Formosa Journal of Sustainable Research (FJSR)
Vol.2, No.5, 2023: 1069-1078

Sustainability in Bank: Deposits, Investment and Interest Rate

Josua Panatap Soehaditama
Institut Keuangan Perbankan dan Informatika Asia Perbanas, Jakarta
Corresponding Author: Josua Panatap Soehaditama Josua.panatap@perbanas.id

A R T I C L E I N F O

Keywords: Sustainability Bank, Deposits, Interest Rate

Received : 3 April
Revised : 18 April
Accepted: 20 May

A B S T R A C T

The aim of the study is to analyze and substantiate the papers on the variables of this study using a literature review. The research method used is a qualitative literature search of scientific papers from various national and internationally renowned journals. A discussion survey found that each of the three variables was derived from the results of presenting literature reviews from dozens of academic papers using indexes of national and prominent journals, and that deposits and banking It was found that there is an effect between and both. How fluctuations in interest rates and investments in banks affect them. There are also differentiating variables discovered by researchers: business model, ownership, accountability, meeting performance, company performance, market discipline, etc

DOI: https://doi.org/10.55927/fjsr.v2i5.3912
ISSN-E: 2830-6228
https://journal.formosapublisher.org/index.php/fjsr

INTRODUCTION

The bank as a financial institution that has funds from the public and other parties with a very broad role in carrying out its functions, in carrying out its duties, banks are regulated by laws and regulations in force in the country where the bank operates. The aim is to ensure that banks operate safely, fairly, and in accordance with sound financial principles. As a financial institutions, banks play an important role in the country's economy. Banks can facilitate the flow of money within society and encourage economic growth by giving people and businesses access to finance. banks provide fund transfe to the public (Amodu et al., 2020), according to (Suryawan et al., 2021);(Babajide et al., 2020) as an important part of the financial system, banks play a central role in the country's economy, and they most effectively direct funds from economic surpluses to economic deficit units. They provide specialized financial services that help reduce information costs for both savers and borrowers, leading to financial inefficiencies. Banks operate and continue to operate by lending and earning interest on investments. They accept deposits from individuals, institutions and governments and provide loans to individuals, businesses, financial institutions and governments that have excess cash (savings). Deposits and borrowed funds (bank obligations) are also used to purchase securities (bank money), the interest rates of which are approved by the Monetary Commission indicate prices for borrowers, lenders and banks.

As financial institutions also banks must provide information regarding interest rates set by the central bank, and applied by private banks, bank interest rates may vary depending on several factors, such as the financial market situation, credit needs and the reference interest rate set by the central bank. In many developed countries, interest rates have been low for almost a decade since the Global Financial Crisis (GFC) and in many cases are expected to remain low for longer. Low interest rates can aid economic recovery and improve banks' balance sheets and incomes by boosting capital growth, supporting asset prices, and reducing non-performing loans. However, persistently low interest rates – low for long periods of time – can erode the profitability and value of bank franchises, as low interest rates are typically associated with lower net interest margins (Claessens et al., 2018), according to (Brei et al., 2020) A key concern is that prolonged low interest rates will reduce banks' revenues and undermine their traditional lending activities. It also reduces the value of their franchise. A decrease in bank margins and profitability can in turn weaken a bank's borrowing capacity and thus limit capital accumulation. Another concern is that banks may rebalance their portfolios with fees and trades. In the short term, this could offset falling profits, but if interest rates are reversed, greater exposure to financial markets could destabilize banks.

Sustainability is one of the challenges facing banks today. Because sustainable business models are responsible for the environment and society and bring economic benefits, they represent an attractive approach to sustainability. A sustainable business model also offers competitive advantages for banks, such as improving brand image and reducing costs (Nosratabadi et al., 2020). Based on the above phenomenon, the purpose of this study is to analyze and prove from the literature review articles related to the variables in this study.

LITERATURE REVIEW

Bank

According to (Payer, 1982) Banks are financial institutions that accept deposits from the public and provide loans, as well as provide other financial services such as issuing credit cards, money transfers, and investments, then according to (IMF, 2019) banks are financial institutions that receive deposits from the public and provide loans or investments to meet capital needs, further according to (Kasmir, 2016) banks are financial institutions whose main mission is to collect money from the public and return it to the community, as well as provide other banking services, according to (Sakdiyah, 2018) banks have functions; 1) Agent of Trust, i.e. trust is the most important foundation operating in this banking institution; 2) Development Agents, namely Field Banking Institutions that accelerate the country's economic growth, good cooperation between the financial sector and the real sector; 3) Service agents are banks that serve through the services we provide to our customers, these services include depositing money, sending money, paying bills and withdrawing cash.

Interest Rate

According to (Jogiyanto, 2000) interest is the loan price Interest is expressed as a percentage of capital per unit time, a measure of the price of resources used by debtors for creditors, According to (Hubbard, 2001) interest rate is the cost that borrowers must pay for the loans they receive and lenders pay for their investments, then according to (IMF, 2019) interest rate has a major impact on economic growth, inflation and overall financial stability. Interest rates can vary depending on many factors, including economic conditions, inflation, credit risk, and a country's central bank's monetary policy.

Investment

According to (Brealey et al., 2006) investment is the use of money or other resources to buy or create assets that are expected to generate financial returns in the future, further according to (Tandelilin, 2010) Investment is an investment in one or more assets that you have, and is long-term and will bring profits in the future, investment decisions can be made by individuals or people with excess money, Furthermore, according to (Dewi, 2018) investment consists of several types of him; 1) Investment in fixed assets, such as investment in tangible assets or fixed assets of land, buildings, sites; 2) Investments seen in personal property, investments in personal property e.g. gold, diamonds, antiques;). Financial investments, investments in securities such as deposits, stocks, bonds 4. Investment in commodities, investment in raw materials such as coffee, palm oil.

Deposits

According to (Ismail &; Ak, 2010) Deposit is customer funds whose withdrawals are made within a period of time whose availability is easily estimated and the compensation paid by the bank for deposits is greater than bank deposits of other funds such as current accounts and funds such as current accounts and savings. considered as a valuable asset, further according to (Kasmir, 2014) Types of deposits include:

a). Deposit futures: issued within a certain time
b). Certificate of Deposit: issued with a period of 1,3,6,12, and 24 months.
c). On Call Deposit: time deposit with a minimum of seven days and a maximum of less than one month.

METHODOLOGY

The methodology of this study uses a qualitative approach and examines the variables in this study. Literary research is a type or method of academic writing in the form of literature research. Theoretical analysis, analysis of relationships between variables, books and magazines, online and offline, obtained from Mendeley, Google Scholar and other online media. The reviewed journals are listed in Journal Metrics Table 1.1 below

Table 1. Metrik Journal

Researcher, Title and Year	Variables	Findings	Differences with this study
(Karas et al., 2013) Deposit Insurance, Banking Crises, and Market Discipline: Evidence from a Natural Experiment on Deposit Flows and Rates	X1 : Deposit Insurance X2 : Banking Crises Y : Market Discipilne	X1 → Y (sig) X2 → Y(sig)	Market Discipilne
(Allen et al., 2015) Deposits and bank capital structure	X : Deposits Y :Bank Capital	X → Y	
(Lambert et al., 2017) How do insured deposits affect bank risk? Evidence from the 2008 Emergency Economic Stabilization Act	X : Deposits Y : Bank Risk	X → Y	
(Eluyela et al., 2018) Board meeting frequency and firm performance: examining the nexus in Nigerian deposit money banks	X1 : Meeting Frequency X2 : Firm Performance Y : Deposit Money Banks	X1 → Y X2 → Y	Meeting Frequency Firm Performance
(Babajide et al., 2020) Challenges of accountability	Deposit money bank Accountability	X1 → Y	Accountability

in Nigeria: the role of deposit money bank			
(Andries & Billon, 2016) Retail bank interest rate pass-through in the euro area: An empirical survey	X1 : Interest rate		
(Drakos et al., 2016) Ownership, interest rates and bank risk-taking in Central and Eastern European countries	X1 : Ownership X2 : Interest Rates Y : Bank Risk	X1 → Y X2 → Y	Ownership
(Claessens et al., 2018) Low-For-Long" interest rates and banks' interest margins and profitability: Cross-country evidence	X1 : Interest Rates X2 : Bank Interest Margins Y : profitability	X1 → Y X2 → Y	Profitability
(Brei et al., 2020) Bank intermediation activity in a low-interest-rate environment	X : Bank Y : Interest Rate	X → Y	
(Roy et al., 2015) Sustainability in Banking Industry: Which way to move?	Sustainability Banking		
(Mishra, 2016) Asian Infrastructure Investment Bank: An Assessment	Asian Infrastructure Investment Bank	X → Y	Infrastructure
(Méndez-Suárez et al., 2020) Sustainable Banking: New Forms of Investing under the Umbrella of the 2030 Agenda	Sustainable Banking Investing	X → Y	
(Nosratabadi et al., 2020)	Sustainable Banking Business Models	X → Y	Business Models

Sustainable Banking; Evaluation of the European Business Models			
(Yang et al., 2019) An Empirical Study on the Impact of Foreign Strategic Investment on Banking Sustainability in China	Foreign Strategic Investment Banking Sustainability	X → Y	

In qualitative research, literature review should be used in accordance with methodological assumptions. This means that it must be used inductively so that it does not direct the questions asked by the researcher. One of the main reasons for conducting qualitative research is because research is exploratory (Ali and Limakrisna, 2013).

RESULTS

Effect of Banks with Deposits

In the results of the research after the elaboration of scientific articles obtained from the search results of various journals with reputable national or international indices, the results were presented from the proprietary study (Karas et al., 2013) with the results of research on the interaction of deposit protection and market discipline crises. Uninsured depositors responded to the crisis by increasing market discipline, thus providing checks that could be useful for banks to consider taking on greater risk during periods of systemic instability. Although we believe that newly insured depositors are not fully sensitive to bank risk after the crisis, they are clearly not subject to strict market discipline like the uninsured group, a subsequent study from (Allen et al., 2015) with the results of risk neutrality research, the expected return on equity is higher than direct investment in risky assets. Banks have positive capital to reduce bankruptcy costs, but capital regulation plays a role in deposit guarantees. Banks can no longer use capital to lend to businesses instead of investing directly in risky assets, a subsequent study from (Lambert et al., 2017) with research results showed that affected banks increased their investments in risky commercial real estate and became riskier compared to unaffected banks after the change. Small banks suffer the most from this effect.

A subsequent study from (Eluyela et al., 2018) with the results of the report's research recommended that bank management consider increasing the frequency of board meetings to at least four (4) meetings per year. This allows the Savings Bank Model to comply with Nigeria's Good Governance Code, which requires companies to meet at least quarterly, a subsequent study from (Babajide et al., 2020) with the results of different bank deposit studies together with corruption levels had a negative influence on bank profitability in the long run, although only the level of deposit corruption was statistically significant on The significance rate is 5 percent. The total amount of the bank's balance sheet, the amount of loans and advances, and fraud significantly affect the profitability of banks at a significance level of 1 and 10 percent. The results also show that banks benefit from time corruption and need deposits in the short term.

Effect of Interest Rate with Bank

From the exposure of scientific articles obtained by researchers from various reputable national or international journal sources, researchers will provide an explanation of the proprietary study (Andries &; Billon, 2016) with the results of empirical evidence of short and long interest rate ranges and the dynamics of changes in bank interest rates. We also provide an overview of the situation of monetary policy transmission more than 15 years after the introduction of the euro and the consequences of debt in the financial and public sectors, a subsequent study of (Drakos et al., 2016) with the results of research that the risk behavior of foreign and domestic banks is different. Foreign banks increased risk appetite as long-term interest rates fell in all countries in the 2000s, while in the 10 CEE countries they behaved more aggressively, also responding to short-term rate cuts. This behavior is mainly due to senior banks. On the other hand, domestic banks from 10 central and eastern European countries have no risk relationship. In addition, the solvency position of foreign banks remains unchanged compared to the monetary policy situation in all countries, while the solvency status of domestic banks does not apply in the Russian Federation.

The next study from (Claessens et al., 2018) results of research p a 1 percent reduction in interest rates means a net interest margin 8 basis points lower, which is higher (20 basis points) at low interest rates. The profitability of banks is also negatively affected by low interest rates, but with variations. And for each subsequent year, "low for a long time" margins and profitability decreased by 9 and 6 basis points, respectively, subsequent studies of (Brei et al., 2020) low interest rates forced banks to shift their activities from interest collection to brokerage and trading activities. The balance is stronger for small capital banks. Banks have also moderately adjusted their financial structures, switching from short-term market financing to deposits. At the same time, we observe a decrease in the risk-weighted asset ratio and a decrease in the allowance for loan losses, which is in line with evergreen signs of growth.

Effect of Investment with Banks

The study from (Roy et al., 2015) research results on the implementation of responsibility issues by banks that carry out various roles under the supervision of central banks are positive. The report's findings should show how banking industry participants and decision makers understand the concept of sustainability and the Bangladesh Banking Authority's current sustainability initiatives, subsequent studies from (Mishra, 2016) with research results The biggest challenge for banks is to prioritize project selection in such a way that the available funds are used optimally and operate as a transparent and impartial organization, as well as a quick and smooth transition from "China". initiative" became a "China-led initiative", which benefited equally from all its member states, subsequent studies (Méndez-Suárez et al., 2020) with research results showed that investors expected a negative return of 16.48%, and these expected losses could be compensated by the short-term and long-term positive effects of social interventions. (4) SIB is proven to provide opportunities to achieve SDG 17 and grow a sustainable investment portfolio, as well as opportunities to strengthen social responsibility policies and corporate image, further studies (Nosratabadi et al., 2020) with research results The results of the comparison of banks in each country show that the sustainability of the business models of Norwegian and German banks is higher compared to other provinces. Hungarian and Spanish banks came in second, Great Britain, Poland, and France in third, and Italian banks in fourth place in terms of sustainability of their business models and subsequent studies of (Yang et al., 2019)

With the results of the study revealed three facts. First, when foreign ownership increases in a given region, strategic foreign investment will further increase the productivity and sustainability of Chinese banks. Second, the inverse N-shaped relationship between foreign strategic investment and Chinese banks' productivity growth is supported, and the optimal foreign ownership ratio is 20.16%. Foreign investments strategically increase the productivity and sustainability of Chinese banks primarily through the transformation of economies of scale. The results of this work could support China's banking policy.

DISCUSSION

The findings of the results above that several articles are displayed from the influence between variables such as banks with deposits with research articles that state the influence of research (Karas et al., 2013) with the findings there is an influence and there is a gap in the differentiating variable, namely Market Discipilne, (Allen et al., 2015) with the findings there is an influence, then research from (Eluyela et al., 2018) with the results of the study providing influence between variables with differentiating variables or gaps, namely meeting performance and firm performance, then from (Babajide et al., 2020) with qualitative research methods and research results in accordance with the topics in this article and the distinguishing variable, namely accountability.

The next finding (Drakos et al., 2016) with the results of the influence between the Interest Rate variable and banks with the differentiating variable or gap ownership, then from (Claessens et al., 2018) with (Drakos et al., 2016) the influence between interest rate and banks, and the existence of a differentiating variable or gap namely profitability, then from (Mishra, 2016) with the differentiating variable (Claessens et al., 2018)Infrastructure, then from(Mishra, 2016) (Nosratabadi et al., 2020)(Nosratabadi et al., 2020) with the influence between investment and sustainable banks and the existence of differentiating variables, namely Business Models. From this study, differentiating variables can be used or continued for future research by other researchers.

CONCLUSIONS AND RECOMMENDATIONS

As a result of the discussion, each of the three variables was obtained from the results of a literature search of dozens of academic papers, including indexes of domestic journals and well-known journals. It was shown that there is Similarly, changes in interest rates have an impact, and so do changes in bank deposits. There are also differentiating variables discovered by researchers: business model, ownership, accountability, meeting performance, company performance, market discipline, etc.

ADVANCED RESEARCH

My weakness as a researcher is searching and collecting literature. Given all these limitations and attempts to contribute to science and knowledge, especially in the field of financial management, we hope that the results of this qualitative study can be used as a reference for other researchers in the future.

ACKNOWLEDGMENTS

I would like to thank my creator and the results of this research, to the educational institution where I am based and to my family for their constant encouragement and prayers to complete this research in the form of an academic paper. appreciate.

REFFERENCES

Allen, F., Carletti, E., & Marquez, R. (2015). Deposits and bank capital structure. *Journal of Financial Economics*, *118*(3), 601–619. https://doi.org/10.1016/j.jfineco.2014.11.003

Amodu, L. O., Agedah, D., Oyero, O., & Okorie, N. (2020). *From services to engagement: an assessment of online public relations in Nigerian banks*.

Andries, N., & Billon, S. (2016). Retail bank interest rate pass-through in the euro area: An empirical survey. *Economic Systems*, *40*(1), 170–194. https://doi.org/10.1016/j.ecosys.2015.06.001

Babajide, A. A., Lawal, A. I., Amodu, L. O., Asaleye, A. J., Ewetan, O. O., Olokoyo, F. O., & Matthew, O. A. (2020). Challenges of accountability in Nigeria: the role of deposit money bank. *Journal of Money Laundering Control*, *23*(2), 477–492. https://doi.org/10.1108/JMLC-10-2019-0082

Brealey, R. A., Myers, S. C., Allen, F., & Krishnan, V. S. (2006). *Corporate finance* (Vol. 8). McGraw-Hill/Irwin Boston et al.

Brei, M., Borio, C., & Gambacorta, L. (2020). Bank intermediation activity in a low-interest-rate environment. *Economic Notes*, *49*(2), 1–23. https://doi.org/10.1111/ecno.12164

Claessens, S., Coleman, N., & Donnelly, M. (2018). "Low-For-Long" interest rates and banks' interest margins and profitability: Cross-country evidence. *Journal of Financial Intermediation*, *35*, 1–16. https://doi.org/10.1016/j.jfi.2017.05.004

Dewi, G. A. K. R. S. (2018). *Investasi dan pasar modal Indonesia*. Rajawali Pers.

Drakos, A. A., Kouretas, G. P., & Tsoumas, C. (2016). Ownership, interest rates and bank risk-taking in Central and Eastern European countries. *International Review of Financial Analysis*, *45*, 308–319.

https://doi.org/10.1016/j.irfa.2014.08.004

Eluyela, D. F., Akintimehin, O. O., Okere, W., Ozordi, E., Osuma, G. O., Ilogho, S. O., & Oladipo, O. A. (2018). Board meeting frequency and firm performance: examining the nexus in Nigerian deposit money banks. *Heliyon*, *4*(10), e00850. https://doi.org/10.1016/j.heliyon.2018.e00850

Hubbard, R. G. (2001). *Money, the financial system, and the economy*.

Ismail, I., & Ak, D. (2010). Manajemen perbankan. *Dari Teori Menuju Aplikasi. Jakarta: Kencana*.

Jogiyanto, S. H. (2000). Pengantar Pengetahuan Pasar Modal. *Edisi Pertama, UPP AMP YKPN, Yogyakarta*.

Karas, A., Pyle, W., & Schoors, K. (2013). Deposit Insurance, Banking Crises, and Market Discipline: Evidence from a Natural Experiment on Deposit Flows and Rates. *Journal of Money, Credit and Banking*, *45*(1), 179–200. https://doi.org/10.1111/j.1538-4616.2012.00566.x

Kasmir, S. (2014). Analisis laporan keuangan (cetakan ke). *PT Raja Grafindo Persada*.

Lambert, C., Noth, F., & Schüwer, U. (2017). How do insured deposits affect bank risk? Evidence from the 2008 Emergency Economic Stabilization Act. *Journal of Financial Intermediation*, *29*, 81–102. https://doi.org/10.1016/j.jfi.2015.07.001

Méndez-Suárez, M., Monfort, A., & Gallardo, F. (2020). Sustainable banking: New forms of investing under the umbrella of the 2030 agenda. *Sustainability (Switzerland)*, *12*(5), 1–13. https://doi.org/10.3390/su12052096

Mishra, R. (2016). Asian infrastructure investment bank: An assessment. *India Quarterly*, *72*(2), 163–176. https://doi.org/10.1177/0974928416643582

Nosratabadi, S., Pinter, G., Mosavi, A., & Semperger, S. (2020). Sustainable banking; Evaluation of the European business models. *Sustainability (Switzerland)*, *12*(6). https://doi.org/10.3390/su12062314

Payer, C. (1982). *World Bank: A critical analysis* (Vol. 8). NYU Press.

Roy, M. K., Sarker, M. A. S., & Parvez, S. (2015). Sustainability in Banking Industry: Which way to move? *ASA University Review*, *9*(2), 53–69.

Sakdiyah, S. (2018). ANALISIS PROSEDUR PEMBERIAN KREDIT PADA BANK PERKREDITAN RAKYAT (BPR) INGIN JAYA LAMBARO ACEH BESAR. *Jurnal Sain Ekonomi Dan Edukasi (JSEE)*, *6*(1).

Suryawan, R. F., Susanto, P. C., Parmenas, N. H., & Setiadi, D. (2021). Strategy to Increase Bank Satisfaction in the New Normal Era of Covid-19. *Jurnal Mantik*, *5*(3), 1977–1981.

Tandelilin, E. (2010). Pengantar Pengetahuan Pasar Modal, Edisi ke empat. *Yogyakarta: Unit Penerbit Dan Percetakan AMP YKPN*.

Yang, W., Zhao, B., Zhao, J., & Li, Z. (2019). An empirical study on the impact of foreign strategic investment on banking sustainability in China. *Sustainability (Switzerland)*, *11*(1), 1–15. https://doi.org/10.3390/su11010181