

Analysis of Factors Affecting Liquidity of Islamic Banking Listed on the Indonesia Stock Exchange

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ABSTRACT

The purpose of this study is to investigate the effect of Non-Performing Financing, Third Party Funds, Financial To Funding Ratio, Macroprudential Intermediation Ratio and Macroprudential Liquidity Buffer on the liquidity of Islamic Banking listed on the Indonesia Stock Exchange List in the 3rd and 4th quarters of 2018 to the 1st and 2nd quarters of 2018. 2019. The research design used is a quantitative approach. The data analyzed is secondary data in the form of quarterly banking financial statements listed on the Indonesia Stock Exchange List for the 3rd and 4th quarters of 2018 to 1st and 2nd quarters of 2019, data for each bank. The population in this study were 15 Islamic banks listed on the Indonesia Stock Exchange List during the study period, with a sample of 12 Islamic banks during 4 quarters of observation, so that the final sample was 48 observational data. The results of the study show that the variables of Non Performing Financing, Financial To Funding Ratio have an influence on the liquidity of Islamic banking. While other variables, namely Third Party Funds, Macroprudential Intermediation Ratio and Macroprudential Liquidity Buffer, have no effect on the liquidity of Islamic Banking. Liquidity management in banking institutions is one aspect that becomes a top priority. Liquidity is a condition where banks are able to meet their obligations as they fall due and banks are able to meet the demand for funds by customers. Banks must be able to maintain their liquidity level in a safe and optimal position in accordance with the bank soundness level parameters set by Bank Indonesia.

Keywords: Non-Performing Financing, Third Party Funds, Financial To Funding Ratio, Macroprudential Intermediation Ratio, Macroprudential Liquidity Buffer, Sharia Banking Liquidity

ABSTRAK

Tujuan penelitian ini adalah untuk menyelidiki pengaruh Non Performing Financing, Dana Pihak Ketiga, Financial To Funding Ratio, Rasio Intermediasi Makroprudensial dan Penyangga Likuiditas Makroprudensial terhadap likuiditas Perbankan Syariah yang terdaftar di Daftar Bursa Efek Indonesia triwulan 3 dan 4 tahun 2018 sampai triwulan 1 dan 2 tahun 2019. Desain penelitian yang digunakan adalah pendekatan kuantitatif. Data yang dianalisis adalah data sekunder berupa laporan keuangan triwulan perbankan yang terdaftar di Daftar Bursa Efek Indonesia periode triwulan 3 dan 4 tahun 2018 sampai triwulan 1 dan 2 tahun 2019, data masing-masing perbankan. Populasi dalam penelitian ini sebanyak 15 perbankan syariah yang terdaftar di Daftar Bursa Efek Indonesia selama periode penelitian. Sampel diperoleh sebesar 12 perbankan selama 4 triwulan pengamatan, sehingga diperoleh sampel akhir sebanyak 48 data observasi. Hasil penelitian mengungkapkan bahwa variabel Non Performing Financing, Financial To Funding Ratio yang mempunyai pengaruh terhadap likuiditas Perbankan Syariah. Sedangkan variabel lainnya yaitu Dana Pihak Ketiga, Rasio Intermediasi Makroprudensial dan Penyangga Likuiditas Makroprudensial tidak mempunyai pengaruh terhadap likuiditas Perbankan Syariah. Pengelolaan likuiditas dalam lembaga perbankan merupakan salah satu aspek yang menjadi prioritas utama. Likuiditas merupakan kondisi dimana perbankan mampu memenuhi kewajiban-kewajiban pada saat jatuh tempo dan perbankan mampu memenuhi permintaan dana oleh nasabah.

Perbankan harus mampu menjaga tingkat likuiditasnya pada posisi aman dan optimal sesuai dengan parameter tingkat kesehatan bank yang ditetapkan oleh bank Indonesia.

Katakunci: Non Performing Financing, Dana Pihak Ketiga, Financial To Funding Ratio, Rasio Intermediasi Makroprudensial, Penyangga Likuiditas Makroprudensial, Likuiditas Perbankan Syariah

INTRODUCTION

The main task of the bank is to collect funds from the public in the form of savings, then the funds that have been collected are channeled back to the community in the form of financing. To be able to collect funds from the public, banks have an obligation to convince customers that the money they deposit is guaranteed safe (Friedline et al., 2020; Kane, 2008; Hassan & Renteria-Guerrero, 1997). Unfortunately, low-income neighborhoods raise concerns about access to financial services (Ding & Reid, 2020; Basrowi & Utami, 2020). Thus, the public needs to receive information that allows them to know the condition of the bank, especially when the bank merges, there are concerns about reducing small business loans (Jagtiani, Kotliar, & Maingi, 2016; Utami, 2019). In simple terms, this condition can be seen from several measures of the financial performance of the bank concerned.

The bank's financial performance is very important to evaluate the health of the bank. In this case, Islamic Banking in Indonesia, listed on the Indonesia Stock Exchange is increasingly aggressive to improve its performance. Competition is getting tougher, especially in catching up with the market share of Islamic Banking which is still below 6% of the total existing industrial banking (Syafri, 2018). The rapid growth and performance certainly do not make the Islamic banking system free from problems as experienced by conventional banks (Kisman, 2020). However, the main parameters for measuring the performance of Islamic banking continue to experience rapid growth (Umiyati, 2020).

The latest study related to the financial performance of Islamic banks in Indonesia was examined during the 2014-2018 period (Syafri, 2018). Another study is a comparative analysis of Islamic banks and conventional banks (Riantani & Dyahrini, 2021), and an analysis of the liquidity ratios of Islamic Banks during the Covid 19 Pandemic (Taujiharrahan et al., 2021). Meanwhile, for the 2019 period, not many studies have been found, especially Islamic Banking which is listed on the Indonesia Stock Exchange. Previous studies have also focused on the influence of external and internal factors on the financial performance of Islamic banking (Istan & Fahlevi, 2020) and the development of Islamic banking and its contribution to national development (Fitriyah, 2020).

Another study is related to findings that the size of Non-Performing Financing (NPF) shows the performance of a bank in managing disbursed funds (Kristina, Ketut, & Dewi, 2021). Several previous studies revealed that in addition to Islamic banking financing, the source of funds was third-party funds (Hughes et al., 2019). Other findings revealed that TPF growth had no effect on LDR (Nugroho, Arif, & Halik, 2021). Distribution of financing by adding a component of securities into the calculation, so that banks can channel their funds not only through credit/real financing but also with securities. Partially, the IDR and Car Exchange rates have a negative effect on ROA (Rini, Balafif, & Imamah, 2021).

From the various literatures, several factors were found that could affect the liquidity of Islamic banking, then the researchers went deeper. The research focuses on Financial to Deposit Ratios, namely Non-Performing Financing, Third Party Funds, Financial To Funding Ratios,

Macroprudential Intermediation Ratios, and Macroprudential Liquidity Buffers. This is the novelty of this research compared to previous studies.

LITERATURE REVIEW

Liquidity

Liquidity is the bank's ability to meet the possibility of withdrawal of deposits/deposits by depositors/custodians. The optimal amount of liquidity is determined by the trade off between the low returns earned on liquid assets and the benefit of minimizing the need for expensive external funding. A bank is said to be liquid if it can fulfill the obligation to withdraw money from the depositor and from borrowers/debtors (Kim, Mauer, & Sherman, 1998). In banking theory, liquidity is the ability of a bank to meet its debt obligations, be able repay all its depositors and be able to fulfill credit requests submitted by debtors without any suspension (Diamond & Rajan, 1999).

The theory of bank liquidity requirements includes three motives that aim to require bank cash holdings as part of the precautionary principle in a regulatory framework consisting of: (1) observable and verifiable cash, (2) cash risk that does not change to decisions bankers about whether to invest resources including managing risk, greater cash holdings, incentives to manage non-cash risks held by banks, and (3) saving cash to save on liquidation costs (Calomiris, Heider, & Hoerova, 2018).

Bank liquidity is regulated for the ability of a bank to pay off its short-term debt only (Allen, 2017). Banks protect entrepreneurs from the liquidity needs of depositors, so they are able to create liquidity from both sides of the financial balance (Diamond & Rajan, 1999). Liquidity also has other benefits and functions that are very important for a company. Liquidity has the benefit of helping the process of financial analysis and interpretation in the short term. There is a correlation between liquidity and bank performance (Arif & Nauman Anees, 2012; Marozva, 2015). By knowing the level of liquidity, a bank will be able to improve financial conditions when known that there are things that can make the performance of the company's business less than optimal and efficient (Dunham, 2013).

Non Performing Financing (NPF)

Non-performing financing is a condition where the customer is unable to pay part or all of his obligations to the bank as agreed. This ratio is used to measure the level of financing problems faced by Islamic banks, the number of financing problems and the possibility that they cannot be collected. The greater the NPF value, the worse the bank's performance will be (Fianto, Maulida, & Laila, 2019).

Non Performing Financing (NPF) shows the collectability of an Islamic bank in collecting back the financing issued by the bank until it is paid off. NPF is the percentage of non-performing financing (with the criteria of substandard, doubtful, and loss) to the total financing issued by Islamic banks (Afkhar, 2018). The study states that NFC mudharabah and musyarakah as well as bank ownership have a positive effect on the profitability of Islamic banks (Agustin, Hariswanto, & Bustamam, 2018). More deeply, other findings reveal that NFC is a determinant of financial performance and has an impact on the growth of banking itself. Efforts must be made to avoid a rebound in troubled assets by introducing the concept of economic capital management, namely implementing overall risk management and accelerating the disposal of troubled assets and assets (Yu-xun, 2006).

Third-Party Funds (TPF)

Third Party Funds (TPF) are funds originating from the wider community which are the most important source of funds for the operational activities of a bank and are a measure of the success of the bank if it is able to finance its operations from this source of funds (Kustina, Dewi, Prena, & Suryasa, 2019). Sources of funds in question can be in Current Accounts, Time Deposits, and Savings. In this case, the customer saves his funds for an unspecified amount and the funds can be used by Islamic banks to be turned into financing in order to get profit sharing which will later be shared with depositors. The study states that the amount of third party funds in branchless banking applications has a significant effect on banking profits (Kustina et al., 2019).

Third party funds affect the financial performance of each company. In this case, it is not only a direct influence but also an indirect influence (Juliasari, 2020). Likewise in Islamic banking, macroeconomics in third party funds affect profitability (Maulayati, 2020).

Financial To Funding Ratio (FFR)

Financial to Funding Ratio (FFR). It is a policy to add components of securities issued to increase funding other than third-party funds (TPF). The regulation was carried out to encourage economic growth which was carried out through the growth of banking financing; adjustments were made to the reserve requirement policy (Ashraf, Rizwan, & L'Huillier, 2016). The size of each ratio determines the liquidity and illiquidity of a bank. What is clear is that a stable funding ratio is needed, especially in the face of the global financial crisis (Lallour & Mio, 2016).

However, it does not mean that the greater the liquidity ratio automatically shows good results, but it depends on each measurement and the importance of the ratio itself on the measurement of the Financial to Funding Ratio (FFR). The literature reveals that the application of the Net Stable Funding Ratio is able to increase the financial stability of the banking industry (Ashraf, L'Huillier, & Rizwan, 2015). Other studies have shown that during a financial crisis it has shown how acutely liquidity risk, both in terms of market liquidity risk and funding risk, can manifest itself in financial markets. More deeply, these findings suggest that companies pay attention to liquidity risk and its interaction with other banking risks (Chiaramonte, Casu, & Bottiglia, 2013).

Macroprudential Intermediation Ratio (MIR)

According to Van den End (2016), macroprudential authorities can target the long-term trend level of the intermediation ratio where the banking sector is functioning well and does not face the risk of excessive funding. propose macroprudential policies to prevent unsustainable LTD ratio levels and policy measures to counter unstable cyclical developments. In this case, excessively increasing regulatory complexity destabilizes banks (Neuberger & Rissi, 2012). It was further explained that financial policies related to macroprudential should focus on banking.

Previous studies examining the effectiveness of macroprudential policy and its interaction with monetary policy have found that the three are interrelated. There are four macroprudential instruments, namely the maximum loan-to-value (LTV) ratio, the countercyclical capital buffer (CCB), and the macroprudential intermediation ratios (MIR) and macroprudential liquidity buffer (MPLB) (Wijayanti, Adhi P, & Harun, 2018). Another study found that deregulation of macroprudential finance led to improvement and performance of the banking sector (Lekshmi & Ganesh, 2015).

Macroprudential Liquidity Buffer (MLB)

Sharia Macroprudential Liquidity Buffer (MLB Syariah) is a minimum liquidity reserve in Rupiah that must be maintained by BUK and BUS in the form of securities in Rupiah that can be used in monetary operations, the amount of which is determined by Bank Indonesia at a certain percentage of BUK and BUS deposits in Rupiah (Shihabudin, Sanjoyo, & Hendayana, 2021). The amount of MLB Syariah (BUS) is 4% of TPF BUS in rupiah. Components of Fulfillment of sharia securities in rupiah owned by BUS that can be used in sharia monetary operations (among others SBIS/SBSN)(Rahmawati, 2018; Cahyono & Rani, 2018).

In accordance with the characteristics of macroprudential instruments, the amount of MLB can be changed at any time in accordance with the results of an assessment of economic conditions and banking liquidity. If it is judged that liquidity is being flooded, the MLB amount will be increased so that banks can build reserves and prepare liquidity for later in conditions of tightening liquidity; this liquidity reserve can be used (Shihabudin et al., 2021).

RESEARCH METHOD

The research design used is a quantitative approach. According to Creswell (2009), quantitative approach requires researchers to explain how one variable affects other variables. The research investigates Non-Performing Financing, Third Party Funds, Financial To Funding Ratios, Macroprudential Intermediation Ratios, and Macroprudential Liquidity Buffers on Islamic banks liquidity issued by companies with a quarterly data period, from the third quarter of 2018 to the second quarter of 2019. The population in this study were 12 (twelve) Islamic commercial banks listed on the Indonesia Stock Exchange (IDX) by analyzing the financial statements of each bank during the study period.

The sampling method used is purposive sampling where the sample is taken by meeting certain criteria. There were 12 (twelve) samples obtained for 4 (four) quarters of observation, so that the final sample was 48 data observations. The data used in this study is secondary data from the Indonesia Stock Exchange website (www.bse.co.id), the Financial Services Authority (www.ojk.go.id) and banking sites. This study uses multiple regression models to test the Effect of Non-Performing Financing, Third Party Funds, Financing to Funding Ratio, Macroprudential Intermediation Ratio Instrumental Approach and Macroprudential Liquidity Buffer on Islamic Bank Liquidity.

RESULT AND DISCUSSION

Effect of Non-Performing Financing on Liquidity

The results of testing the NPF variable on Liquidity with a significant value of 0.001. The significant value of the NPF variable (0.001) <0.05 so that the first finding (hypothesis 1) shows a significant effect of the NPF variable on liquidity, so the hypothesis that NPF affects liquidity is supported. Based on the calculation results, it can be seen that Non-Performing Financing has an influence on liquidity. The size of the NPF shows the performance of a bank in managing the disbursed funds. The greater the NPF level indicates that the bank is unprofessional in managing its financing, on the contrary, the smaller the NPF level, the smaller the financing risk borne by the bank.

A study conducted by Hidayat (2010) found that NPF had a significant effect on liquidity (FDR). This indicates that investments from NFC companies listed on the Indonesia Stock Exchange may be

more sensitive to liquidity. It is very important for the government in terms of its fiscal and monetary policies to respond to the economic downturn due to Covid 19 pandemic where liquidity affects banking performance (Gourinchas, Kalemli-Özcan, Penciakova, & Sander, 2021). Financing as a form of funding provided by one party to another party is able to support the planned investment, either by itself or by an institution. In accordance with the function of financing, it can increase the usability of goods. With financing, there will be a transfer from an item from a place of less use to a more useful place. Thus, the purpose of financing will be achieved, namely the availability of funds for business improvement so as to minimize the risk of lack of capital in a business, especially for MSME actors (Nair & Das, 2019).

In the study of Islamic economics, financing in the Qur'an has allowed cooperation with a mutually beneficial profit-sharing system that is honest, equal, and provides benefits for both. The core of the financing mechanism basically lies in good cooperation between *shahibul maal* and *mudharib*. Ideally, the financing provided by Islamic banks can run smoothly. However, in practice, customers may experience difficulties in payments which result in non-current or substandard financing. If there is non-performing financing, Islamic banks will make efforts to deal with the non-performing financing. Non-performing financing settlement management can be done by applying risk control standards, resolving non-performing financing by selling assets, and making settlements through third parties (Karim, 2003). The literature reveals that the basic problem experienced by Islamic banks is how banks are able to maintain their liquidity level in a safe and optimal position in accordance with the bank soundness level parameters set by Bank Indonesia (Winoto & Bustaman, 2020). This is certainly outside the agreement on benefits for the community. The study states that the basis that can support efforts to resolve non-performing financing is restructuring (Fitriyah, 2020; Bidabad, 2019). Restructuring is carried out if the customer still has good faith in completing obligations. Islam emphasizes the importance of tolerance for customers experiencing difficulties (in the true sense) until the customers can fulfill the agreement again.

Effect of Third Party Funds on Liquidity

Based on the results of hypothesis testing, the significance test of Parameter T. The results of testing the Ln_TPF variable on liquidity with a significant value of 0.051. The significant value of the Ln_TPF variable ($0.051 > 0.05$), indicating that there is no significant effect of the Ln_TPF variable on Liquidity, this result provides evidence that the activity ratio variable (Ln_TPF) has no effect on Liquidity. Previous studies revealed the same finding that TPF growth had no effect on LDR (Kristina et al., 2021). Sawitri (2018) found that the prediction of third-party funds will also have an impact on the Return on Assets of banks listed on the Indonesia Stock Exchange. In theory, the larger the TPF, the lower the FDR ratio (Kim et al., 1998). The findings further explain that this occurs because the liquidity of Islamic banks increases after the increase in third-party funds. Thus, the increase in third-party funds does not always lead to good liquidity in banks.

Most of the capital owned by banks comes from third-party funds (TPF) in accordance with one of the bank's functions, namely collecting funds. There are 2 methods of collecting funds in Islamic banks, namely Wadi'ah and Mudharabah. Al-wadi'ah and mudharabah contracts in Law no. 21 of 2008 concerning Islamic Banking describes the mudharabah contract which is seen from two different activities, namely in terms of raising funds and in terms of financing.

Effect of Financial To Funding Ratio on liquidity

The results of testing the FFR variable on Liquidity with a significant value of 0.029. The significant value of the FFR variable (0.029) < 0.05, thus indicating a significant effect of the FFR variable on Liquidity, with a coefficient value of 0.873, this result provides evidence that the FFR variable has an effect on Liquidity, so the hypothesis that FFR affects Liquidity is accepted. Previous studies have shown that positive influence can be used as a reference in assessing the effectiveness of the company in generating profits by utilizing existing total assets (Suryani, 2012). To meet long-term sources of funds, of course, banks must pay attention to FFR (Ichwan & Nafik H.R, 2017; Ali & Aswan, 2016).

According to Law No. 24 of 2002, the components of securities issued include::

“1) Government bonds (SUN) are securities issued by the government in the form of debt acknowledgment letters in which interest and principal payments are guaranteed by the State according to their validity period and 2) State Islamic securities (SBSN) also called state sukuk, namely state securities issued by the government based on sharia principles. Is a certificate of equal value which is an undivided proof of ownership of an asset, benefit rights, and services or ownership of a particular project or investment activity.”

Existing instruments in Islamic banking must be in harmony and meet sharia principles, namely, among other things, transactions carried out by the parties must be fair, halal, thayyib, and maslahat. As in QS. An-Nisa (4): 29, which means:

“O you who believe! Do not eat each other's property in a vanity way (not true), except in trade that occurs on the basis of consensual between you. And do not kill yourself, indeed, Allah is Most Merciful to you.”

From these findings it can be understood that to encourage economic growth through the growth of banking financing, adjustments were made to the reserve requirement policy by adding a component of securities issued to increase funding other than third party funds (TPF).

Effect of Macroprudential Intermediation Ratio to Liquidity

The results of testing the MIR variable on Liquidity with a significant value of 0.880. The significant value of the MIR variable (0.880) > 0.05, indicating that there is no significant effect of the MIR variable on Liquidity. These results provide evidence that the activity ratio variable (MIR) has no effect to Liquidity. In fact, this instrument aims to encourage the creation of a balanced and quality intermediation function (Asmara, 2018). The new regulation on the Macroprudential Intermediation Ratio in measuring banking liquidity in Indonesia is a further refinement of the Loan to Deposit Ratio (LDR). Several factors including the ratio of bad loans (NPL) and capital adequacy ratio (CAR) have a positive and significant impact on MIR. While the Basic Loan Interest Rate (SBDK) variable and the number of bank branch offices have a positive but not significant effect on MIR (Kristiyanto & Widodo, 2020).

The banking funding structure shows the wider alternative funding sources for banks, especially in the form of loans or financing received. So it is necessary to take into account sources of funding in the form of loans or financing received, so that the distribution of funds can be optimized (Haralayya & Aithal, 2013). Various transactions in Islamic finance are in accordance with sharia, which are free from elements of the prohibition of usury, maysir and *gharar* (Karim, 2003). Allah SWT clearly and unequivocally forbids any kind of addition that is taken from a loan, as His word in Surah al-Baqarah verse 278-279 which explains prohibition of usury explicitly, clearly, definitely, completely, and absolutely forbids usury in its various forms, and not distinguished by size.

Effect of Macroprudential Liquidity Buffer on liquidity

The results of testing the MPLB variable on Liquidity with a significant value of 0.463. The significant value of the MPLB variable (0.463) > 0.05, indicating that there is no significant effect of the MPLB variable on Liquidity, this result provides evidence that the activity ratio variable (MPLB) has no effect on Liquidity. The average value of the Macroprudential Liquidity Buffer for all observation quarters (Q3 2018 to Q2 2019) had the highest value in the second quarter of 2019 which was 8115. Meanwhile, the lowest average value occurred in the first and second quarters of 2019. The highest Macroprudential Liquidity Buffer value for each quarter is owned by PT. Bank Victoria Syariah which occurred in the fourth quarter of 2018 was 34,899.

Bank Indonesia made adjustments to the formulation of MIR and Sharia MIR through the issuance of Bank Indonesia Regulation Number 20/4/PBI/2018 concerning Macroprudential Intermediation Ratios and Macroprudential Liquidity Buffers for Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Units. The amount of MIR is targeted in the range of 80-92%. With this policy, Bank Indonesia continues to optimize the macroprudential policy base to create an optimal balance between macroeconomic stability and the financial system.

Expand the financing component to include Securities purchased by BUK, BUS, and UUS, and expand the savings component to include SSB issued by BUS and UUS. For more details, the findings for partial hypothesis testing can be seen in the following table:

Tabel 1. T Parameter Significance Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	,215	,084		2,572	,014
NPF	,008	,002	,148	3,454	,001
Ln_TPF	-,014	,007	-,179	-2,005	,051
FFR	,873	,386	,902	2,260	,029
MIR	,057	,376	,060	,152	,880
MPLB	6,142E-9	,000	,069	,741	,463

Source: Data processed, 2021

$$\text{Liquidity} = 0.008 \text{ NPF} - 0,014 \text{ Ln_TPF} + 0.873 \text{ FFR} + 0,057 \text{ MIR} + 6,142\text{E} \text{ MPLB}$$

Some banks choose to carry out a strategy to have excess liquidity as a signal to the market that the bank has strong liquidity. The secondary reserves in the form of securities can be in the form of State Sharia Securities (SBSN) etc (Ibnudin, 2016). On the other hand, excess liquidity can also be interpreted as that banks have poor liquidity management so that they are not optimal in managing asset and liability portfolios. The instrument that must be done by the bank in order to remain liquid is to have a secondary reserve, which is a reserve that functions as a buffer for the primary reserve. In this case, the application of MPLB makes it possible to make loans to Bank Indonesia using securities that are calculated in the secondary reserve requirement. MPLB practitioners provide

additional access to bank funding if needed in the context of liquidity management (Dewi, 2018). Therefore, the findings show a positive relationship. What is clear, the policy towards this rule must also support even in conditions of rather tight liquidity such as during Covid 19 pandemic like this.

Effect of Non-Performing Financing, Third Party Funds, Financial To Funding Ratio, Macroprudential Intermediation Ratio and Macroprudential Liquidity Buffer on liquidity

The results of the F Anova statistical test obtained a significance value of 0.000, with a significance value less than 0.05, it can be said that NPF, TPF, NPF, MIR, and MPLB simultaneously affect liquidity. The latest study related to the financial performance of Islamic banks in Indonesia was examined during the 2014-2018 period. The findings reveal that the main driver of the low performance of Islamic banking is due to low quality assets, low income, and high inefficiency which ultimately results in low return on assets (Syafiril, 2018).

Of the 48 observation items, there are 7 Islamic banks that meet the criteria for Financing to Deposit Ratio above the standard of 78% in Islamic banking. The highest value of Financing to Deposit Ratio was achieved by PT. Bank Mega Syariah in the first quarter of 2019 amounted to 99,229. The lowest score was achieved by PT. Bank Muamalat Indonesia amounted to 68,054 in the second quarter of 2019. If the standard used by Bank Indonesia for the FDR ratio is 78% to 92%. it can be concluded that the banks have good management and can channel the funds that have been collected to those in need, and it can be said that the seven banks carry out their functions well. Simultaneous test results can be seen below:

Table 2. F Simultaneous Significance Test Results

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	,337	5	,067	123,303	,000 ^b
Residual	,023	42	,001		
Total	,359	47			

Source: Data processed, 2021

From table 2 above, it can be seen that independent variables such as NPF, Ln_TPF, FFR, MIR and MPLB, simultaneously affect FDR, where the significance value of 0.000 is significant at 0.05. Coefficient of Determination Test (R²). The value of the coefficient of determination is 0.929. This means that the variation in the liquidity variable at Islamic Commercial Banks can be explained by the variation in the variables of NPF, TPF, FFR, MIR and MPLB which is 92.9%. This figure means that the variables NPF, TPF, FFR, MIR and MPLB have an effect on the liquidity variable. While the remaining 7.1% is influenced by other variables outside the research model.

From the research results, it is proven that NPF, TPF, NPF, MIR and MPLB simultaneously have an effect on liquidity. These results illustrate that the higher the level of Non Performing Financing (NPF), the smaller the profit obtained by the bank from financing. This shows how many activities are carried out by the bank. The better the activities carried out by banks with liquidity management mechanisms, the more confidence customers will have to deposit funds/investments in banks, so that the higher the financiers that can be channeled by banks and policy updates that include securities instruments to increase the distribution of funds. The wider alternative sources of funding for banks,

especially in the form of loans or financing received by banks, can be optimized for channeling funds not only through financing but also with securities instruments, and Islamic banking always maintains liquid reserves in the form of securities.

The application of sharia in all fields of Islamic economics is important to do, especially in Islamic banking because Islamic banks are a subsystem of Islamic economics (Ginena, 2014). The goals to be achieved by Islamic economics are *mashlahah* (creating a better life) and achieving *falah* (the victory of the world and the hereafter). The philosophy of *al-falah* requires a Muslim to be oriented towards *maslahah* in every activity (Batubara, 2020). If a person uses the *maslahah* measure in his economic activities, both in production, consumption, and distribution, it is hoped that he will achieve *al-falah*, namely glory and victory in life. *Al-falah* in the hereafter becomes the ultimate goal of continuous processes in the world. Thus, the pursuit of material means in the world can be maximized in order to maximize worship to God more perfectly (Falah, 2015). These factors are useful in helping the process of financial analysis and interpretation. Minimize idle funds because if large number of idle funds will reduce bank profitability and help those who lack funds to carry out business. Allah SWT justifies the business carried out on a consensual basis and beneficial for those who do it.

CONCLUSION

Based on the description in the discussion, the authors conclude that Non-Performing Financing, Third Party Funds, Financial To Funding Ratios, Macroprudential Intermediation Ratios and Macroprudential Liquidity Buffers simultaneously affect the liquidity of Islamic banking in Indonesia. Of the five factors, three variables have no partial effect, namely Third Party Funds, Macroprudential Intermediation Ratio, and Macroprudential Liquidity Buffer; all three have no significant effect on the liquidity of Islamic banking in Indonesia.

The expected implication is that Islamic banking can pay attention to its financial performance, especially Third Party Funds because most of the bank's income comes from Third Party Funds, and always make updates to increase customer interest in investing their funds in the banks. In addition, optimizing the policy of providing capital is not only providing real financing but also with other instruments, such as issuing securities. It should always maintain the availability of banking liquidity reserves with Macroprudential Liquidity Buffers.

Customers must be more active in finding out which Islamic banking products can be profitable other than savings. Investors are advised to choose a bank that already has a very good predicate. The next researcher are advised to adds other independent variables and increases the research period to get more varied data and more visible results.

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