THE INFLUENCE OF THIRD PARTY FUNDS, LOANS, NON-PERFORMING LOANS, AND LIQUIDITY ON NET INTEREST MARGIN (NIM) AMONG FOREIGN EXCHANGE BANKS AND NON FOREIGN EXCHANGE BANKS YEAR 2009-2013

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ABSTRACT
The purpose of this study is to analyze whether there is influence of Third Party Funds, Loans, Non-performing Loans, and Liquidity in Net Interest Margin (NIM) among Foreign Exchange Bank and Non Foreign Exchange Bank year 2009-2013. On Foreign Exchange model used in this study, researcher used panel data regression analysis with fixed effect approach. On the other hand, researcher used panel data regression analysis with random effect approach on Non Foreign Exchange model. From the test result of these studies, it is found that on Foreign Exchange model, ratio of Demand Deposits, Saving Deposits, Time Deposits, Loans, Non Performing Loan (NPL) and Loan to Deposit Ratio (LDR) are affecting Net Interest Margin (NIM) simultaneously. Meanwhile, on Non Foreign Exchange model, ratio of Demand Deposits, Saving Deposits, Time Deposits, Loans, Non Performing Loan (NPL) and Loan to Deposit Ratio (LDR) influence Net Interest Margin (NIM) simultaneously. On Foreign Exchange model, partially, Saving deposits and NPL are significantly influence NIM and its positive. While Demand Deposits, Time Deposits, Loans and LDR don’t have significant influence on NIM where Demand Deposits and Loans are negative and Time Deposits and LDR are positive. On Non Foreign Exchange model, partially, Saving Deposits, Time Deposits, Loans, NPL, and LDR are significantly influence NIM. Where Saving Deposits, Loans, NPL, and LDR are positive and Time Deposits is negative. While Demand Deposits don’t have significant influence on NIM and its negative.

Keywords: Net Interest Margin (NIM), Demand Deposits, Saving Deposits, Time Deposits, Loans, Non Performing Loan (NPL), Loan to Deposit Ratio (LDR), Foreign Exchange Banks, Non Foreign Exchange banks.
INTRODUCTION

In recent years, economy sector always be government attention in doing development both short-term and long-term because economic growth is a benchmark for national development in some countries.

Banking sector is one of sector that feel the fastest growth and hold an important place in economic stability growth. This sector become more competitive because of deregulation of rules, and with the increasing growth of the economy, which is supported by the banking sector, it is increasingly important function of a bank in fund management.

Stuart in Suyatno et. al (2007: 1), Bank is an entity that aims to satisfy the credit needs, both with own payment tools or with the money that they get from other person, and with the passing of new tools in the form of demand deposits exchanger.

Commercial Banks is a bank that doing their activity conventionally or based on syar’i principle in their activities providing services in payment traffic. Ismail (2010: 15) said that there are 3 main function from conventional bank activities. That three main function presented in the following figure:

Figure 1 Banking Function
Source: Data processed researchers. (2013)
Figure 1 described three main functions of commercial bank activities, namely:

1. Collect funds from the public by offering various types of products such as demand deposits, saving deposits, and current deposits, as well as other financing products.

2. Distributing the funds to those in need of funds, in order to avoid idle fund.

3. Give products of services to help transaction that is needed by bank user like transfer, kliring, inkaso, ATM, credit card, and so on.

According to its function as an agent of development, bank has duty to managing their operational fund which from their own source of capital called one party funds, source from other bank or other financial institutions called second party funds, and source of fund from citizen managed by bank called source of third party fund.

In doing business, bank must have sources of available fund, where one of source of fund that role in bank operational activity is source of fund that come from third party fund. Beside have an important role in operational activities, third party fund is a measure of bank success if bank can financing their operation from that source.

Collecting third-party funds is relatively easier and more dominant if we compare to collect from first and second party. Now, bank has flexibility in the service they offer, the location the operate, and the tarif they pay for saving, and also in giving interest and other interesting facility.

Collecting fund activity from citizen in form of demand deposits, saving deposits, and time deposits were subsequently distributed to the public in the form of credit is aim to give contribution for development in riil sector and also shows bank existence in achieving profit so that it can guarantee the continuity of economic activities in general and banking activities specifically, also to gain customer confidence on bank with expectation that bank operational activities in term of receiving revenue from distributed credit absolutely necessary contribution from third-party fund as a main sources.
In collecting fund activity, bank will attempt to obtain third-party fund in a variety of saving product, while in distribution bank will place that third party fund in anykind of productive aktiva portofolio. Beside that, there is another factor excluding bank which is benchmark rate that directly effect on determination of the interest rate (price) bank product and not direct become moderate variable that effect the volume of third party fund product also productive asset from both activity above.

The movement of fund make cost of fund become higher, beside cost of fund, bank must also pay cost non interest and other cost. If this cost not offset by an increase in income that most of them get from credit interest and non interest income, then the profit the bank tended to decline. The amount of interest rate and volume also this interest rate which will determine the amount of profit that bank can gain. The indicator that bank use to assess bank profitability performance is using Net Interest Margin (NIM) ratio.

Non-performing loan is loan with classified as substandard, doubtful, and loss. NonPerforming Loan is one of key indicator to assess bank function performance. So that the higher this ratio, the badder bank loan quality that makes the amount of non performing loan become higher and the possibility of bank in trouble is big.

Liquidity play an important role in companies, one of its indicator is Loan to Deposit Ratio (LDR). LDR is the ratio between all of credit give with fund that bank get.

Based on research background above, researcher focusing the problem on:
1) Is demand deposits, saving deposits, time deposits, loans, NPL, and LDR partially have significant effect on NIM foreign exchange bank and non foreign exchange?
2) Is demand deposits, saving deposits, time deposits, loans, NPL, and LDR simultaneously have significant effect on NIM foreign exchange bank and non foerign exchange?
The purpose of this study is to analyze whether there is influence of Demand Deposits, Saving Deposits, Time Deposits, loans, NPL, and LDR effect partially and simultaneously on Net Interest Margin.

**STUDY OF THEORY**

Bank must have enough source of fund to finance the operating activities of bank in channeling fund. According to Kuncoro and Suherjono (2002: 151) said that Bank Fund is all debt and capital recorded on the liabilities side of bank balance sheet that can be used as bank operating capital in term of distributing fund activity.

According to Ismail (2010: 40) source of fund that bank use to operating bank activity is classified into three, which are:

1. **Party Funds**: funds collected from the bank's shareholders or owners of the bank. Funds collected are classified into:
   a. **Paid-in Capital**: the initial capital deposited by the owner at the time the bank was established.
   b. **Reserve**: set aside a portion of the profits in the form of capital and other reserves that will be used to cover the risk of later onset (Kuncoro and Suherjono, 2002: 152).
   c. **Remaining Income**: the accumulation of bank gains each year.

2. **Loan Fund**

   Loan fund is fund from another bank loan either domestically or overseas or non-bank financial institutions and issuing long-term debt securities or bond.

3. **Third-Party Fund**

   According to Bank of Indonesia Regulation Number: 6/11/PBI/2004, third-party fund is a fund in rupiah and foreign currency that are entrusted by public to the bank in form of demand deposits, saving deposits, and time deposits or any other form equivalent with that.
• Demand Deposits
  Demand deposit is deposit that may be withdrawn at any time by check, giro, any forms of payment order or fund transfer.

• Saving Deposits
  Saving deposit is saving that can be withdrawn only under certain agreed condition but it can not be withdrawn by check, giro, and/or other equivalent devices.

• Time Deposits
  Time deposits is time deposit that can be withdrawn only at a specific time based on the agreement between the depositor and the bank.

Loan
  Loan is lending of money or bills that can be equated with that based on agreement and loan-lending between bank and other parties who require the borrower to repay the debt after a certain period of time with the amount of interest, reward, or profit sharing.

Non Performing Loan (NPL)
  NPL is one of the key indicator to assess the performance of the function of bank. So the higher this ratio is the more worse credit quality of the bank’s non-performing loan caused the greater the amount of non performing loan become higher then the possibility of bank in trouble become higher. Non performing loan is a loan classified as substandard, doubtful, and loss.

LDR (Loan to Deposit Ratio)
  LDR (Loan to Deposit Ratio) is a ratio between all of loan amount that bank give with fund that bank get. This ratio is used to measure the level of liquidity. The higher this ratio, the lower the ability of bank liquidity so that the possibility of bank in trouble become higher.

NIM (Net Interest Margin)
  Net interest margin ratio is use to measure the ability of bank management in managing their productive asset to gain net interest income. Net interest income obtained from interest income minus interest expense. Net Interest Margin (NIM) ratio is an indicator use to assess bank profitability performance. The movement
of NIM ratio can be affected by many factors component, so that what is expected is not reached. Utomo (in Hedianto, 2010:6) suggest that Net Interest Margin (NIM) is use to measure the ability of bank management in managing their productive asset to gain net interest income. Where net interest margin is interest income minus interest expense. Productive asset is investment of bank fund both in rupiah and foreign exchange in the form of loan, securities, interbank placement, inclusion including of commitment and contingency off-balance sheet transactions accounted for productive assets that generate interest (interest bearing assets).

Figure 2 Model Research In Foreign Exchange Bank
Source: Data processed researchers (2014)
Hypothesis

- $H_{1.1}$: Demand Deposits positive and significant impact on NIM.
- $H_{1.2}$: Saving Deposits significant negative effect on NIM.
- $H_{1.3}$: Time Deposits positive and significant impact on NIM.
- $H_2$: Loans positive and significant impact on NIM.
- $H_3$: NPL positive and significant impact on NIM.
- $H_4$: LDR positive and significant impact on NIM.
- $H_5$: Demand Deposits, saving Deposits, Time Deposits, Loans, NPL, and LDR effect simultaneously to NIM.

Figure 3: Model Research In Non Foreign Exchange Bank

Source: Data processed researchers (2014)
RESEARCH METHOD

Research Method of Sample and Population

The method used in this research is correlational study which is to know the relation between two variables or more with other variables or how one variable effect other variable. The purpose of correlational study is to find the relation between variable. After data research obtained then we manage it, analyze quantitatively and processed it using software Eviews 7 tools and also basic of previously studied theory. The sample were taken by purposive sampling which are foreign exchange bank and non foreign exchange bank research sample if the financial statement exist and complete throughout the year of observation. The sample criteria are as follows:

a. Banking companies listed in Bank of Indonesia that have complete and reliable truth financial in 2009 – 2013.
b. Banking companies which published its report for 5 years in a row.

Based on the above criteria, then elected a sample of 31 foreign banks and 23 non-foreign banks that provide the details of financial report in the year of 2009 – 2013. Data processing using panel data by multiplying the total number of banks (54 banks) with observation period (5 years) so that the number of observations used become 270.

Demand Deposits variable calculated from demand deposits to total liabilities, saving deposits calculated from saving deposits to total liabilities, Time deposits calculated from Time deposits to total liabilities, loans calculated from total loans to total asset, NPL calculated from ratio between non performing loan to loans, LDR calculated from ratio between loans to total third-party fund, and NIM calculated from ratio between net interest income to productive asset.

Testing for normality using the Jarque-Bera (JB) test statistic. The test result on foreign model shows that the value of Jarque-Bera probability has normal distribution because the value of probability is 0.5317 > 0.05. While the data on non foreign model shows the value of Jarque-Bera is normal because the value of probability is 0.2411 > 0.05. Multikolinearity test may be detected using Pearson Correlation. From the test result on foreign model and non foreign model, there
are no correlation value that is greater than 0.8 so the data does not have multikolinearity. To know the heteroskedasticity in this research, we use Breusch-Pagan-Godfrey. If the value of probability chi-square > 0.05 then in that model there is no heteroskedasticity. The test result in foreign model, the value of obs*R-square is 0.0591, shows its greater than 0.05 so it is free from heteroskedasticity. While in non foreign model, the value of obs*R-square is 0.1165, shows its greater than 0.05 so it is free from heteroskedasticity. To know if there is any autocorrelation, we use Breusch-Godfrey test by seeing the value of Obs*R-squared probability. The probability result on Obs*R-squared foreign model is 0.5005 greater than \( \alpha(0.05) \) that indicate the data does not consist autocorrelation problem. While the probability result on Obs*R-squared non foreign model is 0.8973 greater than \( \alpha(0.05) \) that indicate the data does not consist of autocorrelation problem. The analysis method in this research using Eviews program 7.0 version.

RESULT AND DISCUSSION

Descriptive Analysis

Descriptive analysis use in this research are mean, median, maximum, minimum, and standard deviation. In the table below we provide descriptive statistic for Demand Deposits, Saving Deposits, Time Deposits, Loans, NPL, LDR, and NIM for foreign bank and non foreign bank in the year of 2009-2013.

<table>
<thead>
<tr>
<th>(x100%)</th>
<th>NIM</th>
<th>Demand Deposits</th>
<th>Saving Deposits</th>
<th>Time Deposits</th>
<th>Loans</th>
<th>NPL</th>
<th>LDR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.051900</td>
<td>0.130764</td>
<td>0.158914</td>
<td>0.511215</td>
<td>0.643770</td>
<td>0.013535</td>
<td>0.802476</td>
</tr>
<tr>
<td>Median</td>
<td>0.051350</td>
<td>0.130968</td>
<td>0.141445</td>
<td>0.528405</td>
<td>0.665740</td>
<td>0.009900</td>
<td>0.823950</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.091500</td>
<td>0.299890</td>
<td>0.459717</td>
<td>0.751213</td>
<td>0.800952</td>
<td>0.090000</td>
<td>1.195900</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.023700</td>
<td>0.037708</td>
<td>0.007249</td>
<td>0.167163</td>
<td>0.401021</td>
<td>0.000400</td>
<td>0.007200</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.011527</td>
<td>0.046714</td>
<td>0.111277</td>
<td>0.141034</td>
<td>0.088104</td>
<td>0.013319</td>
<td>0.144907</td>
</tr>
<tr>
<td>Observations</td>
<td>138</td>
<td>138</td>
<td>138</td>
<td>138</td>
<td>138</td>
<td>138</td>
<td>138</td>
</tr>
</tbody>
</table>

Source: Data processed researchers use Eviews 7
Table 2
Descriptive statistics NonForeign Exchange Bank

<table>
<thead>
<tr>
<th>(x100%)</th>
<th>NIM</th>
<th>Demand Deposits</th>
<th>Savings Deposits</th>
<th>Time Deposits</th>
<th>Loans</th>
<th>NPL</th>
<th>LDR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.055376</td>
<td>0.080460</td>
<td>0.080406</td>
<td>0.572284</td>
<td>0.606939</td>
<td>0.014423</td>
<td>0.954280</td>
</tr>
<tr>
<td>Median</td>
<td>0.053000</td>
<td>0.067938</td>
<td>0.060547</td>
<td>0.607661</td>
<td>0.650256</td>
<td>0.008700</td>
<td>0.835500</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.123700</td>
<td>0.288574</td>
<td>0.275282</td>
<td>0.818764</td>
<td>0.880238</td>
<td>0.183900</td>
<td>6.308200</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.017700</td>
<td>0.002652</td>
<td>0.008795</td>
<td>0.098195</td>
<td>0.284335</td>
<td>-0.033900</td>
<td>0.402200</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.020253</td>
<td>0.066650</td>
<td>0.062094</td>
<td>0.176401</td>
<td>0.132739</td>
<td>0.023418</td>
<td>0.796033</td>
</tr>
</tbody>
</table>

Observations 80 80 80 80 80 80 80

Source: Data processed researchers use Eviews 7

Regression Analysis

Table 3
Test Results Regression Models Foreign Exchange

Cross-section fixed effects test equation:
Dependent Variable: NIM
Method: Panel Least Squares
Date: 07/13/14   Time: 11:22
Sample: 1 138
Periods included: 5
Cross-sections included: 30
Total panel (unbalanced) observations: 138

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.015008</td>
<td>0.017060</td>
<td>0.879725</td>
<td>0.3806</td>
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<tr>
<td>DEMAND DEPOSITS</td>
<td>-0.001974</td>
<td>0.027820</td>
<td>-0.070960</td>
<td>0.9435</td>
</tr>
<tr>
<td>SAVING DEPOSITS</td>
<td>0.084764</td>
<td>0.020565</td>
<td>4.121753</td>
<td>0.0001</td>
</tr>
<tr>
<td>TIME DEPOSITS</td>
<td>0.035451</td>
<td>0.018754</td>
<td>1.890306</td>
<td>0.0609</td>
</tr>
<tr>
<td>LOANS</td>
<td>-0.019278</td>
<td>0.017243</td>
<td>-1.118022</td>
<td>0.2656</td>
</tr>
<tr>
<td>NPL</td>
<td>0.149883</td>
<td>0.067765</td>
<td>2.211802</td>
<td>0.0287</td>
</tr>
<tr>
<td>LDR</td>
<td>0.019861</td>
<td>0.011792</td>
<td>1.684313</td>
<td>0.0945</td>
</tr>
</tbody>
</table>

R-squared 0.254315 Mean dependent var 0.051900
Adjusted R-squared 0.220161 S.D. dependent var 0.011527
S.E. of regression 0.010179 Akaike info criterion -6.287528
Sum squared resid 0.013574 Schwarz criterion -6.139044
Log likelihood 440.8394 Hannan-Quinn criter. -6.227188
F-statistic 7.446224 Durbin-Watson stat 0.432516
Prob(F-statistic) 0.000001

Source: Data processed researchers use Eviews 7
Table 4

Test Results Regression Models NonForeign Exchange

Dependent Variable: NIM
Method: Panel EGLS (Cross-section random effects)
Date: 07/22/14 Time: 22:50
Sample: 1 80
Periods included: 5
Cross-sections included: 21
Total panel (unbalanced) observations: 80
Swamy and Arora estimator of component variances

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<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
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</thead>
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<tr>
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<td>0.009389</td>
<td>6.029522</td>
<td>0.0000</td>
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<tr>
<td>DEMAND DEPOSITS</td>
<td>-0.042547</td>
<td>0.023005</td>
<td>-1.849446</td>
<td>0.0684</td>
</tr>
<tr>
<td>SAVING DEPOSITS</td>
<td>0.077470</td>
<td>0.036509</td>
<td>2.121942</td>
<td>0.0372</td>
</tr>
<tr>
<td>TIME DEPOSITS</td>
<td>-0.058261</td>
<td>0.013838</td>
<td>-4.210252</td>
<td>0.0001</td>
</tr>
<tr>
<td>LOANS</td>
<td>0.057646</td>
<td>0.013784</td>
<td>4.182070</td>
<td>0.0001</td>
</tr>
<tr>
<td>NPL</td>
<td>0.134533</td>
<td>0.050320</td>
<td>2.673560</td>
<td>0.0093</td>
</tr>
<tr>
<td>LDR</td>
<td>0.007976</td>
<td>0.003137</td>
<td>2.542449</td>
<td>0.0131</td>
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Effects Specification

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<tr>
<th>S.D.</th>
<th>Rho</th>
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<tr>
<td>0.009436</td>
<td>0.6639</td>
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<tr>
<td>0.006714</td>
<td>0.3361</td>
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Weighted Statistics

<table>
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<tr>
<th>R-squared</th>
<th>Mean dependent var</th>
<th>0.018641</th>
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<tr>
<td>Adjusted R-squared</td>
<td>S.D. dependent var</td>
<td>0.010118</td>
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<td>S.E. of regression</td>
<td>Sum squared resid</td>
<td>0.004161</td>
</tr>
<tr>
<td>F-statistic</td>
<td>Durbin-Watson stat</td>
<td>1.517796</td>
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<tr>
<td>Prob(F-statistic)</td>
<td></td>
<td>0.000004</td>
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Unweighted Statistics

<table>
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<tr>
<th>R-squared</th>
<th>Mean dependent var</th>
<th>0.055376</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sum squared resid</td>
<td>Durbin-Watson stat</td>
<td>0.484499</td>
</tr>
</tbody>
</table>

Source: Data processed researchers use Eviews 7

The Effect of Demand Deposits, Saving Deposits, Time Deposits, Loans, NPL, LDR on NIM in Foreign Model

Based on table 3 in foreign model, the probability value of F-Stat is 0.000001. This value is < 0.05 so it means that the variable of Demand Deposits, Saving Deposits, TimeDeposits, Loans, NPL, and LDR simultaneously affect on NIM. Adjusted value (R-Square) on foreign bank is 0.0220161. Based on that value, we can conclude that 22% of dependent variable can be explained by the
variation of six independent variables which are Demand Deposits, Saving Deposits, Time Deposits, LoanSs NPL, and LDR. While 78% is explained by other factors outside variable in this research.

The coefficient from Demand Deposits variable in table 3 show that the value is -0.0019. The probability value in demand deposit is 0.9435, that value is greater than 0.05 so demand deposit is significantly no effect on NIM. Demand Deposits does not have significant effect on NIM with a negative way. Demand Deposits affect negative which means the lower Demand Deposits the higher NIM. This shows that the higher saving demand deposits collected then it will increase cost of fund in the form of demand deposit service so it will lowering NIM. This research result is appropriate with Hakim (2009) research.

Saving Deposits with coefficient value of 0.0847 has a positive correlation on NIM. In probability t-statistic value of saving deposits, we seen that the probability t-statistic value of saving deposits is 0.001, that value is lower than 0.05. From that value we knew that saving deposits is significantly effect on NIM. Saving Deposits effect positive which means that the higher the saving deposits, the higher the NIM was and otherwise. The growth of saving deposits is measuring foreign bank ability in collecting fund from citizen where from time to time it will increase. The growth of saving deposits has unidirectional relation with profitability that can be measured with NIM, so when the growth of saving deposits increase then the profitability measured with NIM will grow. This research result is appropriate with William (2012), Gul, Irshad, and Zaman (2011), and Sastrawan, Cipta, and Yudiaatmaja (2014).

Time deposits with coefficient value of 0.0354 effect positively on NIM. In probability t-statistic value of time deposits we seen that the value of probability t-statistic time deposits is 0.0609, that value is higher than 0.05. From that value we knew that there is no significant effect of time deposits on NIM. The growth of time deposits measure foreign bank ability in collecting fund from citizen where from time to time will increase. The growth of time deposits has an unidirectional relation with profitability which measure with NIM, so when the growth of
timedeposits increased then the profitability measure with NIM will experience growth. This research result is appropriate with William (2012).

Loans with coefficient value of -0.0192 effect negative on NIM. In probability t-statistic value of loans we seen that the probability t-statistic value of loans is 0.2656, this value is greater than 0.05. From that value knew that there is no significant effect of loan on NIM. This indicates that interest expense of foreign bank is greater than interest income so loans has no effect on NIM. This research result is appropriate with Zahroh (2007).

NPL with coefficient value of 0.1498 has positive effect on NIM. In NPL probability t-statistic value we seen that NPL probability t-statistic value is 0.0287. The value is lower than 0.05. From that we knew NPL significantly effect on NIM. This because of the increase of loan risk has no effect on net income increases or decreases, due to credit risk experienced by relatively small. This research result is appropriate with Ariyanto (2011) research.

LDR with coefficient value 0.0198 has positive effect on NIM. At the t-statistic probability value of LDR is seen that the value of the t-statistic probability of 0.0945 LDR. This value is greater than 0.05. From that we knew LDR no significanct effect on NIM. This suggests that the greater the number of loans granted by foreign banks, the better the level of bank profits is reflected in the level of net interest income. The results are consistent with Ariyanto (2011) research.

**The Effect of Demand Deposits, Saving Deposits, Time Deposits, Loans, NPL, LDR on NIM in Non Foreign Model**

While in table 4 non foreign model F-Stat probability value is 0.000004. That number is < 0.05 means that Demand deposits, Saving Deposits, Time Deposits, Loans, NPL, and LDR variables simultaneously effect on NIM. Adjusted value (R-Square) on non foreign model is 0.324143. From that value we can conclude that 32% of dependent variable can be explained by variation of six independent variable which are Demand Deposits, Saving Deposits, Time Deposits, Loans, NPL, and LDR. While 68% was explained by other factors out of variable in this research.
Demand deposits with coefficient value of -0.0425 has negative effect on NIM. On probability t-statistic value of demand deposits we see that probability t-statistic value of demand deposits is 0.0684. That value is greater than 0.05. From that value we knew that demand deposits has no significant effect on NIM. This shows that the higher demand deposits then the higher the interest expense. The higher the interest expense then it will lowering NIM. This research result is appropriate with Hakim (2009) research.

Saving deposits with coefficient value of 0.0774 has positive effect on NIM. On probability t-statistic value of saving deposits we see that the probability t-statistic value of saving deposits is 0.0372. That value is lower than 0.05. From that value we knew that saving deposits has significant effect on NIM. This indicates the growth of saving deposits measure foreign bank ability in collecting fund from citizen where from time to time will increase. The growth of saving deposits has an unidirectional relation with profitability which measure by NIM so when the growth of saving deposits increase then the profitability which measure with NIM will growth. This research result is appropriate with William (2012), Gul, Irshad, & Zaman (2011), and Sastrawan, Cipta, & Yudiaatmaja (2014).

Time deposits with coefficient value of -0.0582 has negative effect on NIM. On probability t-statistic value of time deposits we see that probability t-statistic value of time deposits is 0.0001. That value is lower than 0.05. From that value we knew time deposits has significant effect on NIM. Time deposits ratio effect negative which means that the lower the time deposits, then NIM increasing and otherwise. This shows that the lower time deposits, the higher the interest expense on non foreign bank. This research result is appropriate with Putri (2006) research.

Loans with coefficient value of 0.0576 has positive effect on NIM. On loans probability t-statistic we see that probability t-statistic value of loans is 0.0001. That value is lower than 0.05. From that value we knew that loans has significant effect on NIM. This indicates that loans growth has unidirectional relation on NIM so when the growth of loans increase without no non performing loan then
NIM will increase too. This research result is appropriate with Gul, Irshad, & Zaman (2011) and Sastrawan, Cipta, & Yudiaatmaja (2014) state that loans significantly effect positive on NIM.

NPL with coefficient value of 0.1345 has positive effect on NIM. On probability t-statistic value of NPL we see that probability t-statistic value of NPL is 0.0093. That value is lower than 0.05. From that value we knew that NPL has significant effect on NIM. NPL is a ratio that show the ability of bank management in managing non performing loan to gain net interest income. Net interest income obtained from interest income minus interest expense. NPL ratio has significantly positive effect on NIM, means every increase of NPL will increase NIM. This because of the increase of loan risk has no effect on the increase and decrase of net interest income, because credit risk experienced by is relative small. This research result is appropriate with Ariyanto (2011) research.

LDR with coefficient value of 0.0079 has positive effect on NIM. On probability t-statistic value of LDR we see that probability t-statistic value of LDR is 0.0131. That value is lower than 0.05. From that value we knew that LDR has significant effect on NIM. LDR ratio effect positive means that the higher LDR the higher NIM, this show that the higher of loans by non foreign bank, the better the level of bank profitability which reflected on net interest income level. This research result is appropriate with Ariyanto (2011) research.

CONCLUSION AND RECOMMENDATION

Conclusion

Conclusion that can be drawn from this research result is that on foreign model which are saving deposits and NPL have significant effect on NIM and have a positive way. While demand deposits, time deposits, loans, and LDR have no significant effect where demand deposits and loans in negative way, and time deposits and LDR in positive way. On the other hand, on non foreign model which are saving deposits, time deposits, loans, NPL, and LDR are significantly influence NIM. Where saving deposits, loans, NPL, and LDR are positive and
time deposits is negative. While demand deposits don’t have significant influence on NIM and its negative.

**Recommendation**

This research still have many lacks. Therefore for the next researcher, if they want to make research on foreign and non foreign bank are expected to use longer research period so the result will more acurat, and adding another variables that affect Net Interest Margin on banking in this case is foreign and non foreign bank.
REFERENCES


