

INTRODUCTION

A country's economy is not separate from the existence of financial institutions. Depository intermediary or what we often call financial institutions. For Indonesian banking and financial institutions, the World Bank does not directly affect banking operations. But it is necessary to know and understand the side effects caused by agency operations given its enormous impact on the economy. The Financial Services Authority (OJK) agreed to synergise with the government, BI, and the Deposit Insurance Agency to support the national economic recovery. The policies proposed under the auspices of the Financial System Stability Committee are pre-emptive, extra ordinary, and advanced, so that the Indonesian economy can withstand the weaknesses caused by the Covid-19 pandemic.

The financial service industry in Indonesia is currently experiencing such rapid growth. Sharia banking assets experienced a growth of 14.2% until March 2022 (Monavia, 2022) and total sharia banking assets increased every year. This growth encourages high competitiveness between financial institutions, especially Islamic banking, in maintaining good performance, so that they can continue to compete healthily with others. Banking is like the foundation of the sustainability of the country, because it has the first position for intermediation. The failure of a bank can result in an effect in another industry. If the bank's intermediation process stops, the risks received will be extraordinary, namely disrupting the impact of the payment system and paralysing all economic activities (Kusdiana, 2014). The impact of the failure can lead to the destruction of all sectors of the economy.

Since the establishment of Bank Syariah Indonesia (BSI (BSM, BRIS, and BNIS) and other Sharia General Bank, the Indonesian economy has new hopes in its growth. It can be said that when Erick Thohir, Minister of BUMN, completed the merger of three (3) state-owned sharia banks, namely the beginning of BSI (BSM, BRIS and BNIS) during the COVID-19 pandemic is hope and significance for the country.

The State of Global Islamic Economy (SGIE) in 2020-2021 said that the Sharia economy in Indonesia managed to climb 4th place which was previously ranked 5th in 2019 and 2018 in 10th in the world. Referring to the previous data, sharia banking has hope in the future to be able to rise to the top 3 in the world. Therefore, it is hoped that Islamic banks in Indonesia will be stronger in their existence to have the ability and competitiveness to increase with the merger of the three sharia banks under the auspices of BUMN, namely BSM, BNIS and BRIS. OJK report shows, total assets owned by Sharia General Bank and UUS reached Rp.674,38 trillion in March 2022. That number increased by 1,43% from the previous month which amounted to Rp.664,89 trillion (Monavia, 2022). The existence of the number of assets owned raises optimism that BSI (BSM, BRIS, and BNIS) can become the world's high-end SH. In addition, BSI (BSM, BRIS, and BNIS) also participated in the development of the real sector, both UMKM and property. BSI (BSM, BRIS, and BNIS) which is a new idea contributes to encouraging property sector financing. This is because residential needs continue to increase from every year. The fact in the field was obtained that there are still many millennials who do not have a house occupancy. The existence of BSI can certainly be a way out (Andri, 2021).

In general, Sharia General Bank performance will continue to outperform BUK in 2021. CAR Sharia General Bank capital expenditure is increasing. The CAR Sharia General Bank rate will increase to 25.71% in 2021. Compared to the FDR BUK ratio of 77.49%, the FDR Sharia General Bank ratio of 70.12% indicates a downward trend in financing activity. Over the past 12 months, the bottom line Sharia General Bank tends to rise. At the close of 2021, the value of BOPO Sharia General Bank will reach 84.33%. (OJK, 2022). Sharia banking in Indonesia often uses methods of monitoring the success of individual banks, such as analysing financial measures. Because sharia banks are sharia Sharia General Bank iness matters, they must take into account more than just profit maximisation (high profitability) when making decisions (good sharia goals).

A total of 2,298 Sharia General Bank and UUS offices have been registered in March 2022 after the Covid-19 pandemic. That number was reduced by 182 units from 2,480 offices in the previous month. Indonesia's condition has recently been unstable so it is vulnerable to financial difficulties in several companies. That is the impact of the Covid-19 pandemic that has occurred from the economic sector. The impact of Covid-19 is very significant on the country's growth, many companies suffer so much that they do not report profits or even losses in their financial statements. One of them is the banking sector, the decline in bank income affects the bank's financial statements which can be seen by analysing financial ratios. Of course, if this condition lasts a long time, the company will have financial distress or financial difficulties.

Financial difficulties, as defined by (Fahmi, 2011), are periods of pre-bankruptcy or pre-liquidity of deteriorating financial circumstances. Bankruptcy arises if the company has not met its debts, especially those that mature quickly, such as debt in the form of cash or other liquid assets. According to (Dahruji & Muslich, 2022), various variables impact or create financial difficulties for companies, including lack of liquidity, high debt levels, and operational losses in recent years.

Referring to the fundamental role of sharia banks in the economy is necessary to maintain their existence. Especially in the case of liquidity problems, the lack of liquidity of each bank due to the inability to carry out operational plans is reflected in weak financial results. So, the bank management has problems, between increasing profitability with the risk of unstable conditions or maintaining high liquidity with the risk of declining company performance. Of course, this has a systemic impact on the country's economy. To avoid this, one of them is by predicting the bankruptcy of Sharia General Bank. By predicting, bank management is expected to make several efforts to minimise the occurrence of bank bankruptcy.

NPL equivalent to sharia banking, NPF, is used as a financial risk metric in the Financial Stress Index (FSI) Indonesia (Gunadi et al., 2013). In sharia finance, the NPL or NPF ratio reflects the competence of bank management in overcoming persistent credit problems (Hariyani, 2010). According to BI, the NPF ratio was developed to measure the level of difficulty of bank financing. If this percentage is high, then it indicates that the quality of Islamic bank funding is decreasing. In this study, logistical regression analysis is used through NPF for the financial distress value of a bank. The value of $NPF > 5\%$ implies that the bank is in a

difficult financial position. In contrast, a NPF of 5% or less is a sign of a strong financial institution.

The NPF ratio can be formulated as follows:

$$\text{NPF} = \frac{\text{Productive Assets 3,4,5}}{\text{Number of KAP}} \times 100$$

In BI regulations, there is credit collectability including: (Martono, 2010)

1. Collectability one or Current Credit
2. Collectability two or Credit in special attention
3. Collectability of three or Credit is not current
4. Collectability of four or Credit is doubtful
5. Collectability of five or Credit is stuck

NPF ranking assessment criteria in BI include:

Table 1.
Value Criteria NPF

No.	Ratio	Ranking
1.	$\text{NPF} < 2\%$	Very Healthy
2.	$2\% \leq \text{NPF} < 5\%$	Healthy
3.	$5\% \leq \text{NPF} < 8\%$	Pretty Healthy
4.	$8\% \leq \text{NPF} < 12\%$	Less Healthy
5.	$\text{NPF} \geq 12\%$	Unhealthy

Source: Indonesian Bank Circular Letter No. 13/24/DPNP 2011

Based on the above, and refers to previous research that takes into account the possibility of financial distress based on the profitability ratio. So in this study, the author uses the liquidity ratio to find out the possibility of financial distress with the title **“Prediction Of Financial Distress Of Sharia General Bank Through Financial Liquidity Ratio Period 2018 - 2021”**.