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MANAGEMENT OF FINANCIAL INCLUSION IN ISLAMIC BANKING: EVIDENCE FROM INDONESIA

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Abstract: The purpose of this study is to analyze the role of Islamic banking in implementing financial inclusion in Indonesia. This research is a descriptive study with a qualitative approach. Data sources used are primary and secondary data. Primary data are the results of interviews with Bank Indonesia, the Financial Services Authority (OJK), and Islamic banks. Secondary data in the form of Islamic bank financial statements in 2013-2017. Qualitative data analysis uses techniques developed by Miles and Huberman, namely data reduction, data display, and drawing conclusions. The results of this study are that Islamic banks have great potential in implementing inclusive finance in Indonesia, as evidenced by an increase in Third Party Funds (DPK) and increased financing, especially micro-financing, plus zakat funds and social funds that allow providing access to small and micro businesses non-billable people.
Keywords: Financial Inclusion, Islamic Bank, Micro Finance, and Poverty.

Abstrak: Tujuan dari penelitian ini adalah untuk menganalisis peran perbankan syariah dalam mengimplementasikan keuangan inklusif di Indonesia. Penelitian ini adalah penelitian deskriptif dengan pendekatan kualitatif. Sumber data yang digunakan adalah data primer dan sekunder. Data primer adalah hasil wawancara dengan Bank Indonesia, Otoritas Jasa Keuangan (OJK) dan bank syariah. Data sekunder berupa laporan keuangan bank syariah tahun 2013-2017. Analisis data kualitatif menggunakan teknik yang dikembangkan oleh Miles dan Huberman, yaitu reduksi data, display data, dan penarikan kesimpulan. Hasil penelitian ini adalah bahwa bank syariah memiliki potensi besar dalam mengimplementasikan keuangan inklusif di Indonesia yang dibuktikan dengan peningkatan Dana Pihak Ketiga (DPK) dan peningkatan pembiayaan, terutama pembiayaan mikro, ditambah dana zakat dan dana sosial yang memungkinkan untuk memberikan akses ke bisnis kecil dan mikro orang yang tidak dapat ditagih.
Kata kunci: Inklusi Keuangan, Bank Islam, Keuangan Mikro dan Kemiskinan.

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INTRODUCTION

In a study conducted by Lee (2012) using a growth accounting framework, found that emerging economies in Asia have overgrown over the last three decades mainly due to strong growth in the capital accumulation of 6.0 percent in 2012 and 6.6 percent in 2013. Growth in Asia is also supported by substantial consumption levels in Southeast Asia and a mild economic recovery in China. Countries in Asia have shown positive developments amid the global economic slowdown. China, India, and Indonesia can maintain their own economic growth with domestic consumption power. One factor of the high level of consumption occurring in China, India, and Indonesia is the population of almost half of the world's population, about 2.8 billion people or about 40 percent of the world's population.

Asia's economic growth has not been supported by public access to financial institutions. Access to Indonesian financial institutions is still low. Based on data from World Bank, Global Financial Inclusion Index 2015 explained that the Financial Inclusion Index of Indonesia is only 19.6 percent, yet far below other countries such as Malaysia 66.7 percent, Philippines 26.5 percent, Thailand 77.7 percent, Vietnam 21.4 percent, India 35.2 percent, China 63.8 percent, Russia 48.2 percent and Brazil 55.9 percent (Bank Indonesia, 2013).

Communities have barriers to accessing financial institutions. The high unbankable people is caused by the poverty gap between provinces, low MSME financing, high microcredit interest rate, asymmetric information, inadequate management of MSMEs, bank monopoly on the micro sector, and limited distribution of financial services. This is the reason for the urgency of implementing financial inclusion (Cheng & Degryse, 2010).

Kamath (2007) writes in his article entitled financial inclusion vis-à- vis social banking that financial inclusion is the process of ensuring timely and adequate credit access and providing financial services to low-income groups. Financial inclusion is also defined as a process to ensure access to financial products and services required by all levels of society in general and low-income groups in particular at a reasonably affordable and transparent cost. This definition is very appropriate at the time of granting credit to the community in need. Confidence is an essential component, but financial inclusion also includes various other financial services such as savings, insurance, payment, and money transfer facilities by the formal financial system for people who tend to exclude.

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Financial inclusion aims to encourage unbankable people to have access to the formal financial system, so they have the opportunity to access financial services from savings, payments, financing, insurance and other financial services (Hannig & Jansen, 2010). Another goal of financial inclusion is that every layer of society, especially the middle to lower, can have easy access to utilize financial services. The ease of public access to the banking system will increase the country's economic growth.

Financial inclusion in Indonesia was launched in 2010. Bank Indonesia launched the National Strategy for Financial Inclusion (NSFI) program to expand public access to financial services. So far, 32 percent or 76 million people have not been touched by financial services. Also, 60-70 percent of Micro, Small, and Medium Enterprises (MSMEs) also do not have access to banks. In contrast, nearly 53 million poor people working in the MSME sector have enormous potential to reduce unemployment and reduce poverty (Husaeni, 2017).

Implementation of financial inclusion in Indonesia has been done in various forms, such as the provision of People's Business Credit (KUR) and the development of BMT (*Baitul Maal wa Tamwil*). KUR is a particular business credit scheme for MSMEs and cooperatives that have met the business feasibility standards but have no collateral under the requirements set by banks. Through the KUR program, the Government seeks to improve MSME access to business credit from banks by increasing the capacity of the guarantor companies (Wahid, 2014).

The KUR program was officially launched on November 5, 2007. The launch was a follow-up to the signing of a Memorandum of Understanding between the Government and the banking world on October 9, 2007, on credit guarantee or financing to MSMEs and Cooperatives. There are three main pillars in the implementation of KUR program, namely: (1) Government. The Government, in this case, encourages, assists, and supports the distribution and guarantee of credit; (2) The Guarantee Institution. Act as a representative of the Government and become the guarantor of loans disbursed by banks; (3) Banking. The banking institution acts as the recipient agency of guarantee, which distributes credit to MSMEs and cooperatives by using internal funds, respectively (Wahid, 2014).

Based on a survey conducted by the World Bank, 60 percent of Indonesians borrow money, but only 26 percent borrow from banks or microfinance institutions (MFIs). Specifically, only 17 percent are served by banks, and the rest are served by semi-formal financial institutions (9 percent). The rest of the loans obtained by the Indonesian population

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comes from the informal sector (34 percent), i.e., from neighbors, friends, and family. While the unserved population is still relatively large at 40 percent, of which 60 percent of this group is considered unfit to get loans for being poor and very poor.

The study of the Financial Services Authority (OJK) of 2015 through a survey in 20 provinces with 8,000 respondents, revealed the relatively low literacy (understanding) of Indonesian finance. This condition is in line with the low level of citizen's financial inclusion. In terms of literacy, the public's knowledge of banking is about 22 percent, insurance services 18 percent, pawnshops 15 percent, financing institutions 7 percent, and capital markets 4 percent. These results convey the message that there is no other option for the Indonesian nation except to create programs and policies to improve access to finance for the poor, i.e., programs and policies that can be a solution for poor households who have difficulty obtaining credit support from formal financial institutions.

Islamic banking is an essential institution in implementing financial inclusion in Indonesia. If we flashback to 2008, the number of players of the sharia banking industry at that time still amounted to 155, which is 3 Sharia Commercial Bank (BUS), 28 Sharia Business Unit (UUS), and 124 Sharia Rural Bank (BPRS). Now that number is increasing with increasing public awareness to use non-interest finance products. In December 2018, Indonesia alone had 14 Sharia Commercial Banks (BUS), 21 Sharia Business Units (UUS), and 167 Sharia Rural Banks (BPRS). The development of this quantity has spread from the center to the area so that it can be reached by all levels of society. The widespread reach of Islamic banking shows the role of sharia banking is getting more prominent for the economic development of the people of this country. Islamic banking will emerge as the frontline or locomotive of the realization of financial inclusion. This is also the main and primary mission of sharia economy, namely poverty alleviation and welfare development of all levels of society (Husaeni, 2017).

This optimism is built on several factors. First, sharia banks are closer to the real sector because the products offered, especially in the financing, always use underlying transactions in the real industry, so the impact is more practical in driving economic growth. Second, there are no speculative products (*gharar*), so they have strong endurance and tested their toughness from the global financial crisis. In macro terms, sharia banking can provide support to the creation of stability of the financial system and national economy. Third, the profit-sharing

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system that becomes the spirit of sharia banking will bring more equitable benefits for all parties, either for the owner of the fund as the depositor, the entrepreneur as the debtor, or the bank as the fund manager (Herijanto, 2013).

Implementation of financial inclusion through sharia banking will be impossible without the synergy of the parties concerned, namely the Government which in this case is represented by the ministry of finance, Bank Indonesia as the regulator, the Financial Services Authority (OJK) as the party overseeing the banking and financial institutions, and the community itself. As a national commitment, the implementation of financial inclusion requires coordination involving all stakeholders (Government, private sector, and the general public). The support of ministries or agencies, private participation as well as civil society is essential. Sharia banking has been implementing financial inclusion through its products, but it is not yet optimal.

Implementation of financial inclusion becomes an urgent matter in the context of poverty alleviation. Application of financial inclusion requires a financial institution that directly in contact with the community, especially the lower middle class. Sharia banking is one of the financial institutions that directly come into contact with the community because it is supported by its products directly in contact with the real sector. Therefore, the authors will examine the extent to which the role of sharia banking in implementing financial inclusion in Indonesia.

METHOD

This research is field research with a quantitative and qualitative approach using a sequential exploratory strategy. Moleong (2010) says a subsequent exploratory procedure involves the collection and analysis of qualitative data in the first stage, followed by the collection and analysis of quantitative data in the second stage based on the results in the early stage.

The data used in this research is by using primary data and secondary data. Primary data that the author intent is the data of the interview (interview). Primary qualitative data are generally in the form of variations of perception that can be from respondents or customers. Direct interviews were conducted on Islamic banking. Secondary sources are Islamic Bank financial statements for the last five years, 2013-2017, references from books, journals, articles, and other sources related to the author's research. Secondary data is used to strengthen the primary data. Sharia Commercial Banks are Bank Syariah Bukopin, Bank Syariah Mandiri, and BRI Syariah. Analysis of qualitative data using analytical techniques developed by Strauss and Corbin (Tanjung & Devi, 2013) with three significant steps, namely (1) Open Coding, (2) Axial Coding, (3) Selective Coding.

RESULTS

Fundraising on Islamic Banking

Banking has an essential role in providing access to unbankable people. Indonesia's banking sector is experiencing growth from year to year. This can be seen from the increasing number of branch offices, Third Party Funds (DPK) collected, and loans disbursed by banks. Along with the development of the banking sector, banking services also must be distributed throughout Indonesia. Banking services must reach communities across all provinces in Indonesia. This distribution of banking services can be measured by financial inclusion levels, either in Indonesia as a whole or per region. Increasingly inclusive financial systems can allocate productive resources more efficiently, improve communities' ability to manage finances, reduce the growth of exploitative informal credit lending (credit by moneylenders).

An inclusive financial system should have as many users as possible. Therefore an inclusive financial system should reach a broad reach among users. The proportion of the population with bank accounts is a measure of banking penetration. World Bank data in 2010 shows that two-thirds of Indonesian people already have deposits. Approximately 50 percent have accounts in formal financial institutions. The majority have saved their money in banks and very few who keep in cooperatives and microfinance institutions. Roughly 18 percent have savings in other places such as social gatherings and others.

Kunt (2014) said saving in sharia banks could be one of the planning steps in the future. Sharia saving products are aimed at mobilizing and investing savings for economic development in a fair way so that equitable benefits can be guaranteed to all parties. The goal of fund mobilization is vital because Islam explicitly condemns the stockpiling of savings and demands the use of funds productively to achieve the socio-economic objectives of Islam. In this case, Islamic banks do not comply with the principle of interest (*riba*), but with policies following the teachings of Islamic law, especially *wadiah*, *qard*, *mudarobah*, and *ijarah*.

The composition of Third Party Funds (DPK) of Islamic banks in Indonesia is overgrowing in line with the development of Islamic banks in Indonesia. Bank Sharia Mandiri (BSM) has experienced almost 50% growth in deposits from 2013 to 2017. BSM also controls almost 35% of the Indonesian Islamic Banking market share. More details are shown in the table below:

Table 1.

The Development of Third Party Funds (DPK) of Bank Sharia Mandiri (BSM) Year 2013-2017 (Billion Rupiah)

Information	**2013**	**2014**	**2015**	**2016**	**2017**
DPK of Bank Sharia Mandiri	56.461	59.821	62.113	69.950	79.903
Growth (Percent)	19,09	5,95	3,83	14,29	11,37
DPK of Islamic Banking in Indonesia	183.534	217.858	231.175	279.335	303.855
Growth (Percent)	19,51	18,70	20,83	8,77	11,95

Source: Annual Report 2013-2017 Bank Sharia Mandiri (BSM)

Bank Sharia Bukopin (BSB), as one part of Islamic commercial banks, also experienced significant development. BSB has experienced rapid growth, one of which is on the Third Party Fund (DPK). The accumulation of DPK in BSB grew from 3.27 trillion rupiahs in 2013 to 3.99 trillion rupiahs in 2014. Until the end of 2013, it increased by 421.48 billion rupiahs or grew by 14.78 percent, to 3.27 trillion in 2013 from 2.85 trillion in 2012. The growth of Third Party Funds from 2010 to 2014 averages 26% or more per year. The growth of DPK compiled by BSB is a positive trend with a significant increase in nominal. In more detail can be seen from the table below:

Table 2.

The Development of Third Party Funds (DPK) of Bank Sharia Bukopin Year 2013-2017 (Billion Rupiah)

Information	**2013**	**2014**	**2015**	**2016**	**2017**
DPK of Bank Syariah Bukopin	3.272	3.995	4.756	5.442	5.498
Growth (Percent)	14,78	22,09	14,42	1,02	1,03
DPK of Islamic Banking in Indonesia	183.534	217.858	231.175	279.335	303.855
Growth (Percent)	19,51	18,70	20,83	8,77	11,95

Source: Annual Report 2013-2017 Bank Sharia Bukopin

Amid a tightening competition for money competition, Bank Sharia Bukopin is still able to increase the DPK from year to year. As of December 2017, Third Party Funds of Bank Sharia Bukopin reached 5.5 trillion rupiahs. While the total deposits of Islamic banks that reached

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303.85 trillion rupiahs. In the future, Bank Sharia Bukopin will continue to increase its share, primarily through an increase in the portion of low-cost funds, namely demand deposits and savings. BRI Sharia also grew significantly, the average of BRI Sharia taxes grew 16.91 percent annually from 2013 to 2017. Third-party fund deposits in 2014 increased by 23.87 percent, from 13.8 trillion to 16.7 trillion rupiahs.

Table 3.

The Development of Third Party Funds (DPK) of Bank Rakyat Indonesia (BRI) Sharia Year 2013-2017 (Billion Rupiah)

Information	**2013**	**2014**	**2015**	**2016**	**2017**
DPK of BRI Sharia	13.795	16.964	21.014	22.991	26.373
Growth (Percent)	22,97	23,87	9,40	14,70	13,63
DPK of Islamic Banking in Indonesia	183.534	217.858	231.175	279.335	303.855
Growth (Percent)	19,51	18,70	20,83	8,77	11,95

Source: Annual Report 2013-2017 BRI Sharia

As banking that is still in the development stage, during the last five years, i.e., in 2013 until 2017, Islamic banks experienced significant growth on the side of DPK. The growth of Islamic banking DPK is not only from the nominal side but also from the number of its customers. Sharia banking statistics data from the Financial Services Authority (OJK) noted that the number of customers of Sharia Commercial Bank and Sharia Business Unit has always increased during the last five years, amounting to 12,727,187 in 2013, 14,444,146 in 2014, 16,787,983 in 2015, 18,432,171 in 2016 and 2017 amounted to 20,312,238 customers. This number will continue to develop as the majority of Indonesian people are Muslims.

Financing on Islamic Banking

Financing in Islamic banking using *mudharabah* contract, *musharakah*, *murabaha* contract, *salam*, *istisna*, *ijarah*, *qard*, and other agreements. Financial Services Authority (OJK) (2017) statistics data shows that total financing always increases every year, that is, 126.36 trillion in 2013, 139.99 in 2014, 144.98 trillion in 2015, 168.77 trillion in 2016 and 174.28 trillion in 2017. Specifically, the development of Islamic banking financing can be seen in some of the following Sharia Commercial Banks. BSM's (Bank Sharia Mandiri) financing is growing well in the last five years, 2013-2017, except in 2014. In 2013, it increased by 12.84 percent and 2.6

percent in 2014. In 2015 has risen by 3.98 percent and 2016 has significantly increased by 8.79 percent, and in 2017 it slightly increased by 9.00 percent due to the global economic slowdown. Detailed can be seen in the table below:

Table 4.

Development of Bank Sharia Mandiri (BSM) Financing Year 2013-2017 (Billion Rupiah)

Information	**2013**	**2014**	**2015**	**2016**	**2017**
Financing of BSM	50.460	49.133	51.090	55.580	60.584
Growth (Percent)	12,84	-2,6	3,98	8,79	9,00
Financing of Islamic Banking in Indonesia	126.363	139.993	144.981	168.779	174.280
Growth (Percent)	10,78	3,56	16,41	3,25	3,25

Source: Annual Report 2013-2017 Bank Sharia Mandiri (BSM)

Although the challenges in financing distribution faced by Bank Sharia Bukopin, both from the external side globally and domestically throughout 2016 is quite heavy, namely the decrease of financing of 5.56 percent. In general, BSB can face these challenges quite well. Until the end of 2017, the total funding disbursed by BSB grew 11.03 percent. The total financing spent by BSB in 2017 reached 4.53 trillion rupiahs.

Table 5.

The Development of Bank Sharia Bukopin Financing Year 2013-2017 (Billion Rupiah)

Information	**2013**	**2014**	**2015**	**2016**	**2017**
Financing of Bank Sharia Bukopin	**3.281**	**3.710**	**4.307**	**4.799**	**4.532**
Growth (Percent)	**13,07**	**16,09**	**11,42**	**-5,56**	**11,03**
Financing of Islamic Banking in Indonesia	**126.363**	**139.993**	**144.981**	**168.779**	**174.280**
Growth (Percent)	**10,78**	**3,56**	**16,41**	**3,25**	**3,25**

Source: Annual Report 2013-2017 Bank Sharia Bukopin

Similar to BSM and BSB, BRI sharia also fluctuated in the amount of financing. BRI Sharia financing grew an average of 7.01 percent from 2013 to 2017. More details can be seen in Table 6.

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Table 6.

Development of Bank Rakyat Indonesia (BRI) Sharia Financing

Year 2013-2017 (Billion Rupiah)

Information	**2013**	**2014**	**2015**	**2016**	**2017**
Financing of BRI Sharia	13.778	15.322	16.244	17.256	17.274
Growth (Percent)	11,20	6,01	6,22	0,13	11,50
Financing of Islamic Banking in Indonesia	126.363	139.993	144.981	168.779	174.280
Growth (Percent)	10,78	3,56	16,41	3,25	3,25

Source: Annual Report 2013-2017 BRI Sharia

In general, sharia banks have their products related to the financing of micro, small and medium enterprises (SMEs), such as Bank Sharia Mandiri (BSM) with micro stalls, BRI Sharia with micro 25, Bank Bukopin Sharia with its micro 25, and other. To encourage economic growth in the real sector and assist government programs in employment, BSM is committed to channeling financing for small and micro-businesses. According to Chairul Anwar (Director of Financing Risk and Recovery BSM), Bank Sharia Mandiri (BSM), through its micro shop, convenient to offers and quick financing to the community. Multipurpose investment with a limit of 11 million rupiahs to 200 million rupiahs. This financing uses a *murabahah* scheme, in which the customer is provided with ease in the procedure and financing mechanism.

The importance of empowering small businesses is both a challenge and an opportunity to increase the portfolio of financing in that segment. In 2014, BSM successfully disbursed micro and small enterprise financing of 8.54 trillion rupiahs or 99.08 percent of total micro and small business financing in 2013 of 8.62 trillion rupiahs. Financing of micro and small enterprise sectors has significance for BSM in contributing to the development of the country through enhancing community empowerment. One form of investment in the micro and small business sector that has been done BSM is the financing of Warung Micro.

Warung Micro BSM is a financing service in branch offices and sub-branches for micro category customers. The maximum ceiling given to customers through the Warung Micro BSM is 200 million rupiahs following the current maximum average micro-business needs. Until the end of 2017, there are 556 outlet outlets, and 40 units of Micro Area Office spread throughout

Indonesia. BSM channeled financing through Warung Micro during 2017 reached 4.30 trillion rupiahs.

Financing of micro and small enterprise sectors has significance for BSM in contributing to the development of the country through enhancing community empowerment. One form of investment in the micro and small business sector that has been done by the Bank is Financing of Warung Micro BSM. Islamic banks move as not only commercial banks but also social banks. Thus, Islamic banks are aware of the vital role of UMKM sector in supporting the national economy. Islamic banks also provide financing to the industry of UMKM. In fact, according to Chairul Anwar, micro financing is financing that has a significant prospect that many banks are currently eyeing this sector.

Today, Microfinance is consistently focused on productive financing aspects. Target financing customers are basic needs traders and clothing and other merchandise, with the "Market & Open Table" program, each of which has absorbed about 75 percent and 25 percent of the total microfinance channeled. The company has three financing schemes to serve the micro-segment, namely Micro 25, Micro 75, and Micro 500. Following the given name, Micro 25 is a financing product that has a ceiling up to 25 million rupiahs, so too. In 2017, the focus of the financing ceiling was in the range of 5 million to 300 million rupiahs. In 2017, total microfinance disbursements increased by 31 percent from 2.455 trillion in 2013 to 3.210 trillion rupiahs in 2014, after earlier also experiencing a 4-year increase in succession. The achievement of the financing target in 2014 could exceed the 201 percent target of the Bank Business Plan Agreement by 109 percent.

In terms of asset health, NPF (Non-Performing Financing) segment of the micro-segment was maintained at 2.4 percent, with the Repayment Rate still at 95.3 percent. M. Ranggalawe, Head of BRI Sharia Head Financing Support (2017), explained that the trend of Non-Performing Financing (NPF) of BRI Sharia minor micro-financing, even in 2012-2013 NPF BRI sharia reach 0 percent. This is because BRI Sharia has a relationship officer in charge of providing customer maintenance. Banking held monthly meetings with customers to remind the installment, conducted religious studies, hospitality, and others. Those who are unbankable are taught how to manage money by using red envelopes and white envelopes. Red envelopes to pay installments to banks and white envelopes to be rewritten as venture capital. Customers

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are also taught how to make simple financial statements. Microfinance BRI Sharia continues to grow significantly into one of the pillars of business growth.

Bank Shariah Bukopin owns iB Qardh Loans Is a borrowed fund without repayment with the obligation of the borrower to return the loan principal at once or installments within a specified period and other financings. Overall, the funding disbursed by BSB throughout 2017 is on a positive trend. By type, the contribution of working capital, investment, and consumer financing to total financing of BSB in 2017 reached 35.13 percent, 30.28 percent; and 38.67 percent.

MSME financing to non-bank third parties throughout 2017 is still dominant when compared to non-MSME investment. There is nine major business segment targeted by BSB, which is done selectively, in line with investment activity that focuses on funding MSME sector. That sector was telecommunications, education, health, oil and gas, transportation, tourism and hospitality services, property and construction, general trading, financial institutions, and multi finance.

Analysis of Islamic Banking Ratios

Kasmir (2014) said that the financial ratio is an index that connects two accounting numbers and is obtained by dividing one number with another name. Financial ratios are used to evaluate the performance and financial condition of a company. Financial ratios will show the level of health of a company or banking. So the financial ratio is an activity comparing the figures contained in the financial statements by dividing one number with another number so that it will see the development and health of banks.

Dev (2006) says that vital ratio analysis is used to look at bank soundness. Profitability is one of the objectives of commercial banks that can be identified the key factors that influence it by using the analysis of financial ratios, such as the influence of cash, assets, liquidity, equity, and others. Bank as one source of capital for the community to move the economy, it needs a particular study related to the performance of banking by using ratio analysis, so that the banks have a positive effect on the economy (Dasgupta, 2009).

The development in the institutional field in the field of Islamic banking, also followed by the performance of good performance by sharia banking. The function of the bank as intermediary runs optimally when viewed from the amount of financing provided compared to third party

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funds that reach 90 percent or more. Also, sharia banking is proven able to maintain the quality of funding so that non-performing financing (NPF) is relatively low compared to Non-Performing Loans (NPL) national banking. The improvement in key financial indicators supported the positive growth achieved by sharia banks from fund raising, financing, and net profits. The minimum capital adequacy ratio (CAR) and return on assets (ROA) and return on equity (ROE) ratios are still within the limits of prevailing regulations.

Financial Services Authority (OJK) (2018) notes Throughout the past five years, Islamic Banking CAR is at a safe margin. Recorded CAR ratios of sharia banks from 2013 to 2017 were 14.42 percent, 15.74 percent, 13.85 percent, 15.02 percent, and 16.77 percent. It is still above the minimum requirement of Bank Indonesia by 8 percent. Sharia bank's Return on Assets (ROA) ratio also increased in the last few years, which is 2.00 percent in 2013, 0.85 percent in 2014, 0.49 percent in 2015, 0.63 percent in 2016 and 2017 reached 0.96 percent. Despite the decline in 2014 to 2017, Islamic banks can still generate profits from assets owned. Islamic banks are also able to maintain the quality of financing, proven since 2013 Non-Performing Financing (NPF) is relatively low at 2.62 percent, 4.95 percent in 2014, 4.84 percent in 2015, 4.42 percent in 2016 and 2017 reached 4.70 percent. It is relatively low compared to the National Bank's Non-Performing Loans (NPL). The position of Financing to Deposit Ratio (FDR) of sharia banking is perfect, that is 84.72 percent in 2013, 88.66 percent in 2014, 88.03 percent in 2015, 85.99 percent in 2016 and 2017 reached 81.76 percent. Islamic banks can keep the FDR level in the range of 78 percent to 100 percent as the regulator is expected to be Bank Indonesia. It proves that Islamic banks are capable of performing their functions as an intermediary institution with the right Third Party Fund (DPK) distributed to the real sector. Operating Cost and Operating Income (BOPO) or the ratio of operating expenses to the operating income of sharia banks is still reasonably high, i.e., in 2017 reached 92.89. It is reasonable because as banks are still growing, the Islamic bank's continuous expansion to achieve business targets.

CONCLUSION

Based on the results, it can be concluded that the role of sharia banking in implementing financial inclusion in Indonesia can be seen from the increase in assets, Third Party Fund (TPK), and the increased of financing significantly. Financial ratio analysis is also well recorded. The ratio of funding to deposits (FDR) of Islamic banking is also very good at the

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limit set by BI that is 87 percent -100 percent. The minimum capital adequacy (CAR) of sharia banking is quite good, which is 14 percent even more. The level of income generated from assets and equity is also quite good (ROA). The low non-performing financing rate is below 5 percent, even in the Islamic bank's micro-financing ever reaching 0 percent NPF. Operating expenses on operating income (BOPO) is still relatively high because sharia banking is aggressively expanding into various regions in Indonesia. The growth experienced by sharia banking is in line with real economic growth. The results of comparative analysis between financial statements and ratio analysis indicate that the performance and financial condition of Islamic banking are good. It makes sharia banking able to become the front guard implementation of financial inclusion in Indonesia. Implementation of financial inclusion through Islamic banking will also be supported by sharia banking products that operate based on Islamic principles and carry out a social mission.

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