Sharing Financing with positive trend until the second period. After that the response shows decrease, while after that response shows a stable movement after the third period to tenth period. It means that when shock happens on Profit Sharing Financing, Inflation responses after third period ahead.

## 9. Variance Decomposition Analysis

Variance decomposition is used to detect the causal relations among the variables. It explains the degree at which the variable is explained by the

shocks in all variables in the VAR system. Variance decomposition measures the percentage of forecast error of variation that is explained by another variable in the short-term dynamics and interactions. It does not provide information on how variables of interest respond to shocks or innovations in other variables. This study explores variance decomposition based on VAR specification. Table 5.10 below shows the result of variance decomposition, as follows:

**Table 5.10 Results of Variance Decomposition**

| Period | S.E. | Log (PSF) | ROA | CAR | Log (SBIS) | INF |
|---|---|---|---|---|---|---|
| 1 | 0,012961 | 100,0000 | 0,000000 | 0,000000 | 0,000000 | 0,000000 |
| 2 | 0,019627 | 87,50526 | 3,003197 | 1,531857 | 0,013598 | 7,946087 |
| 3 | 0,027902 | 70,31728 | 3,597478 | 1,094500 | 0,620838 | 24,36990 |
| 4 | 0,037853 | 67,77849 | 2,213205 | 2,660334 | 1,330153 | 26,01782 |
| 5 | 0,045580 | 66,89904 | 2,416880 | 5,173460 | 1,200752 | 24,30986 |
| 6 | 0,052723 | 65,31986 | 2,866203 | 7,152279 | 1,354654 | 22,95546 |
| 7 | 0,059813 | 65,31986 | 2,463057 | 7,954926 | 1,531461 | 22,73070 |
| 8 | 0,065629 | 64,87947 | 2,260566 | 8,146122 | 1,551704 | 23,16213 |
| 9 | 0,070973 | 64,75218 | 2,230012 | 8,205888 | 1,663490 | 23,14843 |
| 10 | 0,076014 | 64,95162 | 2,137610 | 8,318225 | 1,777259 | 22,81079 |

Source: Appendix

Table 5.10 above shows the results of Variance Decomposition (VD) of Log(PSF). It shows how the independent variable; ROA, CAR, Log(SBIS), INF, influence the dependent variable; Log(PSF). At the first month, Log(PSF) is 100% influenced by Log(PSF) itself. But, the influence of Log(PSF) to Log(PSF) itself decreases from first to tenth month, which shows number 64,95162% at the tenth period.

Next is the result of Variance Decomposition of ROA. It shows that at the first month, variable ROA have no influence towards Log(PSF), which shows number 0,000000%. After that, the influence of ROA on Log(PSF) increases gradually from second to tenth period. The table shows number 2,137610% at tenth period on the influence of ROA on Log(PSF).

Table above also shows the result of Variance Decomposition of CAR. It shows that at the first month, variable CAR have no influence towards Log(PSF), which shows number 0,000000%. But, the influence of CAR on Log(PSF) increases from period to period, at the tenth period, variable CAR influences Log(PSF) with the amount of 8,318225%.

Another result explains by table 5.10 is the Variance Decomposition results of Log(SBIS). At the first period, log(SBIS) have no influence Log(PSF), which shows number 0,000000%. In the last tenth period Log(SBIS) affect Log(PSF) to 1,777259%.

Last result of Variance Decomposition Analysis is the influence of INF on Log(PSF). At the first period, INF does not influence log(PSF) at all, which shows number 0,000000%. In the last tenth period INF affect log(PSF) to 22,81079%.

## B. Discussion

The findings from the research trespass the aim of research as we find some correlation between those variables, namely, Profit Sharing Financing (PSF), Return on Asset (ROA), Capital Adequacy Ratio (CAR), Sharia

Certificate of Bank Indonesia (SBIS), and Inflation (INF). So here a further discussion about the findings of this research and hopefully can reveal the research.

1. VECM Estimation on Long-Term

This research concludes the analysis from VECM estimate. The VECM result in long-term identified that ROA is significant and positive to Profit Sharing Financing (PSF), the research result indentifies that the increased variable of ROA by 1 percent will increase Profit Sharing Financing by 1,053279 percent. These findings in line with the research of Muhammad Luthfi Qolby (2013) and Nur Gilang Giannini (2013) that ROA affect Profit Sharing financing positively. So we can find that ROA has a role to influence Profit Sharing Financing positively and significant. It happened because ROA is the profitability ratio where this ratio shows the ability of management in generating revenue from asset management. It means that if ROA increase then bank profitability will increase. High profitability is a bank opportunity to increase financing.

Variable CAR is significant and positively affects Profit Sharing Financing. The research result defines that increase of CAR by 1 percent will increase Profit Sharing Financing by 0,618472 percent. These findings in line with the Hikmawan (2013) and Nur Gilang Giannini (2013) which conclude in their research that CAR affect positively to Profit Sharing Financing. The effect of capital to financing on Islamic

commercial bank because the Islamic banking that operated in that year optimize the existing capital. It happened because regulation of Bank Indonesia that require the minimum of Capital Adequacy Ratio in 8%, then Islamic commercial banks trying to keep Capital Adequacy Ratio in accordance with the provisions.

Variable SBIS is significant and positively affects Profit Sharing Financing. The research result defines that the increase of SBIS by 1 percent will increase Profit Sharing Financing by 0,723703 percent. These findings in line with the research of Leni Untari (2016) that SBIS affect Profit Sharing Financing positively. It means that when the amount of SBIS increase the total financing will be increased due to excessive fund saved in the form of SBIS, then the fund that will be used for financing will decrease.

Variable Inflation is not significant and positively affects Profit Sharing Financing. The result defines that increase of inflation by 1 percent will increase Profit Sharing Financing 0,239080 percent. These findings in line with the research of Indah Khoirun Nisa (2013) that inflation affect positively but it differs with the research of Muhammad Zakki Fahrudin (2009) that defined the effect of inflation is negative. Inflation has positive effect because inflation shows a stable movement which controllable. It does not affect people's desire to save and invest their money.

2. VECM Estimation in Short-Term

VECM result in short-term identified that ROA in $1^{st}$, $2^{nd}$, and $3^{rd}$ lag has negative and not significant impact toward profit sharing financing with the value respectively, -0,009644, -0,003474, and -0,008952 which means when ROA increase 1 unit it will decrease 0,009644, 0003474 and 0,008952 respectively in short-term. These results are differ with estimation in long-term whereas in long-term ROA has positive and significant impact toward Profit Sharing Financing. But in $4^{th}$ lag ROA have positive and not significant impact toward profit sharing financing.

The effect of CAR in $1^{st}$lag is negative and not significant, but in $2^{nd}$, $3^{rd}$, and $4^{th}$ lag it affect positive and significant with the value respectively, -0,004873, 0,002713, 0,002518, and 0,001369 which mean that in $1^{st}$ lag when CAR increase 1 unit profit sharing financing will decrease 0,004873, but in 2, 3, and 4 lag will increase 0,002713, 00,2518, and 0,001369 respectively. These results are differ with estimation in long-term whereas in long-term CAR has significant impact toward Profit Sharing Financing.

The result of SBIS for short-term in 2 lag is significant and give a negative impact to Profit Sharing Financing. These findings in line with the research of Leni Untari (2016) that SBIS affect Profit Sharing Financing negatively. It means that when the amount of SBIS increase the

total financing will be decreased due to excessive fund saved in the form of SBIS, then the fund that will be used for financing will decrease.

The effect of inflation for short-term in 1st and 2nd lag is negative and significant with the value -0,010332 and -0,014871 respectively which means when inflation increase 1percent it will decrease Profit Sharing Financing by 0,010332 and 0,014871 percent. These results are differ with estimation in long-term whereas in long-term inflation have not significant impact toward Profit Sharing Financing.

3. Forecasting Variance Decomposition

The summary result of Forecasting Variance Decomposition as the dependent variable for Profit Sharing Financing, it shows that variable inflation is the most shocking variable to influence Profit Sharing Financing, the second one is CAR and the last two are SBIS and ROA. The results show that inflation give 13,8% influence of shock to Profit Sharing Financing and CAR give 2,93% of shock while SBIS give 2,59% and 0,51% influenced by ROA. So government should notice the portion of inflation to maintain the stability of financing as well as give some attention to profit sharing financing carefully to stabilize real sector.