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"Unlocking New Marketing Strategies on ASEAN After Covid-19 Pandemic"

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FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 3nd International Conference on Business and Banking Innovations (ICOBBI) with the topic "*Unlocking New Marketing Strategies on ASEAN After Covid-19 Pandemic*". This proceeding contains several researches articles from many fields in Business & Marketing, Banking & Sharia Banking, Accounting & Financial Management, Human Resources Management, Operations Management, Investasi, Insurance & Capital Market, Strategic Management, Technology Management, and Information System.

The 3nd International Conference on Business and Banking Innovations was held on 6th – 7th March 2021 by virtual (online) meeting and organized by the Master Management Study Program of STIE PERBANAS Surabaya in Collaboration with three Higher Education Institutions in Indonesia and two Universities from Asia countries. Keynote speakers in this conference were: Prof. Jessa Frida T Festijo (Lyceum of the Philippines University), Prof. Krisda Tanchaisak, Ph.D (Ramkhamhaeng University Thailand) and Burhanudin, Ph.D (Head of Undergraduate Program In Management of STIE Perbanas Surabaya, Indonesia).

I would like to give high appreciation to the Rector of STIE Perbanas Surabaya for his support at this event. Acknowledgments and thank you to all the steering and organizing committees of the ICOBBI for the extra ordinary effort during the conference until this proceeding published. Thank you very much to all presenter and delegates from various Universities. Beside it, I would like to express our gratitude to the three universities, namely Universitas 17 Agustus Surabaya, STIE 66 Kendari, Institut Institut Bisnis dan Keuangan Nitro Makassar which has been the co-host of this event.

Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website https://pascasarjana.perbanas.ac.id.

Chair of the Master Management Study Program
STIE Perbanas Surabaya

Prof. Dr. Tatik Suryani, M.M.

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The Effect of Market Share in The Third Party Fund, Fund Distribution, and Placement with Other Banks on The Profitability of Banks in Timor Leste

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ABSTRACT

Profitability is a measure of bank performance, because profitability is one of the financial ratios that show the results of a large number of policies and decisions taken by the bank management. This study aims to determine the effect of market share in the fund collection, fund distribution, and fund placements with other banks on the profitability of banks in East Timor. The kind of data used in this research is quantitative data, and the data sources are secondary data. While data collection techniques used is documentation that obtain data directly from the research include; financial report namely balance sheet, income report, the relevant books, regulations, relevant data in the study. The Results of analysis using multiple linear regression is that the market share in the fund (DPK) a significant negative effect on the profitability of the bank's market share in the distribution of funds significant positive effect on bank profitability and market share in the placement of funds in other banks significant positive effect on profitability.

Keywords: *Market Share, Fund Raising, Fund Distribution, Placement Funds In* Other Banks and Provitability (ROA)

1. PRELIMINARY

Bank is the most important financial institutions and affect the growth of the economy of a country. The presence of a financial institution primarily bank financial institutions in a country, it is expected, because the financial institution acting as intermediary finance. The purpose of establishment of a bank is to help the government build the asset, as the support fund for companies that want to invest and help improve people's lives and can result in high profitability. To be able to function properly then a bank needs to have sufficient funds to finance its operations and be able to compete with other banks, Kuncoro Mudrajad (2002: 68). A bank may have sufficient funds, if the bank is able to expand its market share, through third-party funds, the bank can offer products owned.

Banking presence in Timor Leste (East Timor) is one of the important part, which is expected by the government and the people of East Timor to help the government build assets and help people improve people's lives. This situation provides the opportunity for commercial banks operating in the State of Timor-Leste, among others Autralian and New Zealand Bank (ANZ) of Australia, the Bank of Indonesia, the *Banco Nacional Ultramarino* (BNU) from Portugal, as well as the *Banco National de Comercio de Timor Leste (BNCTL),* to compete fairly in order to be able to function properly in accordance with - the existing provisions.

One of the legal basis for establishing a Bank in East Timor is UNTAET (United Nations Transitional Administration in East Timor) Regulation No. 2000/8 dated February, 25th on the licensing of bank establishment, supervision and provisions of the bank, and article 17 on approvement or rejecting the application for licensing of banks and to withdraw licensing of bank establishments.

The banking industry in Timor Leste that Commercial Banks overseas offices (Kantor Luar Negeri) such as Bank Mandiri, ANZ Bank, Banco National Ultramarino and Banco National de Comercio de Timor Leste (BNCTL) or (*Bank Dagang Negara Timor Leste*) over the past few years show the development was encouraging compared to the beginning, where Timor Leste is still under a UN organization (at the time UNTAET), where uncontrolled monetary sector and the amount of money in circulation.

The role of the banking industry in the development of East Timor is clear that doing the mobilization of public funds and distributed them back to the community through lending to finance various development activities, so the banks in Timor Leste greatly affect the rate of economic growth through the liabilities and the assets that can not be separated from monetary policy taken by the monetary authorities.

Based on some previous research obtained information that the market share impact on profitability (Bambang Sudiyatno 2008), Lending affects to profitability (Muhammad Rushd & Fakhri Hafid, 2008), the Fund Placement In Other Banks affect to profitability (Chindy Anggraeni Luthfihani, 2010).

The market share means part of the market is a proportion of the overall industry sales (total) achieved by an industry. By comparing the sales of companies with sales of its industry it can be seen how big the market shares achieved by the

companies concerned. According to William J. Stanton (1984) Market Share can be interpreted as part of the market is controlled by a company, or a company's sales percentage of total sales of the biggest competitor at the particular time and place. The extent of a bank's market share can be measured through funds collected from third parties or the public at large.

Third Party Funds (TPF) in the form of Current Account, Savings account, and Time Deposits is the funds collected by each bank individually from the public. The higher of the amount of funds collected a bank, the better of the level of public confidence in the bank. Funds collected from the public will be recorded on the liabilities side of the balance sheet on a bank's financial reports for certain periods. Because this fund is the debt to the bank, where the bank needs to provide fringe benefits to customers in the form of deposit in accordance with the central bank, the bank needs to manage public funds to reallocate those funds for people in need of funds in the form of credit.

Funds distribution or loan is one of the main functions of the second bank which is a bank as an institution that distributing the funds to communities that lack of funds. Loan is the provision of cash or the equivalent, based on the approval of the bank and its customers, in which the debtor is obliged to repay the debt after a certain period with the amount of interest that has been set. (Taswan, 2006: 155). Loan interest is the price must be paid by the customer to the bank. Loan interest rates are determined need to be adjusted to the loan amount and term of the loan. So the loan interest, will give high revenue. This revenue would be obtained if the loans went smoothly, so the loan should be based on the principle of 5C.

The distribution of Loan recorded on the balance sheet of financial reports on the assets side. Because credit is the greatest productive assets that can give the most revenue earning assets higher than other woods and has a very big risk. So the decisions of credit distribution needs to consider the principles of credit distribution. Assets that can create a profit or income is earning assets. In addition, to having a bank earning assets such as loans/credit, also have other productive assets form of placements on the other banks. Productive assets is a very safe disbursement/distribution, because the risk is very small. However, the revenue earned from placements with other banks are also relatively small compared to the distribution of funds in the form of credit.

The Activity of placements with other banks is generally done through the financial markets (money market). Section which conducts transactions interbank placement of funds and / or borrowing of funds among banks is dealing room. Dealing room is usually a bank main office or at least a regional office of the bank. With the dealing room section whose main function is to place the funds quickly when surplus funds of banks and make loans quickly to other banks when the banks need funds to meet liquidity.

Placements with other banks is one of the bank's assets to give profits and short-term nature, and can be done by placing the funds in the form of Deposits, Certificates of Deposit and Interbank Call Money. (Ismail, 2009: 156). Fund Placements with other banks serve to cover the funding needs at a time when banks lacks of funds. Thus the placement of funds in other banks higher, then the bank's ability to meet maturing obligations or higher bank liquidity.

Liquidity is the ability of banks to respond the short-term obligations at maturity or liability to be paid immediately. Liabilities due or current debts generally consists of the obligation to pay wages employee, interest savings, loans from other banks and loans from the central bank. A bank is said to be liquid if it is able to fulfill the obligations. If the bank has the high ability to fulfill maturing obligations, the bank will also be able to afford profits.

Profitability is the bank's ability to afford profits in certain periods. The most appropriate indicators for measuring the performance of a bank is the profitability (Syofyan, 2002). A profitability measure used in the banking industry in general is Return On Equity (ROE) and Return on Assets (ROA). Return on Assets (ROA) focuses the company's ability to obtain earnings in its operation, while Return On Equity (ROE) only measures the return earned on an investment in the company owner of the business (Siamat, 2002). Henceforth in this study researcher using ROA as a measure of banking performance.

Return on Assets (ROA) is used to measure the efficiency and effectiveness of the company in affording profits by exploiting its assets. Return on Assets (ROA) is a ratio between income before tax to total assets. The greater Return On Asset (ROA) showed better performance, because the level of return (return) increases. If the Return On Asset (ROA) increased, meaning the company's profitability increased, so the impact is ultimately profitability enjoyed by shareholders (Husnan, 1998).

Profitability is the performance or the performance of companies to get the profit in a certain period. I Nyoman Sukehera (1992), suggests an understanding of profitability, but more focused on banks. So profitability is the bank's ability to afford profits from any business. Moreover, the instruments used in affording the profits is very different from industrial companies. Bank only provides services in banking services so that the income earned is limited to interest income, credit provision, other services. As some of the relevant measure in calculating profitabilities are: GPM, NPM, ROA and ROE.

2. THEORETICAL AND HYPOTHESES FRAMEWORK

Banks and Bank Function

The basic functions of banking which attract and collect funds and distribute in the form of a credit to the community. To clarify the definition of the Bank, previously given some general of the Bank by some economists. According Dendawijaya (2009: 14), the bank is simply defined as: " a businesses agency whose primary job as a financial intermediaries, which distributes funds from the surplus funds (idle fund surplus units) to those who need funds or lack of funds (deficit units) at the specified time. " Kasmir (2000; 11) defines a bank is a financial institution whose main activity is collecting funds from the public and to distribute back and provide other banking services. Martono (2002; 20), the Bank is an institution to lend money, spend money and collect money and create credit. According Kuncoro (2002; 68), the Bank is a financial institution which collects funds and distributefunds back into the community in the form of credit and provide services in payment and circulation of money. This means that the bank as an agency receive deposits from the public in the form of services and bank products, such as; Giro, Deposits and savings.

UNTAET Regulation number 2000/8, article 40 on the definition of Bank is a person engaged in the business of accepting deposits from the public in East Timor and using such funds, either in whole or in part, to the make extensions of credit or investments for the account of and at the risk of the person carrying on the business. Banks also known as main activities of financial institutions that accept deposit in the form of account, savings and deposits. Then the bank is also known as a place to lend money (credit) for the people who need them. Besides, the bank is also known as a place to exchange money, transferring cash or accept all kinds of payment, deposit and serves as a financial in economic activity.

UNTAET Regulation No. 2001/30 on the Banking and Payment Authority of East Timor, It is explained that, Definitions of "Bank" means a Juridical person engaged in the business of accepting deposits in East Timor and using such funds either in whole or in part to the make extensions of credit or investments for the account and at the risk of the person carrying on the business. Bank according to its functions are: (1) As an institution that collect community funds in the form of deposits. (2) As an institution that distributes funds to the community in the form of credit. (3) As the institution that launched the trade and circulation of money. In this discussion a lot more emphasis on the type of commercial banks, hereinafter called the Bank.

The Role of Bank In Development

In accordance with the main functions of banks that collect funds from the community and distribute them back in the form of loans/crdeit, and support the implementation of national development in order to improve equity, economic growth, national stability towards improving the welfare of the people, so that the role of banks occupy a strategic position within the economic development of the State and in the distribution of the public incomes. In the policy of lending, banking plays a very important role because it helped determine the distribution of public incomes and pattern in the future. For the improvement of people's socio-economic, financial institutions such as the Bank is required by the public, especially in the provision of capital for business development, expedite trade transactions, facilitate the circulation of money and provide services in payment traffic.

Market Share

Market Share is part of the market. Market

Share is a proportion of the overall industry sales (total) achieved by an industry. By comparing the sales of companies with sales industry it can be seen how big the market shares achieved by the companies concerned. The market share is the portion of industry sales of goods or services that are controlled by the company. Analysis of market share reflects the performance associated with the marketing of the company's competitive position within an industry. There are two major theories about the share market is the Structure Conduct Performance (SCP) and the theory of efficiency. SCP theory is a model for connecting between market structure of an industry with the company's behavior and performance. While the efficiency theory is a model that describes how the operational efficiency of a company which is able to affect the company's performance as well as market share. The results of the research in the world have various results that mutually supports for both types of the theory. In the theory of Structure Conduct Performance (SCP) where it is believed that the market structure will affect the performance of an industry. This theory is based on the assumption that the market structure will affect the behavior of companies that will ultimately affect the performance of the company and the industry, (Gilbert, 1984). From the point of view of competition, concentrated market structure tends potential to cause various behaviors of unfair business competition in order to maximize profit. Companies can maximize profits for their market power, a common thing for a company with a dominant market share (Arianto, 2004).

Mahzab alternative theory is Relative Efficiency (RE). This theory has an contradiction assumption with Structure Conduct Performance (SCP), where it is believed that the efficiency of the company could result in a high margin (performance), which ultimately can increase their market share. Thus, the structure of the market does not always affect performance (Gilbert, 1984). The theory of Relative Efficiency (RE) assumed that too strict settings on market structure (as recommended SCP) would reduce the incentive of companies to improve efficiency (Arianto, 2004). So, both theories contrary to the direction of influence. At SCP believes that market share will affect the performance of a company. On the other hand the efficiency theory believes that the company's performance will affect the market share.

Several studies on the efficiency hypothesis is measured by using a variable market share. Several studies in the US found that efficiency is the dominant variable in explaining the profitability of banks in the United States (William, 1994). Schuster (1984), company with a larger market share ismore profitable for large economic scale have greater market power and better management quality. In addition Shepherd (1982, in the theory of market power states that only companies that have a large market share and differentiated product that can implement a market share that will earn supernormal profits. According to J. Stanton (1984) Market Share can be interpreted as part of the market is controlled by a company, or a company's sales percentage of total sales, the biggest competitor at the particular time and place. If a company with a particular product has a market share of 35%, it means that if the total sales of such products in the given period amounted to 1,000 units, the company through its products will obtain sales of 350 units. The amount of market share at any time be changed according to changes in consumer’s desire, or the migration of consumer interest from a product to another (Charles W. Lamb, 2001). Kusumadmo (1985; 25), Market Share can be seen by taking into unit account or monetary.

Market Share: <u>Company Unit Sale Amount</u>
Company unit sale Industry

While the other analytical of the market share proposed by Surachman Sumawirhardja H., et all (1991: 36) shows the following formula:

$$Si = \frac{Mi}{\sum Mi}$$

Where: Si = Market Share
Mi = Business marketing controlled by the company.

This formula means that the market share of a company is determined by the Effort Share, which is the marketing of the company compared to the marketing efforts undertaken by competitors. Market share, stated by Kotler (1992: 8), is to compare the ability of a company in the face of competitors or the company's ability to maintain customer loyalty to products and services produced by another company or the company's success in attracting subscription of the company's competitors. The formula put forward the same to the formula above market share. The usefulness of the data market share is to evaluate the ability of company marketing. The increase in a number of the company's sales should also be seen from the number of sales that can be achieved industry concerned. To enhance the company's market share means that companies have to deal with competitors in an industry market by showing the strengths.

The marketing strategy can be classified on the basis of market share obtained by a Company, then divided into 4 groups: (1) Market Leader, called the leader of the base if the market share in the range of 40% or more. (2) Market Chalengger, if the market share in the range of 30%. (3) Market Follower, if the market share in the range of 20%. (4) Market Nitcher, if the market share in the range of 10% or less.

The Distribution Fund or Loan

The Constitution No.10 / 1998 (article 21 paragraph 11) in Rachmat Firdaus and Maya Ariayanti (2004: 1) "credit is the provision of money or bills can be equated with it, based on agreements between bank lending with other parties that requires the borrower to repay the debt after a certain period of time with interest ". Indonesian Accountants Association (SAK 2007: 31.11) states that "credit is the lending of money or bills can be equated with that based on agreement borrowing and lending among banks and other parties who require the borrower to repay the debt after a certain period with the amount of interest , reward, or profit sharing ". From the two definitions above, we can conclude that credit is an activity or business of banks to distribut the funds to those in need of funds, where the borrower has an obligation to repay the debt after a certain period of time with interest, reward, or profit share. According to Sudarsono and Edilius (2001: 69), that the credit is a payment agreement between the seller and buyer, or between the creditor and the debtor, to carry out the payment or repayment of the loan later in installments. While Mulyono and Teguh Pudjo (2001: 10), credit is the ability to do a purchase or a loan with a promise of payment will be done, suspended on an agreed period. On the other hand, Kashmir (2000: 72), stating that the credit is to obtain goods or money loan by paying in installments in accordance with the agreement. Another opinion given by Hasibuan (2002: 87), that the credit is all kinds of new loan paid back with interest by the borrower in accordance with an agreed arrangement. Thus, the credit is the provision of trust. This means that the achievement was given absolutely believed to be returned by the recipient according to the agreed period. The elements in the provision of credit by Muchdarsyah Sinungan (1993: 3) is (a) the trust; (b) Time; (c) degree of risk); and (d) achievement.

Fund Placement on other Banks

Bank is the intermediary institutions between the parties who put the funds and the parties who use the funds. In managing the assets and liabilities of the bank, when the bank has the excess liquidity, the bank will distribute the excess funds into assets that can create profits. Assets that can create a profit or income is called earning assets. One of the bank's assets is the distribution of funds to other banks in the form of placements with other banks. According to Ismail (2009: 157), placement of funds in other banks is one of the bank's assets and the type of placement in the short term can result in profits while improving the liquidity of banks. Placements with other banks is done by placing the funds in the form of Fixed Deposit, a Certificate of Deposit and Interbank Call Money. According to PSAK 31, placements with other banks is the investment of bank funds in other banks, both domestically and abroad, in the form of Interbank Call Money, Savings, Deposits, and others similar, which is intended to afford the income. Placements with other banks are recognized at the time of submission of the nominal value of the deposit or the contracted value according to the type of placement.

Placements with other banks are presented in the balance sheet of asset group. The balance of the present is for the gross value of bank charges. Placements with other banks are productive assets which have a risk of default, therefore, the bank needs to make up the allowance for uncollectible of productive assets (PPAP) in accordance with agreement. The allowance for uncollectible of productive assets for placements with other banks are presented in the balance sheet as a deduction posts (off the account settings) of placement posts with other banks.

The Types of fund placement with Other Banks Term Deposit

Term Deposit is a deposit which may be withdrawn in accordance certain period of time according to the agreement between a bank that deposit with a bank that received funds. Placements with other banks in the form of term deposits, which means that banks place their funds in term deposit to other banks directly. Remuneration for the bank with a deposit in the form of interest income. Deposit interest will be given to the bank in accordance with the value date, namely the date on which placement is done. For example, on January 5, 2014 Banco National de Comercio de Timor Leste (BNCTL) places their funds in the form of Term Deposit in PT. Bank Mandiri Dili, Timor Leste within a period of 3 months, then BNCTL will earn interest payment on February 5th, March 05th, and April 5th, 2014. Payment of interest on deposits will be made every month until maturity.

Certificate of Deposit

Certificate of deposit is the term deposits that can be withdrawn only in a certain period of time according to the agreement between the a banks that place funds with the banks that receive funds. Certificate of Deposit issued in the form of certificates, it means that anyone who carries a certificate of deposit and exchange it to the issuing bank, then the bank gives the deposit certificate is entitled to the distribution of the certificates of deposit that correspond to their nominal value. Payment of interest of the certificates of deposit, are generally made at the time of purchase, or received in advance. Payments made by banks that buy a certificate of deposit is a nominal amount of certificates of deposit after deducting discounts.

Interbank Call Money

Interbank Call Money is money market instrument that is used to perform the activities of placement of funds in other banks (placement) or lend funds to other banks in the domestic currency or foreign currency. Interbank Call Money is also the placement of funds in the short term, namely between 1 day to 90 days. Interest Interbank Call Money is to improve the effectiveness of the use of banks, in order to reach the optimal bank liquidity (Ismail, 2009: 157).

Profitability

Management is a major factor affecting the profitability of banks. The entire management of the bank, both of which include capital management, asset quality management, general management, profitability management and liquidity management will eventually influence and lead to the profitability of a banking enterprise (Payamta, Machfoedz 1999). The main purpose of any company, either industry company, trade, or services is to get the maximum profit. So as all the work done has always relied on a late goal by taking into account the ability of further business development, for the company's desire is not only limited to the results obtained. The ability of the company makes a profit in relation to sales, total assets and own capital. Profitability measures the level of return on the investments made by the company, either by using the total assets owned by the company or by using funds from the owners. Level of profitability or commonly known in profitability is a measure of bank performance, because the profitability is one of the financial ratios that show the results of a large number of policies and decisions taken by the management company.

The understanding of profitability expressed by some experts, so it is interesting to examine the understanding of this revenue measurement tools can be used to determine the ability of companies within an industry. The profitability ratio according to Totok Budisantoso (2006: 62), can be measured by several indicators, namely: (1) Return on Assets (ROA), (2) Return On Equity (ROE), (3) Ratio of Operating Costs, (4) Net Profit margin.

Lukman Dendawijaya, Return on Assets (ROA) (2009: 118) This can be calculated by the following formula:

ROA = *profit before tax/assets total x100%*

Philip E. Fess (1983; 201), defines Profitability is the ability of a company to earn profit from each of its business units. Furthermore, in that sense given several measures that should be known: (1) Ratio of net sales, (2) The level of profits derived from the use of all assets, (3) gross profit, (4) net profit margin. According to Kotler (1992, 92), defining Profitability is the company's ability toford a reasonable level of profit. This profitability can be calculated by using the following criteria: (1) Return on total assets, (2) Return on Equity.

I Nyoman Sukehera (1992), also argued the term of profitability, but more focused on banks. So profitability is the bank's ability to afford the profits from any business. Moreover, the tools used in affording the profits is very different from industrial companies. The Bank only provides services in banking services so that the income earned is limited to interest income, credit provision, other services. As some of the relevant measure in calculating the profitability of these are: (1) Gross profit margin, a formula is used to determine the ability of each of the banks to afford the profits from its business operations purely, (2) Net Profit Margin, the formula used to measure bank's ability to afford the net income in terms of operating income, (3) Return on Total Assets is a profitability measure that is intended to measure the ability of management of bank in managing the assets that is controlled to produce a variety of income (4) Rate of Return on Loan, a formula is used to measure the existing credit at the bank could bring in revenue. According Siamat (1995), the profitability ratio used to measure the effectiveness of the bank makes a profit. Besides can be used as a measure of financial health, profitability ratios is very important to be observed given adequate profit is required to maintain the capital resources. Profitability analysis technique involves the relationship of certain items in the report of profit and loss calculation forobtaining measures that can be used as an indicator to assess the efficiency and ability of banks to make a profit. Therefore, this analysis technique is also called the analysis of the profit-loss. According Syofran, banking performance can be measured by using the average rate of interest on loans, the average interest rate on deposits, and bank profitability. Furthermore the research stated that profitability is the most appropriate indicator to measure the performance of a bank. To evaluate the financial condition and performance of a company, financial analysis requires a measure. The measure is often used is a ratio or index linked the two data financial. A profitability measure used is Return on Equity (ROE) for the company in general and Return on Assets (ROA) in the banking industry. ROA focus on the company's ability to obtain earning in company operations, while ROE only measures the return earned on an investment in the company owner of the business, (Siamat, 2002). Relevant profitability analysis used in researching bank profitability is ROA. According Meythi (2005),the reason for the use of ROA due to BI The Bank of Indonesia as supervision of banks that is more concerned assets that funds come from the public, (Meythi, 2005). Besides, ROA is the most objective measurement method that is based on accounting data provided and the amount of ROA may reflect the results of a series of companies policies, especially banking, (Riyanto, 1995)

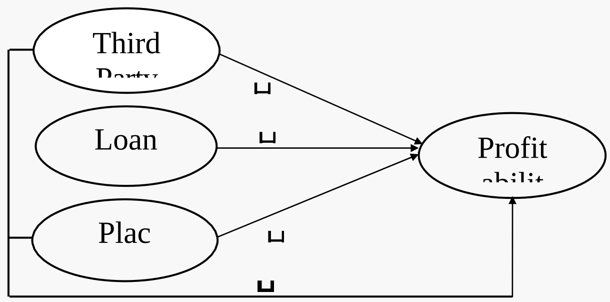
ROA is the ratio between profit before tax to total assets in a period, the formula used to figure ROA is as following, (Husnan, 1998):

ROA = profit before tax/total asset x 100%.

CONCEPTUAL THOUGHT

FRAMEWORK

Based on the formulation of the problem, and previous theoretical basis, the theoretical framework of research can be seen in Figure 2.1.



Source: Processed Researchers

Hypothesis :
The hypothesis of this study are:
H1: Market Share in Deposits have a significant negative effect on the profitability of the Bank.
H2: Market Share in Distribution or Credit rating has a significant positive effect on bank profitability.
H3: Market Share in the Fund Placements with

other banks have a significant positive effect on bank profitability.

H4: Market Share in Fund Collection, Fund Distribution, and Fund Placements with other banks, has a significant positive effect on bank profitability.

3. RESEARCH METHODS

Types of research

This study basically aims to assess and analyze the effect of market share, the fund collection, fund loan, and fund placements with other banks on the profitability of banks in the organizations of banking in Timor Leste. This research approach is descriptive research which in this study aims to describe the characteristics of a phenomenon, events that happened in the present time (Juliansyah Noor, 2011: 111). When it is seen in terms of time, this study include cross-sectional research is a study that can be done with the data once collected (Uma Sekaran, 2009: 177) using the method of polling data and the type of data used in this research is secondary data which research conducted by collecting of actual data that is published financial report of Timor Leste Central Bank of each of the banks operating in Timor Leste.

Definition of Operational Research

From several theories that have been described in previous chapters can be explained the operational definition of research as following:

a. The market share is the ratio of the total number of sales units of a company with sales of industrial units of the same market. While variable measurement is done through Savings, Current Accounts (giro), and deposits.

b. Fund Distribution is an activity or business of banks to distribute funds to those in need of funds, where the borrower has an obligation to repay the debt after an agreed period in exchange for services or *interest* (bunga). While variable measurement is done through the realization of total loans distributed by the banks (investment, working capital loans and consumer credit).

c. Placements with other banks is an investment of bank funds in other banks. While variable measurement is done by calculating the total realization of the bank funds placed with other banks.

d. Profitability is a measure of the performance of the bank, because the profitability is one of the financial ratios that show the bank's ability to afford profits and decisions taken by the bank's management. While variable measurement is done by calculating the percentage return on assets (ROA).

The Type of Data and the Techniques of Data Collecting

The type of data used in this research is quantitative data, and the data sources are secondary data. While data collection techniques used is documentation that the data obtained directly from the research include; financial reports such as balance sheet reports, income reports, relevant books, regulations, relevant data in the study. Riduwan, (2004; 97)

Population, Sample and Sample Collection Techniques Population

The population in thisresearch is a quarterly financial report, members of the banking industry in the East Timor; Bank Mandiri, ANZ Bank, Banco Nacional Ultramarino (BNU) and Banco National de Comercio de Timor Leste (BNCTL), consisting of balance sheet, income report, and other information reported to the Central Bank of Timor Leste (BCTL) that since 2003-2013.

Samples

The sample used in this study is the balance sheet report, quarter profit-loss report, and other information from the four banks in East Timor for the last five years the period 2009 - 2013 or 20 quarter multiplied by the number of banks in Timor Leste, (20 x 4 = 80), so that the number of samples or N = 80.

Sampling Determination Technique

Sampling Determination technique used in this study is Non-Probability Sampling namely; sensus. Sensus is a sampling determination technique when all members of the population are used as a sample. This is often done when the number of relatively small population, less than 30 people, or research to make generalizations with a very small error, (Sugiyono, 2013: 122).

Data analysis technique :

Data analysis technique used in this research is Multiple Regression Analysis (MRA). MRA is a multivariate instrument that is used to examine the effect of multiple independent variables (independent variable = X) on the dependent variable (dependent variable = Y). The type of MRA is an equation that indicates the direction toward the influence of the independent variable (X) on the dependent variable (Y). In this case needs to be analyzed is the direction of influence of each independent variable on the dependent variable, whether in accordance with the theory / logical. (Iramani Rr., 2013: 33). Simultaneous Test (Test F) is used to test whether the independent variable simultaneous (X) contained in the type of MRA significantly influence the dependent variable (Y).

The coefficient of determination (R2) is used for how big the ability of model to explain variations in the dependent variable can be interpreted the large donations (contributions) of all independent variables simultaneously in influencing the dependent variable. R2 value between zero and one (0 <R2 <1). The greater of value of R2,the greater of ability of all independent variables in explaining the dependent variable. (Iramani Rr., 2013: 34)

Partial test (t test) is used to test whether partially independent variable (X) contained in the Model MRA significantly, influencing the dependent variable (Y). Partial determination coefficient (r2) is used to measure the contribution of (contribution) partially independent variables in influencing the dependent variable. R2 value between zero and one (0 <r2 <1). R2 greatest value indicates the dominant variable in explaining or affect the dependent variable. (Iramani Rr., 2013: 34)

3.1. The Description of The Research Subject and Data Analysis

3.1.1. The Description of The Research Subject

One important thing in the economic development in Timor Leste is the operation of the bank, where the subjects in this study are the banks which are operating in Timor Leste namely: ANZ, BNCTL, BNU and Bank Mandiri. The Banks are the most important financial institutions and affect the growth of the economy of the country, as it has the function of the intermediary or as an intermediary between the owners of capital (fund supplier) with the fund user. Therefore, banking presence in East Timor is one of the important part, which is expected by the government and the people of Timor Leste to help the government build assets and help the society to improve their lives. This situation provides the opportunity for commercial banks of several countries which enter and operate in Timor Leste.

One of the legal basis for establishing a bank in Timor Leste is; UNTAET Regulation No. 2000/8 , February 25th, thus only permitting the establishment of banks, supervision, and provisions of the bank, and article 17 on to approve or reject the application for permitting the bank establishment to withdraw the permitting establishment of the bank. With the publication of UNTAET regulation 2000/8,k February 25th that the commercial banks from abroad started to come open branches in Timor-Leste as; Banco National Ultramarino (BNU) started operating on November 29th, 1999 to the present, the Australia and New Zealand (ANZ) Banking Group started operating since January 31st, 2001 to the present, and the Bank commenced its operations since the date of August 8, 2003 to the present. But before, BNCTL already existed at that time but the effort still status as Micro Bank so that the space of work was limited yet *Full Branch*.

The data used in this research is the publication of the quarterly financial report of the year 2009-2013.

The Analysis of Hypothesis Testing

The Analysis of hypothesis testing is done by using multiple linear regression analysis. This analysis is used to test the effect of variable X to variable Y. The data processing multiple linear regression using the program of SPSS, version 16.0 as following:

Table 4.1 Results of Data Processing Multiple Linear Regression

Model	B	Tcount	ttable	Sign.	r^2
(Constant)	2.038				
DPK (X1)	-.105	-4.577	1.64	.000	0.216
KREDIT(X2)	.042	5.489	1.64	.000	0.284
PDPBL (X3)	.036	2.550	1.64	.013	0.078
F_{count}	= 14.145		F_{table}	= 2.72	
R^2	= 0.358		Sign.	= 0.000	

Based on the Multiple Linear Regression Analysis Results in Table 4.1, obtained multiple linear regression equation as following:
ROA = 2038-0105 TPF + 042 + Loan +0036 Placement
Interpretation of the above equation can be explained as following:

1. **Constant (β0) = 2,038**
The constant value above shows that the amount of ROA (Y) is 2,038 if all variables (X), namely TPF (DPK), Loan and Placement is zero.
2. **The regression coefficient for the TPF variable (X1) = - 0105**
The value of the variable of TPF indicates that each increase of one unit TPF variable, it will increase the value of ROA amounted to -0105 units, assuming the other variable (X) is constant.
3. **The Regression coefficients for the variables Loan (X2) = 0.042**
The value of the variable Loan showed that each increase of one unit variable Loan, it will increase the value of ROA amounted to 0.042 units, assuming the variable (X) is another constant.
4. **The regression coefficient for the variable PDPBL (X3) = 0.036**
The value of the variable Placement showed that each increase of one unit Placement variable, it will increase the value of ROA amounted to 0.036 units, assuming the variable (X) is another constant.

A). Simultaneously Test (F_{test})

F-test is used to test and know how much influence TPF variable (X1), Loan (X2) and Placement (X3) to ROA (Y) Simultaneously. Simultaneously test results shown in table 4.1 with the following explanation:

1. **Comparative analysis between F_{count} and F_{table}**
In Table 4.1 it can be seen that F-hitung 14.145 with a significance level namely 0.000. Next is to determine F-table with a significant level namely 0.05 and DF1 and DF2 = 3 = 76, so as to obtain F_{tabel} of = 2.72 From these results it can be seen that F-hitung is higher than F-table 14.145> 2.75. So H0 refused and explainable that TPF variables simultaneously (X1), Loan (X2) and Placement (X3) has a positive and significant impact on ROA (Y).
2. **The Analysis of the coefficient of determination (R2)**
From table 4.1 it can be seen that the coefficient of determination shown by R2 for 0.358 means that the contributions made by third-party funds, Loan distribution, and placements in other banks simultaneously to ROA namely 35.80% and the remaining 64.20% influenced by other variables outside the mo**del.**

B). Partial test (t-test)
Explanation of each test hypotheses for each variable (X) on the profitability (ROA) of banks in Timor Leste as following:

1. **T_{test} for TPF variable (X1)**
In Table 4.1 it can be seen that t-count of TPF variable (X1) is -4577. Next, it is determined t- table with a significance level namely 0.05 and df = 76, can be obtained t_{table} 1.64. From these results show that t_{count} is smaller than t_{table} -4.577 <1.64, and it can be seen that the significance level of TPF variable (X1) is smaller than a predetermined significant namely 0.000 <0.05. From the two results of the analysis, then H0 is accepted. So it can be explained that the TPF variable (X1) has an significant negative effect partially on ROA variable (Y) on banking in Timor Leste.
2. **The t-test for Loan variable (X2)**
In Table 4.1 it can be seen that the t_{count} of Credit variable (X2) namely 5489. Next determined t_{table} with a significant level namely 0.05 and df = 76, then it can be obtained t_{table} 1.64. From these results show that t_{count} is higher than that t_{table} 5.489>1.64 Loan as well as significant variables (X2) is smaller than a redetermined significance is 0.000 <0.05. From the two results above, H0 is rejected. So it can be explained that partially Loan (X2) has a significant affects on ROA variabel (Y) on banking in Timor Leste.
3. **The t-test for Placement variable (X3)**
In Table 4.1 it can be seen that t_{count} Placement variable (X3) of 2.550. Next determine t_{tabel} with a significant level of 0.05 and df = 76, can be obtained t_{table} 1.64. From these results show that t_{count} greater than t_{table} 2.550 > 1.6 as well as significant variables Placement (X3) is smaller than a predetermined significance is 0.013 <0.05. From the two results above, H0 is rejected. So it can be explained that partially

Placement Variabel (X3) has a significant affects to variabel ROA (Y) on banking in Timor Leste.

DESCRIPTION

In this section described the discussion of the results of the analysis using multiple linear regression of all the variables used in both the simultaneously test (F test) and partial test (t test).

SIMULTANEOUS TEST (TEST F)

In the result of analysis using multiple linear regression showed that the TPF variable (X1), Loan (X2), Placement (X3) simultaneously significant effect on ROA (Y). This can be seen from the results of F_{count} is larger than F_{table} (14.145> 2.72) and the significance of 0.000. Based on the coefficient of determination R^2 shows the contribution of the variable of TPF (X1), Loan (X2), Placement (X3) namely 35.8%. This shows that the contribution of the research model consists of the variable of TPF, Loan and Placement to ROA is still not good because the determination coefficient of less than 50% while the remain is 64.2% is influenced by other variables outside the model of which is the company's ability to afford the profits (earnings power) , business risk, inflation rates, government policies, and economic conditions.

PARTIAL TEST (T_{test})

In the discussion of the t_{test} will describe how the influence of each independent variable on the dependent based on the results of multiple linear regression analysis.

1. The influence of market share in third party fund to ROA

Based on the analysis using multiple linear regression showed that the market share in TPF partial significant negative effect on ROA. Further views of the coefficient is negative -0105 and r^2 values in Table 4.1 shows that the contribution of a given TPF variable (X1) in affecting ROA is quite small in the amount of 21.6%. So it can be explained that the TPF variable (X1) significant negative effect on ROA. This because the funds collected from the community is quite large, but lending to other parties that are very small, so that payments to depositors interest is greater than the ***interest*** income from loans received by banks. These results do not support the research by Bambang Sudiyatno (2010) which states that the TPF has a significant positive effect on ROA.

2. The Effect of Market Share in Fund Distribution or Loan (X2) on ROA

From the results of t_{test} analysis using multiple linear regression showed that the market share in the distribution of funds has a significant positive effect on ROA. Further views of the coefficient is positive value: 0.042 and value of r2 in Table 4.1 shows that the contribution of a given of Loan variable (X2) in affecting ROA quite large, amounting to 28.4%. it can be explained that the Loan variable (X2) has a significant positive effect on ROA. The results of this study support the results of research and Fakhri Muhammad Rushd Hafid (2008) which states that there is a significant positive effect on ROA Lending.

3. Effect of Market Share in a Fund Placement In Other Banks (X3) to ROA

From the results of t_{test} analysis using multiple linear regression showed that the market share in the placement of funds in other banks has a significant positive effect on ROA. Further views of the coefficient is positive value 0.042 and the value of r^2 in Table 4.1 shows that the contribution of a given of Loan variable (X2) in affecting ROA quite large, amounting to 25.4%. This can be explained that the variable Loan (X2) has a significant positive effect on ROA. The results of this study support the results of research and Fakhri Muhammad Rushd Hafid (2008) which states that there is a significant positive effect on ROA Lending.

4. CONCLUSIONS, SUGGESTIONS, IMPLICATIONS AND LIMITATIONS

Conclusions.

This study aimed to assess the effect of market share in fund collecting, fund distribution, and placements in other banks on the profitability of banks in East Timor. The sample used in this study is the financial report data of the publication of t banks which operates in Timor Leste per-quarter over the period 2009 - 2013. The variable used in this study is the ROA as the dependent variable, while the variable of TPF, Loan and Placement as independent variables. From the results of the descriptive analysis and hypothesis testing using multiple linear regression can be concluded that:

1. Taken together TPF, Loan and Placement has a significant positive effect on ROA.
2. Third Party Fund collecting has a significant negative effect on ROA. In theory the smaller third-party funds (TPF) collected by the banks, the smaller of the

bank's performance (ROA) or in contrary. But based on the real condition of the banking, third party fund does not necessarily guarantee that a large increase in ROA. It depends on the ability of bank management to manage and distribute third party fund. If the bank is able to distribute it to other parties as a Loan, it is expected that the bank will receive interest income of loan which the amount is higher than the cost of interest paid by the bank to the customer.

3. Distribution of funds or loans distributed significant positive effect on ROA. This means that the higher funds distributed to customers in the form of credit, the higher of the bank's performance (ROA).

4. Placement of funds in other banks has a significant positive effect on ROA. This can be explained that the higher of funds that were placed with other banks will leave a positive impact on the bank. On the other hand also will provide value to the bank's management in managing the assets and liabilities of the bank, when the bank excess liquidity.

Suggestion.

From this study, researchers gave advice for all those who use this research as a reference. Among others are:

1. The importance of banking to manage the funds equally between the funds collected by the distributed fund. So the banks should consider funding decisions, policy distribution of funds, and fund placement because considerable influence in improving the performance of the bank.

2. The Banks should also consider the risk factors, because if the higher of lending, the higher of the risk of bad credit. Therefore, the bank's management in this case Credit Unit should be more careful and selective in analyzing credit application.

Implication.

Practical Implications For Banking in East Timor

The results showed that the third-party funds actually has a significant negative effect on ROA. This is contrary to existing theories, namely the higher of the TPF will increase the profitability of banks. Based on the analysis and the reality in the field, obtained the information why the collection of Third fund party has a significant negative effect, because there is a possibility that the collected fund doesn't distributes to the other parties. Consequently, the bank doesn't receive the interest income from the debtor, on the hand, the bank must pay the cost of interest to the customers. This affects to the cost of interest to the customers delivered is higher than interest income which is received from debtor.

Managerial Implication that can be done, namely:

1. Increasing the credit distribution effort to the debtors with more ways to maximize the managerial role and employer in credit distribution effort.

2. The is a worry of the bank to distribute the fund to the debtor caused by unclear guaranty, if happen the bad credit, so it is difficult to execute the guaranty. Implication of this condition is the bank in placing the fund to other banks in order to obtain the interest income from the other banks.

Practical Implications for BCTL (Bank Central of Timor Leste)

1. To motivate and control the banking to balance between fund collection and fund distribution, so there is no accumulation in the bank.

2. Required to issue a regulation on Fund Placement on other banks. Because there is no specific regulation in the Bank Central Timor Leste on Fund Placement on other banks.

Theoretical Implications

1. The result of this research affirm that the market share in collecting the third party fund in the banking of Timor Leste has negative influence, but significant to the profitability of bank measured by ROA.

2. Market share in distributing the credit, in the bank of Timor Leste has a positive and significant influence to the profitability of bank measured by ROA.

3. Fund placement on other banks in the banking of Timor Leste has a significant positive influence to the ROA.

Limitation of Research

In this research, there are some limitations which influences the result of research, namely:

1. The limitation of research journal as the source of reference in this research.

2. The limitation of research literature in doing the theoretical analysis in this research.

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