IMPLICATIONS OF SBI INTEREST RATES ON BANKING INDUSTRY IN INDONESIA

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ABSTRACT

This research aims to evaluate the impact of the interest rates of Certificates of Bank Indonesia (SBI) on banking interest rates and its implication to Raising and Distribution of Funds On Banking Industry that go public in ISX. The object of this research are commercial banks that go public in the ISX. The research periods are 1999 to 2008 by using financial statement data. Research method

The conclusion are, first, the interest rates of Certificates of Bank Indonesia (SBI) have positive and significant impact to the average interest rates of commercial banks, both the interest rate of third-party funds and the interest rate of borrowing. Second, the interest rate that influence on the third party funding interest rate, has negative and significant impact on the volume of Third Party Funds. Third, Both the volume of Third Party Funds and the interest rate of borrowing for commercial banks have impact on borrowing volume. Using simple regression, the volume of third-party funds has positively and significantly impact to the borrowing volume, while the borrowing rate has impact significantly and negatively to the borrowing volume. Using multiple regression, simultaneously, third-party funding volumes and lending interest rates of commercial banks have positive and significant impact on the borrowing volume. Partially, the third party funding volume have positive and significant impact to the borrowing volume, while the borrowing rate of commercial banks have low impact and positive to borrowing volume.

The implication of this study are the changes on SBI interest rate will affect the third party funding volume of commercial banks. But the raising of the the third party funding volume do not followed by the raising of distribution of funds (borrowing volume). It means that the intermediaries function of commercial banks are not fully succeed.

Keywords: SBI Interest Rates, The Interest Rate of Third Party Funds, The Interest Rate of borrowing, The volume of Third Party Funds, The Volume of borrowing.

INTRODUCTION

Bank as a financial intermediary as mandated by the act serves as the intermediary institutions that raise funds and distribution them back in the form of loans with the aim to improve the lives of many people. This means that the loan would lead increasing the production to the real sector, further increase in production will increase employment. The next stage will lead to improving standards of living are reflected in income per capita. Thus the size of the number of loans distribution by banks to the real sector will affect economic growth in Indonesia. For that reasons, the government is always attempting to increase outstanding loans.

The amount of the loan distribution to the real sector by banks, will depend on the amount of third party funds have been collected as well as high and low interest rate loans. The impact of the global financial crisis for Indonesia was given the blessing for Indonesia, because Indonesia is one country that abundance of investment funds (hot money) though it may be unstable. Flow of funds into Indonesia looks of the rupiah to depreciate, at the end of 2008 amounted to Rp 12151/US $ whereas today only Rp.8.538/US $ rupiah. Strengthening of the rupiah against the dollar followed by a decreasing inflation rate. Average inflation for 2008 reached 11.1%, and the subsequent decline of 7.92% in March 2009 and at the end of 2010 to 4.16%.

The strength of the rupiah and the low rate of inflation led the Bank Indonesia has room to issue a policy of gradually lower the BI Rate from 6.25% in December 2008 to 6.5% at the end of 2010. Reduction in the BI rate, which is the reference interest rate banks are expected to follow rate cuts in interest rates mainly banking loans. This decline is important to stimulate the business community to expand its business through borrowed funds.

From the graph below, there appears to changes in interest rates SBI is followed by changes in deposit interest rates, but slowly followed by interest rate loans. Decrease in deposit interest rates should reduce the large volume of third-party deposits, but it seems the volume of third-party funds is always increasing. Whereas the volume of third party funds and lending rates will determine the volume of lending to bank Therefore, the authors are interested in researching the above problems with the title: Implication of the SBI interest rate on Banking Industry in Indonesia.

Graph 1. Interest Rate SBI, third-party funds, and Loan Period 1999-2008
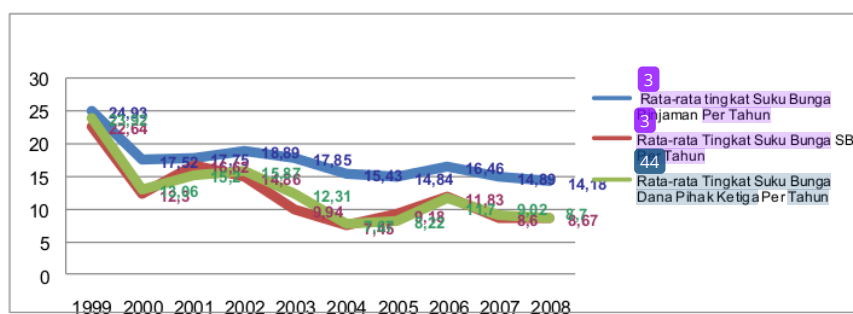
Sources: Financial Statistics Indonesia (BI)

Graph 2. Volume Changes in Third Party Funds and Volume of Credit Period 1999-2008
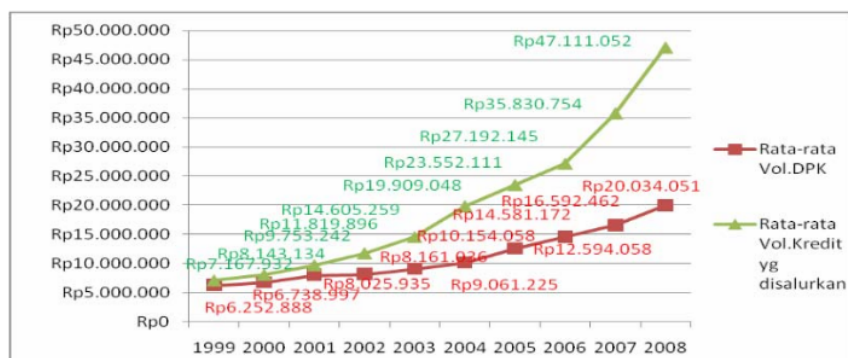
Sources: Financial Statistics Indonesia (BI)

Problem Formulation

Based on the background of the above formulation of the problem of this research are:

1. Are there any influence of the Interest Rate Interest Rate SBI against third-party funds?
2. Are there any influence on the SBI Interest Rate against the Average Interest Rate Loan Banks?
3. Are there any influence of the Interest Rate third party Fund against a third-party Fund volumes?
4. Are there any third-party Fund volume influence on the Volume of Distribution of Commercial Bank loans?
5. Are there any influence of the Average of Loan Interest Rate against the Volume of Distribution of Commercial Bank loans?
6. Are there any influence of third-party Volume Funds and the Average of Loan Interest Rate against the Volume of Distribution of Commercial Bank loans? Partially and simultaneously?

Research Objectives

Based on the above formulation of the problem, then it can set the goal of this research are:

1. To evaluate the influence of the SBI Interest Rate to the third party fund Interest Rate.
2. To evaluate the effects of SBI Interest Rate to the Average Interest Rate Loan.
3. To evaluate the influence of the Interest Rate on third-party funds to the volume of third- party funds.
4. To evaluate the influence of third-party funds Volume to the Volume of Distribution of Commercial Bank loans.
5. To evaluate the influence of the Average Interest Rate Loan to to the Volume of Distribution of Commercial Bank loans.
6. To evaluate the influence of the volume of third-party funds and the Average Interest Rate Loan to the Volume of Distribution of Commercial Bank loans, Partially and simultaneously.

Benefits of Research

The research was useful for Bank Indonesia to evaluate the effectiveness of monetary policy is implemented within the framework of the real sector and for banks to evaluate the performance of the bank about the effectiveness of the bank in achieving its role as intermediary institutions to improve the lives of many people.

LITERATURE REVIEW

Loans Distribution

The principal of Indonesia banking functions is as a collector and distributor of public funds, with the aim of supporting the implementation of national development in order to improve equity, economic growth and national stability towards improving the welfare of the people (Acts Law No.7 of 1992 renewed the Act no.10 of 1998). In addition banks also provide mechanisms and means of payment that is more efficient in economic activity, create money, as well as offering other financial services.

Third-party funds is a source of bank funds from the community or from other parties outside the bank, such as demand deposits, savings deposits, time deposits, and so on. The amount of credit depends on the magnitude of third-party funds that can be assembled by the banks, because most funds raised by banks from public funds to finance real sector activities through lending (Siamat, Dahlan, 2005).

From the foregoing, it is clear that the loans should be a business activity that dominates the allocation of bank funds. The importance of loans can be seen from the banking credit function in the life of the economy and trade, among others (1) can enhance the excitement of business or production, (2) can improve traffic circulation and the money that will improve the usability of money, used as an instrument of economic stability and in the end will increase the incomes of both business and society.

Internal factors (Triandaru, et al. 2009) that affect the volume of lending, among others:
1. The nature of business and market segments in the bank itself.
2. Financial position as its capital adequacy ratio, risk-weighted assets, legal lending limit.
3. The ability to raise funds, especially third-party funds.
4. The quality of productive assets, especially credit quality.
5. The factors of production are available at banks such as management ability and level of bank profits.
6. The interest rate on current bank.
7. The perception of the bank against the debtor.
8. Inflation and economic growth.

Interest rate

Interest is a reward that made the use of money. The interest rate is the amount of interest paying per unit of time which is a percentage of the amount loaned. In modern finance that was developed by Keynes (Fabozzi, 2008), interest rates are determined by demand and supply of money. Central Bank and the banking system is the institution that determines the money supply at any given time. While demand is determined by the wishes of the people holding the money. If money demand does not change, increased money supply will lower interest rates. And if the money supply unchanged, the increase in money demand will lead to rising interest rates.

The amount of the average loan interest rate is obtained by calculating the average interest rate of loans per month from interest rate loans for working capital, investment, and consumption per month and then averaged per month will be the loan interest rate per year   .

According to Kashmir (2008), there are the main factors affecting the size of a bank's interest rate setting depends mainly from:
1. The need of funds, factors specific to the needs of fund of funds, namely how much funding requirements desired.
2. Target desired profit
3. Policies, in determining the deposit rate the bank can not arbitrarily set the interest rate exceeds the limit deposit insurance rates are set by the government because it means the public deposits are not insured by the government.

Luh Gede Meydianawathi (2007) investigated the influence of third-party funds to lending to the SME sector in the period 2002-2006 commercial banks in Indonesia. From the result obtained the conclusion that the variable volume of third-party funds partially showed a positive and significant effect on the volume of credit, good credit and working capital investment in the sector of Small and Medium Enterprises. This is in line with research Fransisca (2006) and Cindy Adelia (2008).

Bank Indonesia Certificates are securities denominated in dollars issued by Bank Indonesia as a short-term debt instruments and is one of the tools of open market operations. SBI can be owned by banks and other parties stipulated by Bank Indonesia and transferable (Indonesian Banking Directory, 2006). SBI is one of the mechanisms used by Bank Indonesia to control the stability of the Rupiah. By selling SBI, Bank Indonesia can absorb the excess of base money in circulation. Since early July 2005, Bank Indonesia use the mechanisms "BI rate" (interest rate BI). Bank Indonesia announced a target rate of SBI wants to auction during the given period. BI rate is then used as the reference market participants in setting interest rates.

Rose, et al., (2006) states that one of the banks current role is as the main buyers of government securities. It's a shift that banks not only as as a comercial banking, but has developed into universal banking. Veronika (2011) conducted a study on the banking industry with the conclusion that the role of fee-based income has a significant influence on corporate profitability, whereas the role of interest rates had no significant effect on profitability. This means that banks did not intereste on lending because of the risks covered more than profit that can be taken. Banking more interested in distribution funds into the money market and capital markets that are considered less risky.

DATA & METHODOLOGY

This study uses five variables, namely:
1. SBI Interest Rate (X), the interest rate of Bank Indonesia Certificates (SBI) is the interest rate securities issued by Bank Indonesia in recognition of short-term debt (3 months) with a system of discount/interest . The following calculation formula SBI interest rate:
   The average interest rate of SBI per year = SBI is used as a reference for the planning of economic activity and to control the stability of the rupiah.
2. Interest Rate Third party funds (Y1) is the cost of funds that must be issued by banks for every dollar funds has been taken. Funds raised from public funds in this study is in the form of interest rate demand deposits, savings deposits, time deposits and certificates of deposit. The formula for computing the interest rate is a third-party

funds:

The average interest rate THIRD PARTY FUNDS Per Year =

$$\frac{\Sigma\ tingkat\ suku\ bunga\ SBI\ Per\ bulanan}{12}$$

3. Loan Interest Rate (Y2) is the interest rate used for lending or credit or interest rates charged by conventional banks to the borrower (debtor) of the loan has been provided by conventional banks.

   Average Loan Interest Rate Per Month = (I+ i investment of working capital consumption + i) / 3

   The average rate of Loan Interest Rate Per Year = Σ Average Loan Interest Rate Per Month /12

4. The volume of third-party funds (Y3) is the amount of funds raised by banks and from society (Abdullah, 2005). The volume of third-party funds are used in this research is the sum of the volume of Current Accounts, Savings, Deposits, and certificates of deposit. Formula for computing third-party funds Volume:

   The average volume of third-party funds Per Year = Average of Σ (Giro + Savings + Deposits + Certificates of Deposit) per Year

5. The volume of lending (Z) is the number of bank facilities granted to the parties to use the funding deficit that has been collected by the banks of the surplus public funds, or in other words, the volume of lending is the amount loan distribution to the community include working capital loans, investment credit, and consumer credit. Volume calculation formula Distribution Credit:

The average volume of distribution of credit per year = Average of the total amount of loans Volume Distribution per year

This research are applied research and quantitative research because it prioritizes research testing and analyzing data with statistical procedures that aim to test the hypotheses that have been proposed authors. Researchers using causal comparative method (Causal-Comparative Research), which is a type of research with the characteristics of the problem of causal relationship of two or more variables, which in this study explains the causal relationship between SBI Interest Rate Against lending rate and third-party interest rate funds. The third -party interest rate funds will affect the volume of third party funds collected by the bank, and its implications for the Volume of Distribution of Commercial Bank loans that go public. Researchers conducted observations of the consequences arising from changes in interest rates SBI to the volume of lending (loans) and trace back the fact that it makes sense as a contributing factor. This is important because the volume of lending will affect the production increase in the real sector and ultimately will affect the income per capita.

The Objects in this research are banking companies that listed in Indonesia Stock Exchange (IDX) from 1999-2008 as many as 34 of the Bank. The data used are annual financial statements as of December 31, as well as data reports Economic Statistics Indonesia (SEKI) issued by Bank Indonesia (BI) with study period 1999 through 2008. This study used purposive sampling method of sample selection in order to obtain samples that meet the criteria, which include:

1. Banks are sampled in this study is Publlik Go banks that have been listed on the Indonesia Stock Exchange (IDX) during the period 1999-2008.
2. Status of banks is a partial listing during the study period.
3. Banks are not delisted during the study period.
4. Publish financial statements in the period 1999-2008.

With the above criteria, obtain as many as 10 bank that can be used to be the object of research.

To ensure that the data used in this study is the data the best linear and unbiased (Best Linear Unbiased Estimator / BLUE) or not, so that further testing can be done then tested the classical assumptions that include tests of normality, multicollinearity, Autocorrelation, and Heteroskesdasticity (Ghozali , Priest, 2006). Once the data is believed to be BLUE, it will be done on the results of correlation analysis, regression and coefficient of determination and implications.

The hypothesis of this study are:

H1 = There was a significant effect between the Interest Rate Interest Rate SBI to fund a third party.

H2 = There was a significant effect between Tier Interest Rate on Interest Rate Average Loan Banks.

H3 = There was a significant effect between the Interest Rate Funds on the volume of third-party third-party funds.

H4 = There was a significant effect between the volume of third-party funds to the Volume Distribution of Credit.

H5 = There was a significant effect between the Interest Rate Average Loan Banks to the Volume Distribution of Credit.

H6 = There was a significant effect between the volume of third-party funds and the Average Interest Rate Loans of Commercial Bank to the Volume of Distribution of Commercial Bank loans, partiallly and simultaneously.

FINDING & DISCUSSION

During the period 1999 to 2008 there were 34 banks listed on the Indonesia Stock Exchange. But of the 34 banks only 10 banks that meet the requirements that always provide the financial statements until December 2008 and listing for 10 consecutive years   at   IDX.

From the results obtained by the normality test results of all the variables have a significance level greater than 0.05, it can be said that all the data are normally distributed and fit for use in research Similarly from the graph analysis results are visible histogram normally distributed. In multikolonieritas test which aims to test whether the regression models found a correlation between the independent variables (independent) obtained results of Vif are all under 10, which means the data is free from multicollinearity.

Heteroskedasticity trials aimed at testing whether a regression model in place of inequality of variance of the residual one observation to other observations remain, obtained results that. From the graph scatterplot seen that the dots spread randomly and spread out both above and below zero on the axis Y. It can be concluded that there was no heterokedasticity the regression model, so that the appropriate regression model used to predict.

Autocorrelation test aimed at testing whether the linear regression model there is a correlation between the error in period t with bullies bullies error in period t-1 (previous) the Durbin Watson test results obtained amounted to 1.812. Since 1.641 <1.812 <2.359) then the decision is there is no autocorrelation.

Here are the results of calculations of the correlation analysis, coefficient of determination and regression using SPSS:
1. The Impact of SBI Interest Rates Against the third-party funds Interest Rates .
   The Correlation between SBI Interest Rate to third-party funds Interest Rates amounted to 0.975, by t test results that have a significance value of 0.000 (<0.05). This means that SBI Interest Rate with third-party funds Interest Rates has a positive, very strong and significant correlation. This indicates that SBI increases interest rates causing an increase in interest rates a third-party funds. The amount of adjusted R2 is 0.945 which means 94.5% of the variation of third parties Funds Interest Rate, can be explained from the variable SBI Interest Rate, while the remaining 5.5% is explained by other causes.

   The impact of SBI Interest Rate Against the third party Interest Rate Funds can be seen from the results of the regression equation:
   Third-party funds Interest Rate = 0.065 + 1.024 + SBI Interest Rate + 0.221 ε1

   From the above equation has a constant sense of 0.065 states that if the SBI Interest Rate considered to be zero, then the Interest Rate of third party funds will be 6.5%. The regression coefficient of 1.024 Interest Rate declared any increase in SBI Interest Rate by 1% then the Interest Rate third party funds will increase by 1.024%. ε1 is 0.221 that means value of at 22.1% interest rate of third party funds is influenced by other variables such as inflation, economic growth, and so on.

   The above results correspond with the theory (Warjiyo, Perry., 2004), that one of the efforts of Bank Indonesia as the monetary authority in controlling the value of the rupiah is by raising or lowering interest rates SBI. Given that most funds raised by banks from the community will be placed in the SBI. The increase or decrease in SBI interest rates will be followed by an increase or decrease the level of bank's interest rates, both deposit rates and lending rates. Policy of raising SBI interest rates will raise interest rates both deposits and loans, to offset the rising cost of funds due to increases in SBI interest rate. Interest rates of third-party funds are higher would encourage investors or the public to invest their funds in banks rather than investing it in production or industrial sectors which have a greater degree of risk. Conversely, if interest rates lower the amount of third-party funds circulating in the community will increase because people would rather invest their funds in sectors that are more productive.   And   vice   versa.

   Based on research results clearly in line with the theory that the Interest Rate SBI has a positive influence on the Interest Rate of Third party funds. This suggests that the rise in rates will cause increase the Interest Rate of third-party funds.
2. The Influence of the SBI interest rate against Interest Rate Average on Bank's Loan
   The correlation between the SBI interest rate against Interest Rate Average on Bank's Loan amounted to 0.921 using the t test with a significance value of 0.000 (<0.05). This means that the interest rate of SBI with lending rates of commercial banks on average have a positive correlation, it is very strong and significant. This shows that the increase in the SBI Interest Rate cause increases in Interest Rate loan Bank's Average. The amount of adjusted R2 of 0.830 means 83.0% of the variation Interest Rate loan Bank's Average can be explained from the variable rate Interest Rate, while the remaining 17% is explained by other causes.

SBI interest rate influences the average of loan bank's interest rate can be seen from the results of the regression equation:

Interest Rate loan Bank's Average = 9.813 + 0.611 SBI Interest rate + 0.389ε2

From the above equation constants of 9.813 means that if the Interest Rate of SBI considered zero, then the Interest Rate Loan Bank's average of 9.813%. The regression coefficient of 0.611 Interest Rate declared any increase in SBI Interest Rate by 1% then the Interest Rate Loan Bank's Average will increase by 0.611%. ε2 value of 0.389 means 38.9% of the Interest Rate Loan Bank's Average is affected by other variables such as inflation, income levels, loan term, and others.

This is consistent with the theory of monetary policy (Warjiyo, 2004) who argued that increases in interest rates SBI as a short-term securities interest rates will be transmitted on the medium and long term. Developments in interest rates will affect the cost of capital, which in turn will affect investment and consumption expenditures. This has led to investors or the public will prompt greater rewards in the form of interest savings to compensate for the rising cost of the investment or consumption. The increase in deposit interest rates will cause the cost of bank capital to rise and forcing banks to raise lending rates.

Based on the above shows that the results of research in line with the above theory that the Interest Rate SBI has a positive and significant influence on the Interest Rate Bank's Loan. This shows that the increase in rate causing an increase in Interest Rate Bank's Loan.

3. The Effect of Interest Rate Funds on the volume of third-party third-party funds Correlation between Third party funds Interest Rate by third-party fund volume amounts to 0.655 with a significance value of 0.040 (<0.05 i). This means the Third party funds Interest Rate with a third-party fund volume has strong and significant but negative correlation. This suggests that the increase in the third party Fund Interest Rate causes a decrease in volume of third-party funds. The amount of adjusted R2 are used to determine the role of interest rates of third party funds to third-party fund volume amounts to 0.358. This means that 35.8% third-party fund volume variation can be explained by the variable Interest Rate of third party funds, while the remaining 64.2% is explained by other causes outside the model.

The Effect of Interest Rate of third party Fund against a third-party fund volume can be seen from the results of the regression equation:

The volume of third-party funds = 18,900,000 - 611,198.159 Interest Rate of Third party funds + 0.571 ε3

Constants of 18.9 million stated that if the Interest Rate of third-party fund considered zero, then the volume of third-party fund is Rp.18.900.000. Regression coefficient of the Interest Rate for third-party fund -611,198.159 declare any increase in the Interest Rate of third-party fund by 1% then the volume of third-party fund will drop Rp 611,198.159. The value of ε3 is 0.571 means the volume of deposits is influenced by other variables such as economic growth, the bank's reputation and so that is equal to 0.571.

The results above conflict with the theory that increases in interest rates a third-party fund will lead to increas the volumes of third party funds. On the other hand, the trend rise in SBI interest rates will cause a rise in money supply and will push the inflation rate. The amount of inflation tended to be larger or equal to the level of deposit rates. So in real terms there is no financial benefit from keeping funds in the

bank (Warjiyo, 2004). Therefore, this explains why the role of third-party funds rate to the volume of third-party funds is only 35.8%.

The small influence of third-party funds rate to the volume of third-party funds can be understood when seen in reality. Over the past 10 years, the interest rate a third-party funds in Indonesia has decreased while the volume continues to increase third-party funds. This means that interest rates a third-party funds negatively affect the volume of third-party funds. Rising volume of third party funds in which people prefer to save their money rather than investment because the investment activity is still not well supported by government policies such as high tax rates imposed on employers, it is difficult and expensive to invest in Indonesia, inadequate infrastructure causes high cost of transportation, plus interest expense to be paid to the creditor that employers remain high. This causes people to become less interested in investing activities. The role of banks are now much more traffic as payment, ease of transactions for investors and the community (Rose, 2006).

Based on the above results, it can be seen that the results are not the same as the theory, namely that the Interest Rate of third-party funds have a negative and significant impact on the volume of third-party fund. This suggests that the decrease in Interest Rate of third-party funds did not cause a decrease in the volume of third party funds.

4. Volume Effect Against Third Party Fund Distribution Volume of Credit
   The correlation between the volume of third-party funds with a volume of distribution of credit is equal to 0.993 with a significance value of 0.000 (<0.05). This means the volume of third-party funds has a positive correlation. It is very strong and significant impact on Volume Distribution of Credit. This suggests that the increase in volume causes an increase in third-party funds volume distribution of Credit. The amount of adjusted R2 to see the role of the volume of third party funds in explaining changes in the volume of credit amounting to 0.985. This means that 98.5% of the variation can be explained Credit Volume Distribution of the variable volume of third-party funds, while the remaining 1.5% is explained by other causes. Volume Effect Against Third Party Fund Distribution Volume of Credit can be seen from the regression equation:

   Volume of Distribution of Credit Volume = -11370000 + 2.841 + 0.013 third-party funds +**0,013** ε4

   Constants for -11,370,000 stated that if the volume of third-party funds considered zero, then there is no credit disbursement (USD -11.37 million). Volume regression coefficient of third-party funds is 2.841 declare any increase in volume amounting to Rp.1 third-party funds then the Volume Distribution of Credit will increase by Rp 2.841. The value of 0.013 means that ε4 is lending volume is influenced by other variables such as bank capital, economic growth, and so that is equal to 0.013.
   From the above it is seen that the results of research in line with the theory that third-party funds Volume has a positive and significant influence on the Volume Distribution of Credit. This is because the main source of investment financing in Indonesia is still dominated by lending by the banks, although the role of capital markets has increased. It is therefore important for banks to increase fund raising from the public, as this will increase the volume of lending. Increased volume of lending will greatly affect the scale of production in Indonesia, and will ultimately affect economic growth and per capita income in Indonesia.

5. Effect of Interest Rate Loans Average Volume Distribution Against Commercial Bank Credit

Correlation between Interest rate Average Loan Bank with the Volume Distribution of Credit is equal to -0.702 with a significance value of 0.024 (<0.05). This means that the Interest Rate Banks Loan Average with the Volume Distribution of Credit has a strong and significant negative correlation. This suggests that the increase in Interest Rate Average Loan Banks Credit causes a decrease in volume of distribution. The amount of adjusted R2 is 0.43. This means that 43% of the variation can be explained Credit Volume of Distribution of Variable Interest Rate Average Loan Banks, while the remaining 57% (100% -43%) is explained by other causes.

Effect of Interest Rate Average Loan Banks Against the Volume Distribution of Credit can be seen from the regression equation:
Credit Distribution Volume = 71,750,000 - 2966159.593 Interest Rate Commercial Banks Loan Average + 0.507 ε5

The value of 0.507 means ε5 is influenced by the volume of lending and 50.7% by other variables such as economic growth, the ratio of banking finance, government policies and so forth of 0.507.

Constants of 71,750,000 states that if the Interest Rate Bank's Loan Average is considered zero then the volume of credit disbursement for Rp.71.750.000. Regression coefficient the Interest Rate Bank's Loan Average is -2,966,159.593 declare any increase in Interest Rate Bank's Loan average by 1%, the volume of distribution of credit will fall by USD 2,966,159.593.

From the research results above, it's seen its lending volume influenced the amount of loan interest rate. When loan interest rates rise, people are reluctant to apply for a loan to the bank. It's happen because the interest expenses are valued, so that the volume of bank lending will decline. But at the level of loan rates to fall, people are interested in applying for loans because the interest expense to be paid on low-rated credits.

In fact, at this cut rate SBI is followed by a very slow decline in lending rates. Yet on the other hand SBI interest rate reduction followed by a decline in deposit interest rates. So that the spread between interest rates of deposits and lending rates became increasingly wide (graphs 1 and 2). As a result, third-party funds collected are still too small compared with the lending. This is evident from the large bank loan to deposit ratio is still low. This is why changes in lending rates only 43% role of the volume of lending. Funds collected now more widely distributed to government securities, including SBI (Wibowo, 2011).

This is reinforced by the correlation between the SBI interest rate with the volume of credit amounting to -0.641. This means that there are negative and significant correlation to the volume of lending. This means that the role of banks as intermediaries tend not to function successfully. Banks tend to pursue profit by investing in debt securities which are not at risk compared countries by channeling in the form of loans more risky. This is certainly greatly hindered economic growth in Indonesia. This also means that the role of the SBI in the open market operations become ineffective due to the increase or decrease is not followed by the banks of SBI. Factors of foreign ownership in Indonesian banks, especially banks that public only after the bank increasingly made a profit, rather than as intermediaries in order to improve the lives of many people.

Therefore, since the year 2011 the Bank Indonesia set back provisions on the mandatory minimum deposits maintained by banks in the form of current account balances at the Bank Indonesia amounting to a percentage of third-party funds are calculated based on the difference between the Loan to Deposit Ratio owned by the bank with the loan-deposit target ratio. Quantities and parameters that determined the lower limit Loan to Deposit Ratio target by 78% while the upper limit of the Loan to Deposit Ratio of 100% with a target based on the precautionary principle. With the new rules mean banks will be forced and driven to disburse credit.

6. Effect of The volume of third-party Funds and the Interest Rate Bank's Loan Average Against the Volume Distribution of Credit.

Using a multiple correlation test, correlation between the volume of third-party funds and the Interest Rate Average Loan Banks to the volume of credit disbursement amounted to 0.993. From the test results obtained by the F test value 0.000 (<0.05) means that the volume of third-party funds and the Interest Rate Average Loan Banks collectively have a very strong and positive correlation with the volume of credit disbursement. Increase in Interest Rates Average Loan Banks and the volume of third-party funds led to an increase volume of credit disbursement. Partially seen from the t test showed that the increase in Interest Rate Average Loan Banks no significant effect on the volume of lending (0.977> 0.005) with a correlation magnitude of 0.2%, while the volume of third-party funds have a significant effect on distribution volume credit (0.000 <0.005) with a correlation of 99.5%

The amount of adjusted R2 is 0.983. This means that 98.3% of the variation can be explained by Credit Volume Distribution variable volume of third-party funds and the Interest Rate Average Loan Banks, while the remaining 1.7% is explained by other causes outside the model. The volume of third-party Funds and the Interest Rate Average Loan Banks Against the Volume Distribution of Credit can be seen from the results of the regression equation is:

Volume of Distribution of Credit = -11.55 million + 7858.188 Interest Rates of Bank's Loan Average + 2.845 Third party funds Volume + ε6 0.013

Constant at -11,550,000 stated that if the Interest Rate Average Loan Banks and the volume of third-party funds are considered, then there is no credit disbursement (USD -11.55 million). Regression coefficient Loan Interest Rate Average Commercial Bank of 7858.188 declare any increase in Interest Rate Loan Banks average by 1% then the Volume Distribution of Credit will increase by Rp 7858.188. Regression coefficient of Third party funds Volume is 2.845 declare any increase in volume of third-party funds amounting to Rp 1 then Volume Distribution of Credit will increase by Rp 2.845. The value was 0.013 meaning ε6 lending volume is influenced by other variables such as the SBI interest rate, the rate of bank interest rates, government policies, economic growth that is equal to 0.013.

Simultaneously, third-party funds volume and the Interest Rate Average Loan Bank has a significant and positive impact on Volume Distribution of Credit. This shows that the increase in volume of third-party funds and the Interest Rate Loan Bank Average causing an increase in volume of distribution of credit, as well as strengthen the results of this sebaliknya.Hal on points 4 and 5.

Partially, Interest Rate Average Loan Bank causes an increase in the Volume Distribution of Credit. This can be explained because although the high interest rate loans and interest charges are expensive, the debtor will still be applying for loans to banks. This is due to the debtor is still considered to be able to return the loan

interest expense due to a guarantee of payment. This can especially be seen with the increase in consumer loans, such as the rise in vehicle ownership and credit loans without collateral. Banking dare to lend because of relatively low risk due to the strong collateral in the form of salaries of employees who are permanent. But this can not be generalized considering the test results are not significant regression. While a partial increase in volume of third-party funds leads to an increase volume of credit disbursement has positive and significant as described in point 4 above.

CONCLUSIONS & IMPLICATIOS

Conclusion
Based on the results of research and data processing has been done and the theory underlying the research then it can be drawn some conclusions as follows:
1. The interest rate on Bank Indonesia Certificates have a positive and significant influence on interest rate deposits.
2. SBI interest rate has a positive and significant impact on interest rates average loan bank's
3. The interest rate on third-party funds has significant and negative effect on the volume of third-party funds
4. The third party funds volume have positive and significant impact on the volume of lending.
5. Lending rates of commercial banks on average have negative and significant effect on the volume of lending.
6. Simultaneously, the volume of third party funds and lending rates of commercial banks on average have a positive and significant impact on the volume of lending. Partiallly, the volume of third party funds has positive and significant impact the volume of lending, while lending rates of commercial banks on average have a positive and not significant to the volume of lending.

Implications
Implications of the research can be stated as follows, SBI interest rates greatly affect the interest rates bank's, both deposits and loans. The interest rate of the bank will affect the volume of third party funds. And ultimately the volume of third party funds and credit interest rates greatly affect the volume of lending. Given the increasing volume of lending to improve people's lives is the primary function of banks, as contained in Act 7 of 1992 amended by Law No.10 of 1998, Bank Indonesia must make policies that can restore the function of the bank. SBI instruments used in controlling the value of the rupiah is not effective in increasing the volume of lending as a driver of the real sector. One of the policies issued in the form of threshold Loan To Deposit Ratio has not been enough. There needs to be restrictions on foreign ownership in banking is that Bank Indonesia may re-use the SBI as a tool in controlling monetary policy. To that end, Bank Indonesia, the government and parliament must sit together to revise the Banking Act No.10 of 1998 which allowed foreign banks acquire a controlling stake of up to 99%.

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