ABSTRACTS

Since the late 1991, Indonesia has two different types of banking; interest rates bank and free interest rates bank. This situation provides an investor or debtor to make a decision which system gives the best profitable outcome for a given choice. Loan or credit with interest rates costs fixed component of total cost neither the free interest rates bank .During inflation, free interest rates system reduces revenue from debtor by its amount. Through *Mehra's Error Correction Model* relationship pattern for those explanatory variable (rates of revenue sharing for Sharia Interbank Money Market, interest rates for working capital and consumer's price index inflation) with explained variable (sharia's financing) will be tested. The result indices that inflation on first lag does affect sharia's financing. Interest rates although doesn't have significance affect to sharia's financing but it has a contra theory phenomenon. After differentiated sharia's financing to its uses, it proves that productive financing have a positive slope to inflation while the consumptive financing doesn't.

Keywords: Sharia' s financing, Inflation, Interest Rates